

The City of  
**Dothan, Alabama**



Comprehensive Annual Financial Report  
Fiscal Year Ended September 30,

**2019**

## **INTRODUCTORY SECTION**

**THE CITY OF DOTHAN**  
DOTHAN, ALABAMA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED  
SEPTEMBER 30, 2019  
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, 2019**  
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**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 12, 2020

**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, 2019, 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 Schedule 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, are eligible for Medicare. The City recognized a liability of \$46,777,651 for Other Post-Employment Benefits (OPEB) in Fiscal Year 2019.

Beginning in Fiscal Year 2017, the Government Accounting Standards Board (GASB) required implementation of GASB Statement 77, "Tax Abatement Disclosures", disclosure of 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, 2019. 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, 2019, 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 1,033 authorized positions for regular, full time employees; 74 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 \$6,000,000. 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           \$     1,150,380
- Capital Projects                         \$    28,226,979
- Employee Insurance                 \$     2,000,000
- Fire Station Construction           \$     1,160,844
- Infrastructure Disaster Reserve      \$    2,083,708
- Sewer Projects                         \$    6,523,323

The following capital improvement projects were completed during Fiscal Year 2019: maintenance of parks and city-wide facilities, fleet replacement, roundabout additions, entrance road at Dothan Preparatory Academy, and road improvements. These expenditures were funded by sales tax and utility revenues.

The City's capital investment program for Fiscal Year 2019 identified \$11.2 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 2019 accounted for \$8.9 million in expenditures. The remaining \$2.3 million was for projects that were not completed at the end of Fiscal Year 2019.

On June 4, 2019, the City of Dothan Commission authorized the issuance of a \$3,445,000 G/O Warrant for refunding the 2009 G/O Warrants that were issued for water and sewer improvements. The refunding will result in a gross savings of over \$100,000. The debt will be repaid in 10 years at an interest rate of 2.38%.

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, in October 2018 to \$6.48, and in October 2019 to \$6.78 per 1,000 gallons of metered water. Beginning with the October 2020 billing cycle, the rates will increase by 2.85% each October billing cycle. The additional funds from this sewer rate increase will help offset the cost of the debt service on the sewer improvements. In December 2012, the City of Dothan Commission approved a monthly fee of \$14.75 to every residential customer for the collection, hauling and disposing of refuse.

#### Debt Administration

The ratio of net bonded debt to assessed valuation and the amount of debt per capita are useful indicators of the City's debt position to municipal management, citizens and investors. This data for the City at the end of 2019 was as follows:

	<u>Amount</u>	Ratio of Debt to <u>Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$19,329,275	2.10%	\$283

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 2019 with over \$175 million of industrial investment and the addition of 300 new manufacturing jobs. New projects and expansions include Dothan Solar, LLC, Agri-AFC, Wayne Farms, Glasstream Powerboats, Dothan Warehouse Investors, LLC, Abbeville Fiber, LLC, and Tri-Delta Systems, Inc. The new ownership of sign manufacturer ID Associates was complete, as well as the acquisition of International Beam, now SmartLam North America, Dothan plant. The official opening of the new Abbeville Fiber Sawmill was a precedent setting regional economic development project with the State of Alabama, Cities of Abbeville and Dothan, and Henry and Houston Counties assisting through the expanded Industrial Development Authority of Houston and Henry Counties. Significant developments in the health care sector include the construction of the Health Center South Medical Tower, the expansion and new investment in technological equipment at Spectra Care Health Systems, the expansion in jobs at Southeast Health Cancer Services, and the acquisition and expansion of Flowers Medical Group Health and Wellness. The construction of the MidSouth Bank Financial Service Center and two Five Star Credit Union branches made significant additions in the finance sector, while the opening of Hilton's Home2 Suites and Fazoli's has contributed to the hotel and restaurant sector. Mural City Coffee Company and Diablo's Restaurant opened in downtown Dothan, supporting the City's downtown revitalization efforts. In the retail sector, American Thrift Stores opened in the former Toys R Us building. Current activities that are in motion for the future include increases in the nursing home arena, the Westside Retail development on US 84 West, the Eastside Retail development on US 84 East, and an 18,712 square foot dedicated gastroenterology facility in the US 84 East area. Industrial activity prospects continue with projects in the manufacturing and distribution sectors, and continued focus on filling Hangar #5 and #11 at the Dothan Regional Airport. Prospects for the area indicate continued need to expand the tight industrial building supply and tight available industrial building sites in order to enhance industrial activity. As with positive trend of tighter available buildings and land,

this leads to tighter available workforce. The Bureau of Labor Statistics showed significant employment highlights for the Dothan Metro Area for the year, with employment increasing from 59,857 to 62,073, a net gain in employment of 2,216. Through on-going efforts of Southeast Alabamaworks (Dothan Area Chamber of Commerce), Alabama Industrial Development Training, Wallace Community College, Dothan and Houston County School Systems, 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. This past year, these organizations developed seven training programs for area industry, and five cluster initiatives to meet the workforce needs in aviation, distribution, healthcare, manufacturing, and transportation. In addition, they helped establish apprenticeship programs for Higgins Electric and Bob Woodall Air Care Systems, and the new Surgical Technician program at Wallace Community College.

## **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, 2018. The City has received this prestigious award for the last 36 consecutive years (fiscal years ended 1983 – 2018).

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 15 consecutive years (fiscal years ended 2004 – 2018). 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



Kevin A. Cowper, AICP, ICMA - CM  
City Manager

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Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

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

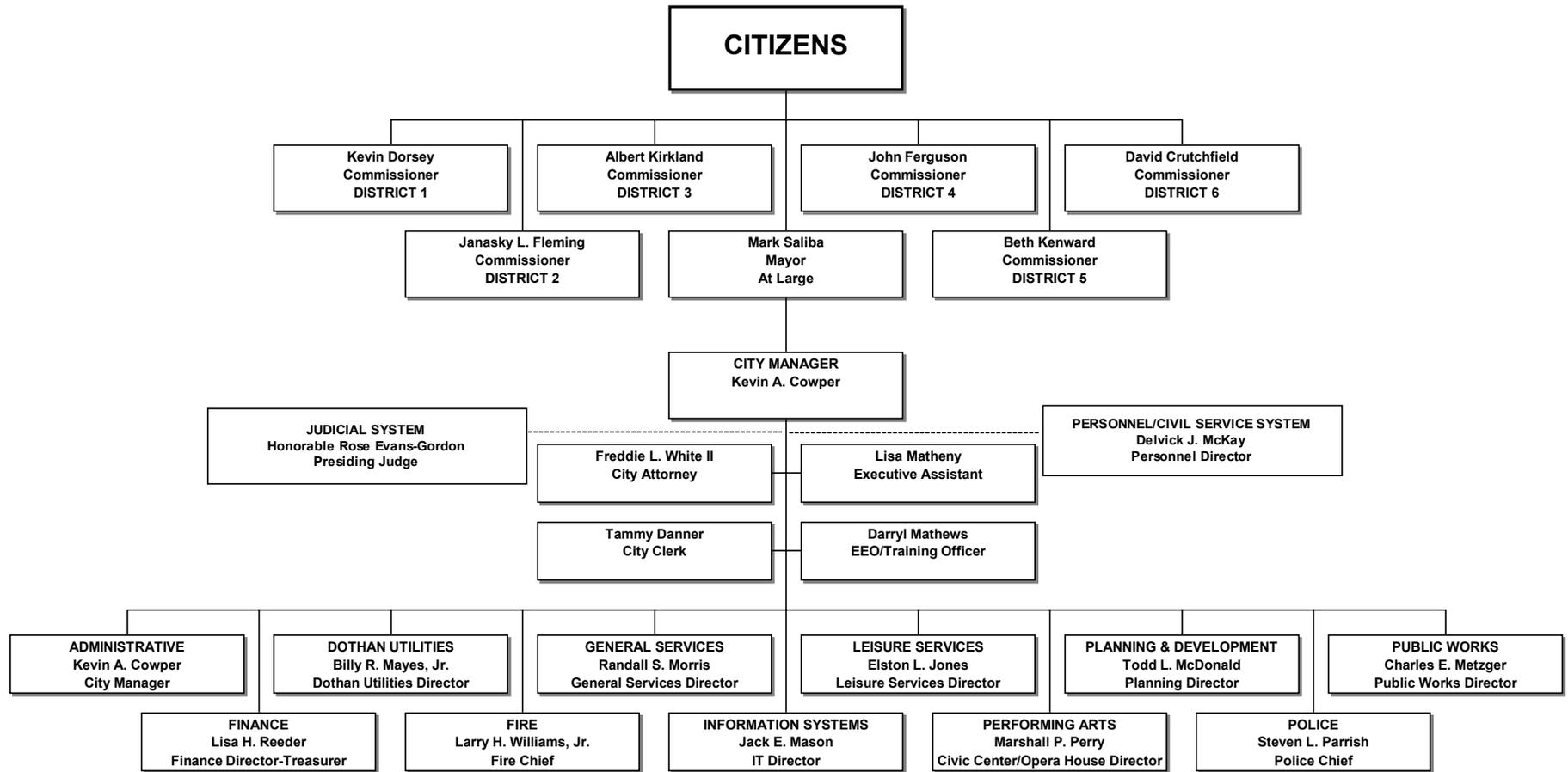
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2018**

*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**

Kevin A. Cowper	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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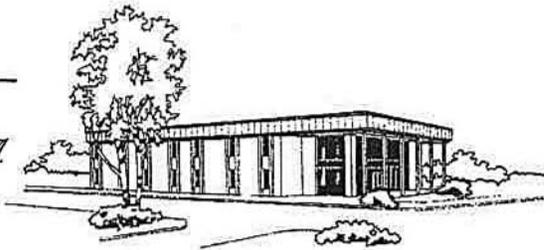
## **FINANCIAL SECTION**

*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*

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*3646 West Main Street*  
*Dothan, Alabama 36305*  
*Phone: (334) 793-1114*  
*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, 2019, 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, 2019, 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 79 through 84 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 12, 2020, 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,

A handwritten signature in blue ink that reads "McClinton, Nelson & Associates". The signature is written in a cursive, flowing style.

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

March 12, 2020

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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, 2019. 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 \$146,471,668. Of this amount, the City had a deficit unrestricted net position of \$48,214,455 offset by \$2,901,466 in restricted net position and \$191,784,657 in net investment in capital assets.
- The City's total net position increased by \$27,160,316 (22.76%) from \$119,311,352 at September 30, 2018 to \$146,471,668 at September 30, 2019. A detailed explanation of this increase can be viewed on page seven of this MD&A.
- Total net position for governmental activities increased by \$7,070,057 (97.25%), thus totaling a deficit \$199,602 for fiscal year 2019.
- At the close of fiscal year 2019, the City of Dothan's governmental funds reported combined fund balance of \$55,579,000. This was a decrease of \$841,736 (1.49%) compared to fiscal year 2018.

- The unassigned fund balance for the General Fund was \$16,241,919 for fiscal year 2019. This total is available for spending at the government's discretion.
- Sales and use tax, the City's single largest revenue source, increased 11.25% (\$7,547,334) during the 2019 fiscal year, reflecting continued growth in Dothan's economy.
- The City of Dothan's total debt decreased by \$9,501,515 (8.00%) during the current fiscal year, yielding a total outstanding debt of \$109,174,540 compared to last year at \$118,676,055.

## 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 fund which are considered to be major funds, and the school fund is considered to be a non-major fund.

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. While the total column on the Business-type Fund Financial Statements (see pages 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 33-78) 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, 2019 totaled \$146,471,668. Governmental Activities' net position increased by \$7,070,057, while Business-type Activities' net position increased \$20,090,259 during fiscal year 2019. The primary government's total net position increase of \$27,160,316 in fiscal year 2019 includes the following major changes: 1) an increase in net investment in capital assets of \$7,472,092; 2) an increase in restricted net position of \$2,633,248; and 3) a decrease in the deficit in unrestricted net position of \$17,054,976. 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 (130.94%) 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, 2019, was \$191,784,657. 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: \$230,703 for street and bridge maintenance, \$2,547,178 for public safety programs, and \$123,585 for education. The remaining balance of \$(48,214,455) 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	
	2019	2018	2019	2018	2019	2018
Current & Other Assets	\$ 67,640	\$ 66,324	\$ 99,432	\$ 93,059	\$ 167,072	\$ 159,383
Capital Assets	<u>116,342</u>	<u>108,022</u>	<u>182,061</u>	<u>173,330</u>	<u>298,403</u>	<u>281,352</u>
Total Assets	<u>183,982</u>	<u>174,346</u>	<u>281,493</u>	<u>266,389</u>	<u>465,475</u>	<u>440,735</u>
Deferred Outflows of Resources	26,735	16,075	4,043	3,306	30,778	19,381
Current & Other Liabilities	18,168	15,607	27,338	24,710	45,506	40,317
Long-term Liabilities	<u>186,807</u>	<u>176,071</u>	<u>110,467</u>	<u>117,424</u>	<u>297,274</u>	<u>293,495</u>
Total Liabilities	<u>204,975</u>	<u>191,678</u>	<u>137,805</u>	<u>142,134</u>	<u>342,780</u>	<u>333,812</u>
Deferred Inflows of Resources	<u>5,942</u>	<u>6,013</u>	<u>1,060</u>	<u>980</u>	<u>7,002</u>	<u>6,993</u>
Net Position						
Net Investment in Capital Assets	99,180	100,928	92,604	83,385	191,784	184,313
Restricted for:						
Public safety programs	2,547				2,547	
Street and bridge maintenance	231	159			231	159
Education	124	109			124	109
Unrestricted	<u>(102,282)</u>	<u>(108,466)</u>	<u>54,067</u>	<u>43,196</u>	<u>(48,215)</u>	<u>(65,270)</u>
Total Net Position (Deficit)	<u>\$ (200)</u>	<u>\$ (7,270)</u>	<u>\$ 146,671</u>	<u>\$ 126,581</u>	<u>\$ 146,471</u>	<u>\$ 119,311</u>

### Normal Impacts Affecting The Statement of Net Position

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

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

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

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

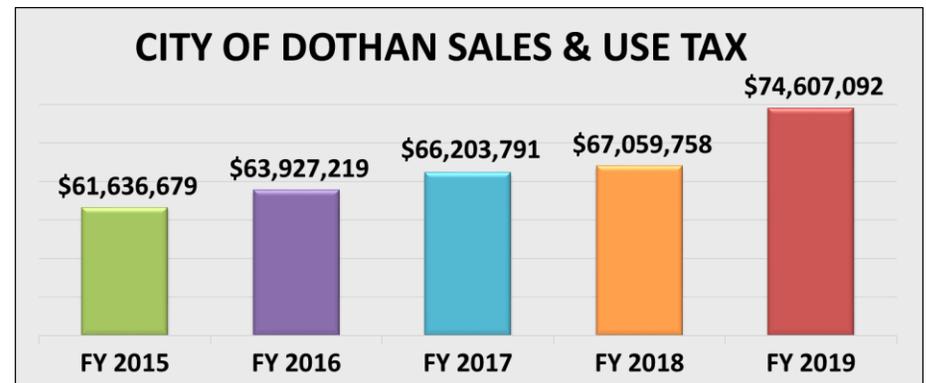
**Spending of Non-Borrowed Current Assets on New Capital** – which will (a) reduce current assets and increase capital assets, and (b) reduce unrestricted net position and increase net investment in capital assets.

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

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

At the end of the current fiscal year, the City of Dothan was able to report positive balances in all categories of net position for the business-type activities. The governmental activities reported positive balances in all categories except for unrestricted net position. This was a result of the implementation of GASB Statement No. 68 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 \$74,607,092 in 2019. This revenue reflected an increase of \$7,547,334 (11.25%) compared to \$67,059,758 in 2018. 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, 2019**  
**(In Thousands)**

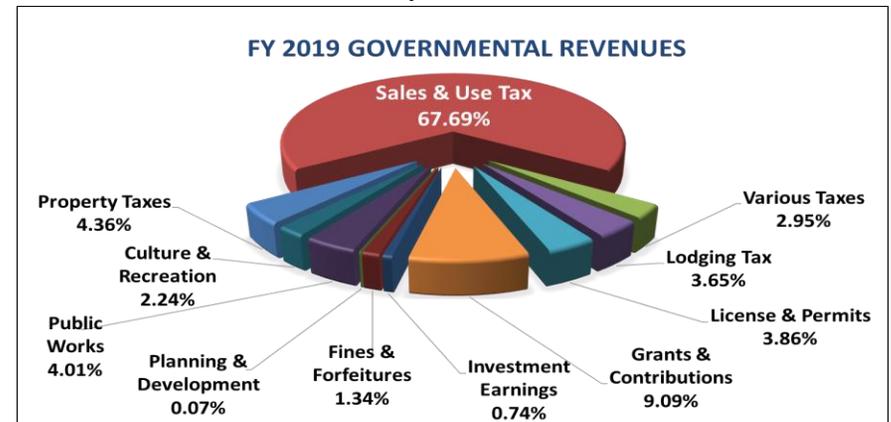
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 12,697	\$ 13,026	\$ 126,596	\$ 125,334	\$ 139,293	\$ 138,360
Operating grants & contributions	1,613	3,117			1,613	3,117
Capital grants & contributions	1,717	3,270	1,784	354	3,501	3,624
<b>General Revenues:</b>						
Property taxes	4,801	4,736			4,801	4,736
Other taxes	81,883	73,668			81,883	73,668
<b>Grants &amp; contributions not restricted to specific programs</b>						
Other	2,193	1,007			2,193	1,007
Other	5,313	1,718	3,477	1,852	8,790	3,570
<b>Total Revenues</b>	<b>110,217</b>	<b>100,542</b>	<b>131,857</b>	<b>127,540</b>	<b>242,074</b>	<b>228,082</b>
<b>EXPENSES</b>						
<b>Governmental Activities:</b>						
General government	16,827	13,163			16,827	13,163
Public safety	38,938	36,681			38,938	36,681
Public works	21,945	20,260			21,945	20,260
Planning & development	2,772	2,788			2,772	2,788
Health & welfare	4,154	3,600			4,154	3,600
Culture & recreation	13,994	13,809			13,994	13,809
General services	5,015	4,926			5,015	4,926
Insurance	467	216			467	216
Education	4,966	4,593			4,966	4,593
Interest on long-term debt	336	454			336	454
<b>Business-type Activities:</b>						
Electric department			75,186	77,195	75,186	77,195
Water department			6,450	6,754	6,450	6,754
Sewer department			7,998	8,166	7,998	8,166
Billing-collection department			1,920	1,532	1,920	1,532
Meter reading department			900	841	900	841
Depreciation			9,540	9,290	9,540	9,290
Miscellaneous			311	394	311	394
Gain (loss) on disposition of capital assets			772	265	772	265
Bond issue costs						
Interest and fiscal charges	-	-	2,423	2,542	2,423	2,542
<b>Total Expenses</b>	<b>109,414</b>	<b>100,490</b>	<b>105,500</b>	<b>106,979</b>	<b>214,914</b>	<b>207,469</b>
Change in net position before transfer	803	52	26,357	20,561	27,160	20,613
Transfers	6,267	6,894	(6,267)	(6,894)	-	-
Change in net position	7,070	6,946	20,090	13,667	27,160	20,613
Beginning net position	(7,270)	(14,216)	126,581	112,914	119,311	98,698
<b>Net position (deficit) September 30</b>	<b>\$ (200)</b>	<b>\$ (7,270)</b>	<b>\$ 146,671</b>	<b>\$ 126,581</b>	<b>\$ 146,471</b>	<b>\$ 119,311</b>

**Statement of Activities**

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

Governmental activities increased the City of Dothan's net position by \$7,070,057. Governmental revenues totaling \$110,216,915 increased \$9,674,607 or 9.62% over fiscal year 2018 (\$100,542,308). Governmental expenditures totaling \$109,414,313 increased \$8,924,018 or 8.88% over fiscal year 2018 (\$100,490,295). Key elements in the change of net position are listed below.

- Taxes increased \$8,279,047 (10.56%) primarily from sales taxes increasing \$7,547,334. Various other taxes had a net increase of \$731,713 over the previous year. These increases were offset by a decrease in franchise taxes in the amount of \$288,929.
- Grant revenues decreased \$1,870,777 (25.30%) due to a decrease in revenue contributed by the Wiregrass Foundation for the Public Safety Training Center and from Community Development Block Grant Funds, which was offset by an increase in revenue from the U.S. Department of Transportation.
- Charges for services decreased \$328,785 (2.52%). The majority of this was due to a decrease in culture and recreation revenue of \$597,613 which was offset by an increase in public safety revenue of \$145,603 received from drug seizure revenue and court fines and cost and an increase in general government revenue of \$64,323.
- Expenses increased \$8,924,018, which was primarily due to the funding for new public safety facilities, maintenance of facilities and downtown revitalization and economic development.

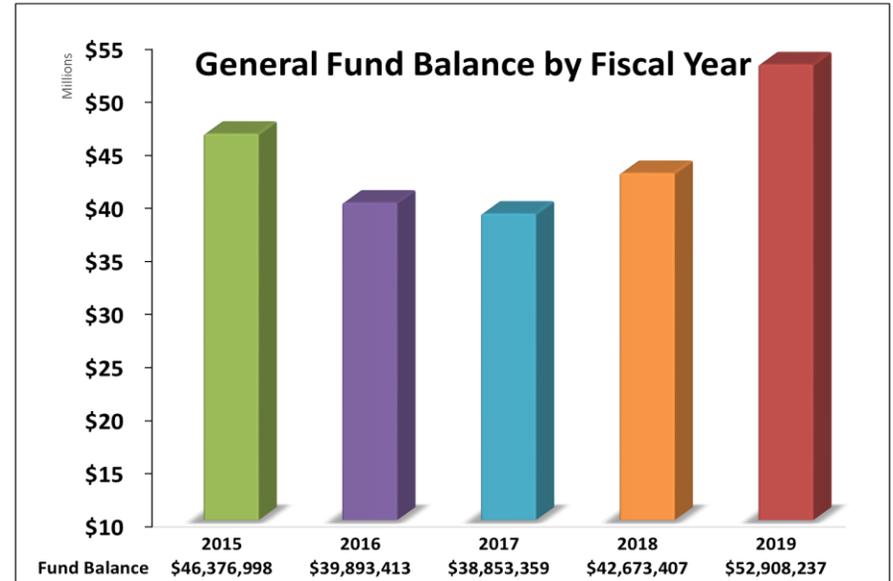


Business-type activities increased the City of Dothan's net position by \$20,090,259. A key element was due to an increase in charges for services for water and wastewater/sewer and investment earnings.

Fund Balance			
<b>Nonspendable:</b>		<b>Assigned to:</b>	
Inventories	\$ 398,346	Capital Projects	\$ 10,658,059
		Information Technology	404,895
<b>Restricted for:</b>		Economic Development Projects	730,000
Public Safety Programs	\$ 2,547,178	Public Safety Programs	1,247,683
Street & Bridge Maintenance	230,703	Public Works Projects	113,502
Education	123,585	Culture & Recreation	136,988
	\$ 2,901,466	Facility Maintenance	1,338,957
<b>Committed for:</b>		Debt Service	1,217,750
Capital Projects	\$ 3,840,159	Self-Insurance Claims	9,845,417
Information Technology	269,916		\$ 25,693,251
Economic Development Projects	1,300,000		
Public Safety Programs	1,311,860	Unassigned	\$ 16,241,919
Public Works Projects	3,096,856		
Planning & Community Develop.	123,448		
Culture & Recreation	91,306		
Facility Maintenance	310,473		
	\$ 10,344,018	<b>Total Fund Balance</b>	<b>\$ 55,579,000</b>

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 \$55,579,000 a decrease of \$841,736 (1.52%) in comparison with the prior year of \$56,420,736. Of this total fund balance, \$16,241,919 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 2019 the total fund balance was \$52,908,237 (\$398,346 was nonspendable, \$230,703 was restricted, \$10,344,018 was committed, \$25,693,251 was assigned and \$16,241,919 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 \$16,241,919 represents 16.49% of the general fund expenditures which equal \$98,479,843, while the total general fund balance of \$52,908,237 represents 53.73% of the general fund expenditures. The fund balance of the City of Dothan's general fund (\$52,908,237) increased by \$10,234,830 (23.98%) from 2018 (\$42,673,407).

The general fund's total assets increased by \$12,167,630 during 2019. The increase in cash and cash equivalents was largely due to additional revenue received from sales and use 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 (\$10,532,286) increased from the previous year (\$8,689,587) by \$1,842,699 (21.21%). The most significant components were vouchers/accounts payable which increased \$1,083,216. In addition, accrued liabilities payable, payable to other governments and unearned revenue increased by \$760,191, \$3,489 and \$22,929, respectively.

Total deferred inflow of resources (\$4,247,401) increased by \$90,101 (2.17%). This was due to an increase in deferred property taxes and special assessments.

The debt service fund has a total fund balance of \$0 compared to \$0 in fiscal year 2018. 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 \$146,671,270 compared to last year's amount of \$126,581,011. The utility fund experienced an increase in net position in the amount of \$20,090,259. 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 15<sup>th</sup> of each year. At this time, the city manager is required to submit to the commission this budget, which shall encompass new programs or activities, capital

expenditures and new personnel additions. During this budget message, the city manager shall submit his recommendation of new sources of revenue or manner of increasing existing sources of revenue, sufficient to balance the budget, if such additional revenue is necessary to accomplish that purpose. A five year forecast is also presented, along with ten years of departmental history, a listing of all major maintenance projects, additional equipment and fleet needs, as well as capital projects for the next five years.

The fiscal year 2019 *final* general fund budget projected \$91,141,404 in revenues, \$132,730,943 in expenditures and \$3,624,350 in other financing sources/uses, producing a planned reduction of \$37,965,189 in the general fund's balance. Actual amounts for revenues (\$109,926,118), expenditures (\$109,789,333) and other financing sources/uses (\$993,319) netted to a \$856,534 decrease, rather than the expected \$37,965,189 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 \$18,566,588 over budget. Some major contributors to each revenue (actual) source being over/under from the final budget are listed as follows:

- \$13,989,814 Increase in Taxes - property (over \$299,941), motor vehicle property tax (over \$100,712), sales & use tax (over \$12,407,092), alcohol and malt beverage tax (over \$118,351), lodging tax (over \$890,271), cable/phone franchise fee (over \$107,319), and gas district franchise fee (over \$66,128)
- \$594,949 Increase in License and Permits – privilege and insurance license (over \$520,787), building permits (over \$65,805), and miscellaneous (over \$8,357)
- \$1,516,285 Increase in Intergovernmental – Wiregrass Foundation grant (over \$107,575), Community Development Block Grants (under \$80,456), Bureau of Justice, Homeland Security, Emergency Management Agency Grants, and U.S. Department of Transportation (over \$750,546), Alabama Trust Fund (over \$88,785), U.S. Environmental Protection Agency (over \$117,769), financial institution funds (over \$352,140), gas tax revenues (over \$156,309), and miscellaneous intergovernmental revenues (over \$23,617)
- \$636,047 Increase in Charges for Services - solid waste fees (over \$417,555), civic center/opera house ticket sales/facility fees and

rental (over \$90,434), weed abatement liens (over \$18,955), planning and zoning application fees (over \$27,797), false burglar fees (over \$11,415), recreational programs (over \$80,582), and miscellaneous income (under \$10,691)

- \$203,653 Decrease in Fines and Forfeitures - drug seizure (over \$179,131), court costs (under \$36,409), court fines (under \$329,703), false alarm fees (under \$1,480), pre-trial diversion fees (under \$5,840), and miscellaneous fines and forfeitures (under \$9,352)
- \$825,440 Increase in Interest – an increase in the interest rate environment during fiscal year 2019 resulted in an increased amount of interest income
- \$1,425,832 Increase in Miscellaneous – disaster recovery relief (over \$2,218,636), landfill use fees, recycling and garbage cart sales (under \$998,815), purchasing card rebate (over \$57,442), junk sales (under \$36,362), reimbursement from a claim by the stop loss re-insurance carrier (over \$161,843), confiscated items sold (over \$22,258), emergency 911 revenue (under \$49,906), property damage recovery (over \$7,084), photocopy printing (over \$21,227), contributions/donations (over \$15,364), Knox box sales (over \$3,341), animal control and adoption fees (over \$2,221), telephones in the jail (over \$9,478), ATM and credit card fees (over \$1,146), and miscellaneous income (under \$9,125)

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$6,199,581 in fiscal year 2019. Non-departmental expenditures were under budget by \$2,577,441 which was due to health insurance claims compared to premiums (\$2,411,368). Capital outlay expenditures were under budget \$14,164,588. This was primarily due to major purchases and projects not completed, but carried over to FY 2020 as follows: \$3,508,790 for new building construction and maintenance, \$1,286,379 for sidewalk and paving projects, \$621,151 for computer upgrades, \$120,744 for bridge and storm drainage replacements, \$74,611 for new playgrounds, \$44,192 for traffic upgrades, and \$2,273,853 for vehicles and equipment for Police, Fire, Public Works, and General Services. Budgeted funds totaling \$5,217,403 for projects were unencumbered at year end. Other financing sources and uses actual amounts compared unfavorably with the budget by \$4,617,669.

The total operating budget was increased by \$10,200,151 in the *final* budget as follows: departments (over \$7,483,285), insurance (over \$760,117) and capital outlay (over \$1,956,749). Although almost all departments' budgets were increased in the final budget (\$7,483,285), the *largest increases* are denoted as follows: general administration increased \$1,500,000 for Howell School conversion to senior housing; information technologies increased \$340,000 for telephone services; public safety increased \$131,276 for personal services due to Hurricane Michael, \$413,592 for school protection officers and \$292,200 for Motorola radio contract; public works increased \$1,052,100 for Hurricane Michael cleanup and \$1,150,000 for garbage and trash disposal; planning increased \$259,620 for community development block grants; culture and recreation increased \$315,956 for summer and at-risk food service programs; and health and welfare increased \$427,500 for additional lodging tax for the Convention and Visitor's Bureau.

The actual revenues in the general fund (\$109,926,118) were \$18,784,714 over final revenue projections (\$91,141,404). During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$2,970,848 under the *final* budget. The additional appropriations totaling \$26,070,646 were funded from: (1) the revenue sources in the following table in the amount of \$2,970,848; (2) encumbrances from fiscal year 2018 which were carried forward to fiscal year 2019 totaling \$15,841,618 (general fund beginning budget included these encumbrances which were funded from the general fund balance); and (3) the remaining \$7,258,180 was budgeted from the available unassigned fund balance.

**Additional Revenue Sources Increasing Fiscal Year 2019 Budget**

\$ 1,247,981	- disaster recovery
700,620	- federal, state and local grants
47,131	- police seizure income
297,825	- summer/at-risk food service program funds
427,500	- lodging tax
53,000	- stop loss insurance refunds
51,750	- court fines and fees
145,041	- special event & miscellaneous revenues
<u>\$ 2,970,848</u>	

The additional appropriations (\$7,258,180) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- **General Administration - \$976,720 as follows:** \$1,500,000 for Howell School Revitalization for senior living; \$100,000 for Foster Fest Expansion Project; and (\$623,280) for vehicle replacements
- **Information Technology - \$822,796 as follows:** \$453,796 for fiber optic infrastructure; \$340,000 for telephone expenses; \$15,500 for Milsoft Engineering Analysis Software; and \$13,500 for RescueNet Software
- **Police - \$705,792 as follows:** \$292,200 for Motorola radio contract; and \$413,592 for School Protection Officers
- **Fire - \$693,615 as follows:** \$656,615 for pumper truck; and \$37,000 for utility expenses
- **Public Works - \$2,541,383 as follows:** \$999,960 for landfill expansion; \$1,234,000 for garbage, trash and recycling disposal; \$158,000 for equipment; \$27,346 for personal expenses related to Hurricane Michael; \$7,077 for traffic signal evaluation; and \$115,000 for S. Park/Taylor Road roundabout
- **Planning & Development - \$167,320 as follows:** \$157,320 for business license refunds; and \$10,000 for fencing
- **Leisure Services - \$948,497 as follows:** \$787,029 for Water World improvements; \$49,500 for track and field facility master plan; \$23,837 for staffing at Andrew Belle Center; \$18,131 for summer and at-risk food service program; and \$70,000 for utility services
- **General Services - \$143,907 for Hurricane Michael repairs**
- **Other Financing Sources/Uses - \$258,150 for entrance drive construction at Dothan Preparatory School**

## Capital Asset and Debt Administration

The City of Dothan’s investment in capital assets for its governmental and business-type activities as of September 30, 2019, amounts to \$298,402,243 (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 \$8,317,948. This increase resulted from additional capital assets totaling \$23,590,989 (see following table) decreased by accumulated depreciation totaling \$10,740,708. In addition, this total was reduced by \$7,436,955 (includes construction in progress placed in service of \$4,225,133) of capital assets which were retired and offset by recaptured depreciation of \$2,904,622.

<b>GOVERNMENTAL CAPITAL ASSET ADDITIONS (In Millions)</b>	
Building Improvements (Fuel Dispensing & Storage, Opera House ADA Improvements & Parks)	\$ 2.2
Additions & Improvements Including Streets, Sidewalks & Drainage	1.5
Software Upgrades & Computer Equipment	.9
Equipment (Canine, Traffic Signal Battery Back-ups & Leisure Services Playground Equipment)	.5
Vehicles (Police, Fire, Public Works, Leisure & General Services)	2.8
Construction Projects (Training Facility, Road Widening and Bridges, Fire Truck Build, Traffic Signal Cabinets, Landfill Expansion, Water World Expansion & Fiber Optics)	15.7
<b>Total Capital Asset Additions</b>	<b>\$23.6</b>

The business-type capital investments increased by \$8,731,598. This increase resulted from additional capital assets totaling \$26,211,837 decreased by accumulated depreciation totaling \$9,539,856. In addition, this total was reduced by \$8,847,243 (includes construction in progress placed in service of \$7,516,744) of capital assets which

were retired and offset by recaptured depreciation of \$906,860 as follows:

<b>BUSINESS-TYPE CAPITAL ASSET ADDITIONS (In Millions)</b>	
Electric System & Substation Improvements	\$ 4.6
Water Improvements	1.8
Sanitary Sewer Improvements	.6
Equipment (Electric, Water, Sewer)	.3
Vehicles	1.1
Construction Projects	17.8
<b>Total Capital Asset Additions</b>	<b>\$26.2</b>

- **SANITARY SEWER IMPROVEMENTS**

In May 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 September 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; \$2,020,474 has been expended to date. In April 2018, Blankenship Contracting, Inc. was awarded a contract in the amount of \$557,117 for sanitary sewer improvements for Cherokee Avenue and Cornell Avenue. Change orders in February 2019 for \$26,266 and February 2020 for \$25,053 increased the total contract price to \$608,436; \$583,383 has been expended to date. In June 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. A change order in November 2019, in the amount of \$99,615 brings the total contract price to \$1,768,000; \$1,096,341 has been expended to date. In February 2019, L and K Contracting Company, Inc. was awarded the contract for sanitary sewer improvements on Woodburn Road in the amount of \$1,535,625. A change order in the amount of \$170,900 increased the total cost to \$1,706,525; \$1,236,476 has been expended to date. In December 2019, BLD Services, LLC was awarded the contract for sanitary sewer rehabilitation of the BO-21 area in the amount of \$4,388,957; \$2,843,002 has been expended to date.

- **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. In December 2019, a change order increased the contract by \$35,385, bringing the completed contract total to \$393,295. 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 at \$1,500,000; \$885,323 has been expended to date, and while the acquisition for the bridge is complete, the acquisition for the lanes is continuing. In June 2015, the City entered into a contract with the State of Alabama 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. at a cost of \$295,000. The bridge portion of the project was completed in June 2017 at a cost of \$3,553,957, with \$1,484,800 funded with Federal ATRIP funds, and \$548,464 funded with Alabama Public Road and Bridge funds. As of the audit report date, expenditures for the widening portion of the project are \$1,278,618.

- **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, \$1,610,014 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 and is fully 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. In August of 2019, a contract in the amount of \$277,000 was awarded to CDG Engineers & Associates, Inc. for construction, engineering and inspection of Landfill Cell 6 Construction project; with \$199,567 expended to date. A contract for the construction in the amount of \$3,262,645 was awarded to Wiregrass Construction Co., Inc.; with \$2,258,397 expended to date. A landfill compactor was purchased at a cost of \$754,323 and a new concrete platform truck scale at a cost of \$127,000 has been requisitioned. As of the audit report date, the project cost including land and \$116,460 cost to satisfy mitigation requirements is \$4,593,749.

- **OMUSSEE CREEK WASTEWATER TREATMENT PLANT**

In December 2014, a contract in the amount of \$2,100,000 was awarded to Barge Design Solutions 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; the contract completed at a cost of \$39,206,254. Barge Design Solutions 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 \$43,401,512.

- **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; \$18,234,899 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. 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 was completed in February 2020.

- **ROSS CLARK CIRCLE WIDENING**

In May 2018, the City began the process of widening Ross Clark Circle from Bauman Street to Cherokee Street. The engineering contract for water and sanitary sewer relocation was awarded to Atkins North America, Inc. in February of 2018, for \$266,518. Change orders for Atkins increased the original contract by \$91,500 in October 2019 and by \$66,886 in February of 2020, bringing the total contract to \$424,904; with \$341,232 expended to date. The scope of the utility relocation required the project to be separated into two phases. L and K Contracting, Inc. was awarded the bid for Phase 1 of the project in December 2018, in the amount of \$468,850; with \$388,272 expended to date. The contract for Phase 2 was awarded to Blankenship Contracting, Inc. in March 2019, in the amount of \$4,481,507; with \$1,859,612 expended to date. The total cost of the project to date is \$2,589,116.

- **HIGHWAY 84/ACOM SHARED-USE TRAIL**

In April 2018, the City entered into an agreement with Alabama Department of Transportation to participate in the construction of a 10-foot wide asphalt shared use trail on the north side of the westbound lanes on US-84. The total cost of the project completed in 2019 was \$639,766 with the City receiving funding of \$400,000 through the Transportation Alternatives Program.

- **WATER WORLD EXPANSION**

In August 2019, the City received bids for the Water World Slide design, manufacturing and delivery services. A contract in the amount of \$585,000 was awarded to Splashtacular, LLC with \$526,500 expended to date. Barge Design Solutions was awarded the contract

to provide engineering architectural design and consultation for slide and pool expansions in the amount of \$195,000 with a change order for an additional \$19,000 for a total of \$214,000; with \$174,000 expended to date. Construction services for the slide project were awarded to Lewis Construction, LLC in December 2019, in the amount of \$1,870,000. Barge Design Solutions has also been awarded a contract in the amount of \$68,000; for services to perform engineering, design and consultation to move the kiddie pool for the Water World improvement project. The total project cost as of the audit date is \$708,579.

- **EASTGATE MULTIPURPOSE FACILITY**

In February 2018, the City awarded a bid to Tolleson Construction, LLC for a new multi-purpose facility at Eastgate Park. The awarded amount of \$1,321,934 included the building at \$1,223,556, curbing at \$13,800, storm drainage at \$59,800, sidewalks at \$4,796, driveway replacement at \$805, and light poles and fixtures at \$19,177. The project completed at \$1,319,485, \$2,449 under the original contract amount in August 2019.

- **ADVANCED METERING INFRASTRUCTURE**

In November 2017, the City received approval for a pilot program for Advanced Metering Infrastructure (AMI). The City entered into contracts with Superior, LLC to develop interfaces between the City’s current Customer Information System (CX) and Aclara Technologies, LLC which included billing development and project management at a cost of \$69,620. Upon completion of the pilot program, the City entered into a contract with Aclara Technologies, LLC for full deployment of electric and water AMI; to include project planning, interface configuration and testing, and network development at a cost of \$488,613; with \$399,062 expended to date. Cintel Solutions, Inc. provides a fully functional meter exchange process and work order management system that includes software, hosting services and integration with CX for mass meter exchanges at a cost of \$39,375. The City contracted with Exceleron for online customer payments and customer usage monitoring. Interfaces for Exceleron are being created at a cost of \$15,610; with \$5,910 expended to date. In order to streamline daily workflow HelpSystems – IL, LLC provided license for an IBM job scheduler for proactive job monitoring at a cost of \$12,398. Dothan Utilities is utilizing city personnel for the electric meter exchange and has expended \$294,000 in materials. In May

2019, a contract for water meter exchange was awarded to Pedal Valve, Inc. in the amount of \$2,088,100; with \$563,603 expended to date. The AMI project cost as of the audit report date is \$1,409,608.

<b>Capital Assets As of September 30 (In Thousands)</b>						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land and Easements	\$ 12,277	\$ 12,277	\$ 4,325	\$ 4,311	\$ 16,602	\$ 16,588
Buildings	82,634	81,330	5,362	5,315	87,996	86,645
Improv. other than Bldgs.	74,001	71,622	238,774	232,882	312,775	304,504
Machinery & Equipment	59,247	57,757	14,902	13,808	74,149	71,565
Infrastructure	457,284	457,736			457,284	457,736
Construction in Progress	22,172	10,739	55,765	45,448	77,937	56,187
<b>Total Capital Assets</b>	<b>\$707,615</b>	<b>\$691,461</b>	<b>\$319,128</b>	<b>\$301,764</b>	<b>\$1,026,743</b>	<b>\$993,225</b>

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

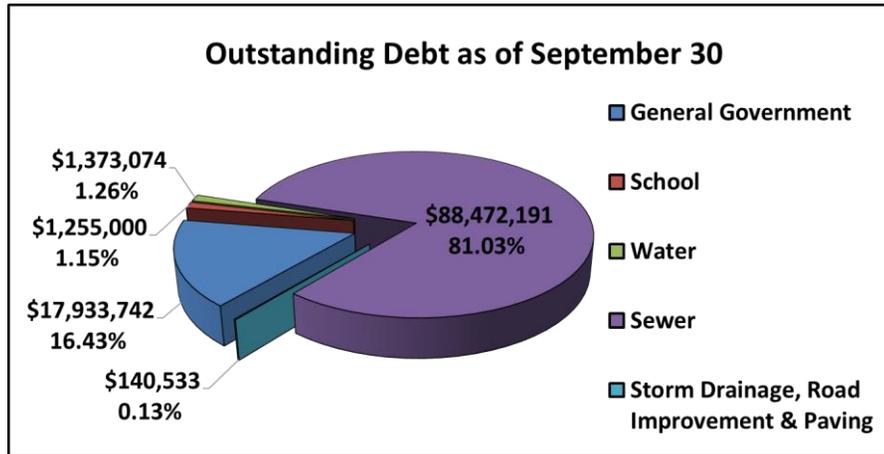
## Debt Outstanding

As of the fiscal year end, the City of Dothan had \$109,174,540 in gross debt outstanding compared to \$118,676,055 last fiscal year end; thus, decreasing debt by \$9,501,515 (8.00%) during the current fiscal year.

Debt Type	2016	2017	2018	2019
General Government	\$ 4,071,884	\$ 20,479,584	\$ 19,222,860	\$ 17,933,742
School	4,650,000	3,575,000	2,440,000	1,255,000
Sewer	108,686,621	101,934,135	95,279,351	88,472,191
Storm Drain & Road Imp	2,630,467	1,462,157	293,844	140,533
Water	1,625,000	1,535,000	1,440,000	1,373,074
<b>Totals</b>	<b>\$ 121,663,972</b>	<b>\$128,985,876</b>	<b>\$118,676,055</b>	<b>\$109,174,540</b>

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City's corporate limits. Debt issued for schools, water and sewer purposes is exempt from the legal debt limit. The current constitutional debt limitation for the City of Dothan is \$187,566,052, which is significantly in excess of the City of Dothan's outstanding general obligation debt.

Additional information can be found in note IV. H on pages 57-61.



On June 4, 2019, the City of Dothan Commission authorized the issuance of a \$3,445,000 G/O Warrant for refunding the 2009 G/O Warrants that were issued for water and sewer improvements. The refunding will result in a gross savings of over 100,000. The warrant is scheduled to be paid in full August 15, 2030.

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 2019 is 2.63% (total debt service expenditures were \$3,086,525 and total expenditures were \$117,257,962).

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

## **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.

Approximately 68% of Dothan's general fund revenues are generated by sales tax. The City's sales tax revenue has continued to grow with an increase over 2010 by \$19,332,613. In addition to the City's major tax source, sales tax, continuing to strengthen, unemployment has declined 5.8% since 2010. Over the recent years, the City's staff has done an exceptional job of controlling costs. Additionally, the City Commission sets 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.

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 2018, a 3% general increase was given to all employees. In April 2019, 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](http://www.dothan.org).

## **BASIC FINANCIAL STATEMENTS**

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 49,824,745	\$ 68,136,687	\$ 117,961,432
Investments	4,311,225	12,909,846	17,221,071
Receivables	11,161,833	6,984,007	18,145,840
Due from other governments	1,941,543	3,268,892	5,210,435
Internal balances	2,148	(2,148)	-
Inventories, at cost	398,346	8,134,935	8,533,281
Capital assets (See Note IV-D):			
Non-depreciable	34,449,130	60,089,415	94,538,545
Depreciable, net	81,892,448	121,971,250	203,863,698
<b>Total Assets</b>	<b>183,981,418</b>	<b>281,492,884</b>	<b>465,474,302</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred outflows related to pensions	16,173,627	4,043,408	20,217,035
Deferred outflows related to OPEB	10,561,027		10,561,027
<b>Total Deferred Outflows</b>	<b>26,734,654</b>	<b>4,043,408</b>	<b>30,778,062</b>
<b>LIABILITIES:</b>			
Vouchers/accounts payable	6,097,173	10,561,385	16,658,558
Accrued liabilities	5,123,464		5,123,464
Accrued interest payable	41,703	251,670	293,373
Payable to other governments	42,185		42,185
Customer deposits	647,481	7,415,407	8,062,888
Unearned revenue	150,537		150,537
Non-Current Liabilities:			
Due within one year	6,065,341	9,109,480	15,174,821
Due in more than one year	24,480,887	83,223,111	107,703,998
Net pension liability	115,547,962	27,244,048	142,792,010
Net OPEB liability	46,777,651		46,777,651
<b>Total Liabilities</b>	<b>204,974,384</b>	<b>137,805,101</b>	<b>342,779,485</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Deferred gain on refunding	106,302		106,302
Deferred inflows related to pensions	4,239,683	1,059,921	5,299,604
Deferred inflows related to OPEB	1,595,305		1,595,305
<b>Total Deferred Inflows</b>	<b>5,941,290</b>	<b>1,059,921</b>	<b>7,001,211</b>
<b>NET POSITION:</b>			
Net investment in capital assets	99,180,158	92,604,499	191,784,657
Restricted for:			
Street and bridge maintenance	230,703		230,703
Public safety programs	2,547,178		2,547,178
Education	123,585		123,585
Unrestricted (Deficit)	(102,281,226)	54,066,771	(48,214,455)
<b>Total Net Position</b>	<b>\$ (199,602)</b>	<b>\$ 146,671,270</b>	<b>\$ 146,471,668</b>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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	
<b>PRIMARY GOVERNMENT:</b>							
<b>Governmental Activities:</b>							
General government	\$ 16,827,227	\$ 3,882,802	\$ 1,319,216	\$	\$ (11,625,209)	\$	\$ (11,625,209)
Public safety	38,937,890	1,479,893	293,337	428,844	(36,735,816)		(36,735,816)
Public works	21,944,769	4,418,379		1,287,640	(16,238,750)		(16,238,750)
Planning and development	2,771,676	450,323		1,000	(2,320,353)		(2,320,353)
Health and welfare	4,153,672				(4,153,672)		(4,153,672)
Culture and recreation	13,994,251	2,466,028			(11,528,223)		(11,528,223)
General services	5,014,839				(5,014,839)		(5,014,839)
Insurance department	467,836				(467,836)		(467,836)
Education	4,966,354				(4,966,354)		(4,966,354)
Interest/fiscal charges on long-term debt	335,799				(335,799)		(335,799)
<b>Total Governmental Activities</b>	<b>109,414,313</b>	<b>12,697,425</b>	<b>1,612,553</b>	<b>1,717,484</b>	<b>(93,386,851)</b>	<b>-</b>	<b>(93,386,851)</b>
<b>Business-Type Activities:</b>							
Utility							
Electric	78,818,020	94,910,274		2,000		16,094,254	16,094,254
Water	8,606,672	10,730,447		859,872		2,983,647	2,983,647
Wastewater/sewer	14,884,344	20,038,723		922,183		6,076,562	6,076,562
Combined utilities	3,191,077	916,472				(2,274,605)	(2,274,605)
<b>Total Business-Type Activities</b>	<b>105,500,113</b>	<b>126,595,916</b>	<b>-</b>	<b>1,784,055</b>	<b>-</b>	<b>22,879,858</b>	<b>22,879,858</b>
<b>Total Primary Government</b>	<b>\$ 214,914,426</b>	<b>\$ 139,293,341</b>	<b>\$ 1,612,553</b>	<b>\$ 3,501,539</b>	<b>\$ (93,386,851)</b>	<b>\$ 22,879,858</b>	<b>\$ (70,506,993)</b>

(Continued on page 21)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF ACTIVITIES - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>General Revenues:</b>			
Taxes:			
General property tax	\$ 4,800,653	\$	\$ 4,800,653
General sales and use tax	74,607,092		74,607,092
Alcoholic beverage tax	1,313,351		1,313,351
Lodging tax	4,017,771		4,017,771
Franchise tax	1,723,447		1,723,447
Cigarette tax	221,400		221,400
Grants and contributions not restricted to specific programs	2,192,970		2,192,970
Unrestricted investment earnings	813,242	1,475,915	2,289,157
Miscellaneous	4,499,527	2,001,941	6,501,468
<b>Transfers</b>	6,267,455	(6,267,455)	-
<b>Total General Revenues, Special Items, and Transfers</b>	<u>100,456,908</u>	<u>(2,789,599)</u>	<u>97,667,309</u>
<b>Change in Net Position</b>	7,070,057	20,090,259	27,160,316
<b>Net Position - Beginning of year</b>	<u>(7,269,659)</u>	<u>126,581,011</u>	<u>119,311,352</u>
<b>Net Position - Ending</b>	<u>\$ (199,602)</u>	<u>\$ 146,671,270</u>	<u>\$ 146,471,668</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, 2019**

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 46,224,377	\$	\$ 3,476,589	\$ 123,779	\$ 49,824,745
Investments	4,311,225				4,311,225
Receivables:					
Taxes	10,384,977				10,384,977
Accounts	4,997,281				4,997,281
Special assessments					-
Accrued interest	26,976				26,976
Due from other funds	21,969				21,969
Due from other governments	1,322,773		618,770		1,941,543
Inventories, at cost	398,346				398,346
	<u>67,687,924</u>	<u>-</u>	<u>4,095,359</u>	<u>123,779</u>	<u>71,907,062</u>
<b>Total Assets</b>					
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:</b>					
<b>Liabilities:</b>					
Vouchers/accounts payable	4,568,619		1,528,363	191	6,097,173
Accrued liabilities	5,123,464				5,123,464
Payable to other governments	42,185				42,185
Due to other funds			19,818	3	19,821
Customer deposits	647,481				647,481
Unearned revenue	150,537				150,537
	<u>10,532,286</u>	<u>-</u>	<u>1,548,181</u>	<u>194</u>	<u>12,080,661</u>
<b>Total Liabilities</b>					
<b>Deferred Inflows of Resources:</b>					
Deferred property taxes	4,247,401				4,247,401
	<u>4,247,401</u>				<u>4,247,401</u>
<b>Total Deferred Inflows of Resources</b>	<u>\$ 4,247,401</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,247,401</u>

(Continued on page 23)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS - CONTINUED**  
**SEPTEMBER 30, 2019**

	<u>GENERAL</u>	<u>DEBT SERVICE FUND</u>	<u>CAPITAL PROJECTS FUND</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
<b>Fund Balances:</b>					
Nonspendable:					
Inventories	\$ 398,346	\$	\$	\$	\$ 398,346
Restricted for:					
Public safety programs			2,547,178		2,547,178
Street and bridge maintenance	230,703				230,703
Education				123,585	123,585
Committed for:					
Capital projects	3,840,159				3,840,159
Information technology equipment	269,916				269,916
Economic development projects	1,300,000				1,300,000
Public safety programs	1,311,860				1,311,860
Public works projects	3,096,856				3,096,856
Planning and community development	123,448				123,448
Culture and recreation	91,306				91,306
Facility maintenance	310,473				310,473
Debt service					-
OPEB obligation					-
Assigned to:					
Capital projects	10,658,059				10,658,059
Information technology equipment	404,895				404,895
Economic development projects	730,000				730,000
Public safety programs	1,247,683				1,247,683
Public works projects	113,502				113,502
Culture and recreation	136,988				136,988
Facility maintenance	1,338,957				1,338,957
Debt service	1,217,750				1,217,750
Self insurance claims	9,845,417				9,845,417
OPEB obligation					-
Unassigned	<u>16,241,919</u>				<u>16,241,919</u>
<b>Total Fund Balances</b>	<u>52,908,237</u>	<u>-</u>	<u>2,547,178</u>	<u>123,585</u>	<u>55,579,000</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 67,687,924</u>	<u>\$ -</u>	<u>\$ 4,095,359</u>	<u>\$ 123,779</u>	<u>\$ 71,907,062</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, 2019**

**Total Fund Balances - Governmental Funds** \$ 55,579,000

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	\$ 707,615,318	
Less: Depreciation expense to date	<u>(591,273,740)</u>	116,341,578

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	(4,247,401)	
Adjustment of deferred property taxes	<u>4,247,401</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. (106,302)

Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the governmental funds. (30,546,228)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. (41,703)

Net pension liability is noncurrent and is excluded from the fund financial statements. (115,547,962)

Deferred outflows from pension activities 16,173,627

Deferred inflows from pension activities (4,239,683)

Net OPEB liability is noncurrent and is excluded from the fund financial statements. (46,777,651)

Deferred outflows related to other postemployment benefits 10,561,027

Deferred inflows related to other postemployment benefits (1,595,305)

**Total Net Position - Governmental Activities:** \$ (199,602)

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, 2019**

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>REVENUES:</b>					
Taxes	\$ 86,462,314	\$	\$	\$ 221,400	\$ 86,683,714
Licenses and permits	4,256,649				4,256,649
Intergovernmental revenues	5,180,154		107,575		5,287,729
Charges for services	6,993,048				6,993,048
Fines and forfeitures	1,447,728				1,447,728
Special assessments					-
Interest income	811,989	405	110,551	848	923,793
Miscellaneous	4,556,110				4,556,110
<b>Total Revenues</b>	<u>109,707,992</u>	<u>405</u>	<u>218,126</u>	<u>222,248</u>	<u>110,148,771</u>
<b>EXPENDITURES:</b>					
Current:					
General government	13,031,062				13,031,062
Public safety	36,452,530				36,452,530
Public works	17,203,975				17,203,975
Planning and development	2,731,282				2,731,282
Health and welfare	4,143,067				4,143,067
Culture and recreation	12,041,924				12,041,924
General services	4,727,145				4,727,145
Insurance department	467,836				467,836
Intergovernmental				4,382,104	4,382,104
Capital outlay	7,681,022		11,309,490		18,990,512
Debt service:					
Principal retirement		2,474,118			2,474,118
Interest and fiscal charges		612,407			612,407
<b>Total Expenditures</b>	<u>98,479,843</u>	<u>3,086,525</u>	<u>11,309,490</u>	<u>4,382,104</u>	<u>117,257,962</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>\$ 11,228,149</u>	<u>\$ (3,086,120)</u>	<u>\$ (11,091,364)</u>	<u>\$ (4,159,856)</u>	<u>\$ (7,109,191)</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, 2019**

	GENERAL	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in (out)	\$ (993,319)	\$ 3,086,120	\$	\$ 4,174,654	\$ 6,267,455
Issuance of debt					-
<b>Total Other Financing Sources (Uses)</b>	<u>(993,319)</u>	<u>3,086,120</u>	<u>-</u>	<u>4,174,654</u>	<u>6,267,455</u>
<b>Net Changes in Fund Balance</b>	10,234,830	-	(11,091,364)	14,798	(841,736)
<b>Fund Balances, Beginning</b>	<u>42,673,407</u>		<u>13,638,542</u>	<u>108,787</u>	<u>56,420,736</u>
<b>Fund Balances, Ending</b>	<u>\$ 52,908,237</u>	<u>\$ -</u>	<u>\$ 2,547,178</u>	<u>\$ 123,585</u>	<u>\$ 55,579,000</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, 2019**

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$ (841,736)</b>
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	8,249,804
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	68,144
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.	-
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.	2,743,313
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>(3,149,468)</u>
<b>Change in Net Position of Governmental Activities</b>	<b><u>\$ 7,070,057</u></b>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUND**  
**SEPTEMBER 30, 2019**

	<b>BUSINESS-TYPE ACTIVITIES</b>
	<b>ENTERPRISE FUND</b>
	<b>UTILITY</b>
<b>ASSETS:</b>	
Current Assets:	
Cash and cash equivalents	\$ 68,136,687
Investments	12,909,846
Accounts receivable	6,984,007
Due from other governments	3,268,892
Inventories, at cost	8,134,935
<b>Total Current Assets</b>	<b>99,434,367</b>
Non-Current Assets:	
Capital Assets:	
Land	4,324,522
Buildings	5,362,384
Improvements other than buildings	238,774,179
Machinery and equipment	14,902,531
Accumulated depreciation	(137,067,844)
Construction in progress	55,764,893
<b>Total Non-Current Assets</b>	<b>182,060,665</b>
<b>Total Assets</b>	<b>281,495,032</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred outflows related to pensions	4,043,408
<b>Total Deferred Outflows</b>	<b>4,043,408</b>
<b>LIABILITIES:</b>	
Current Liabilities:	
Vouchers/accounts payable	10,561,385
Due to other funds	2,148
Accrued interest payable	251,670
Pollution remediation obligation	1,220,000
Compensated absences	724,024
Customer deposits	7,415,407
Bonds payable - current	7,165,456
<b>Total Current Liabilities</b>	<b>\$ 27,340,090</b>

(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, 2019**

	<b>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</b>
	<b>UTILITY</b>
Non-Current Liabilities:	
Compensated absences	\$ 127,744
Pollution remediation obligation	415,558
Bonds payable (net of unamortized bond issue costs)	82,679,809
Net pension liability	27,244,048
<b>Total Non-Current Liabilities</b>	110,467,159
<b>Total Liabilities</b>	137,807,249
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred inflows related to pensions	1,059,921
<b>Total Deferred Inflows</b>	1,059,921
<b>NET POSITION:</b>	
Net investment in capital assets	92,604,499
Unrestricted	54,066,771
<b>Total Net Position</b>	\$ 146,671,270

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, 2019**

	<b>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</b>
	<b>UTILITY</b>
<b>OPERATING REVENUES:</b>	
Charges for services	\$ 126,595,916
<b>OPERATING EXPENSES:</b>	
Electric department	75,186,229
Water department	6,449,765
Sewer department	7,997,712
Billing - collection department	1,920,148
Meter reading department	899,997
Depreciation	9,539,856
Miscellaneous	310,965
<b>Total Operating Expenses</b>	<b>102,304,672</b>
<b>Operating Income (Loss)</b>	<b>24,291,244</b>
<b>NONOPERATING REVENUES (EXPENSES):</b>	
Intergovernmental Revenue	1,730,919
Interest revenue	1,475,915
Miscellaneous revenue	2,001,941
Gain (loss) on disposition of capital assets	(772,344)
Interest and fiscal charges	(2,423,097)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,013,334</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>26,304,578</b>
Capital contributions	53,136
Transfers (out)	(6,267,455)
<b>Change in Net Position</b>	<b>20,090,259</b>
<b>Total Net Position - Beginning</b>	<b>126,581,011</b>
<b>Total Net Position - Ending</b>	<b>\$ 146,671,270</b>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>BUSINESS-TYPE ACTIVITIES</b>
	<b>ENTERPRISE FUND</b>
	<b>UTILITY</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from customers	\$ 128,305,586
Payments to suppliers	(79,649,856)
Payments to employees	(15,736,807)
Other receipts (payments)	1,065,457
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>33,984,380</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Transfers (out)	(6,267,455)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Proceeds from capital debt and other capital receipts	9,618,320
Acquisition and construction of capital assets	(18,990,662)
Principal paid on bond maturities and capital leases	(10,319,086)
Interest paid on bonds and notes payable	(2,447,124)
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	<b>(22,138,552)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Other investing receipts	24,127,932
Interest and dividends on investments	1,488,691
<b>Net Cash Provided by (Used in) Investing Activities</b>	<b>25,616,623</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>31,194,996</b>
Cash and Cash Equivalents at Beginning of Year	36,941,691
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 68,136,687</b>

(Continued on page 32)

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<b>BUSINESS-TYPE ACTIVITIES ENTERPRISE FUND</b>
	<b>UTILITY</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>	
<b>Operating Income (Loss)</b>	<u>\$ 24,291,244</u>
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>	
Depreciation	9,539,856
(Increase) decrease in accounts receivable	1,283,806
(Increase) decrease in inventory	(4,102,318)
(Increase) decrease in deferred outflows	(737,342)
Increase (decrease) in vouchers and accounts payable	1,584,589
Increase (decrease) in due to other funds	(6,304)
Increase (decrease) in compensated absences	58,146
Increase (decrease) in pollution remediation obligation	(257,373)
Increase (decrease) in customer deposits	425,864
Increase (decrease) in net pension liability	758,435
Increase (decrease) in deferred inflows	80,320
Other miscellaneous revenues	<u>1,065,457</u>
<b>Total Adjustments</b>	<u>9,693,136</u>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u><u>\$ 33,984,380</u></u>
 <b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:</b>	
Contributions of capital assets	\$ 53,136

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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019**

**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, 2019.

**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, 2019**

**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 and 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 their 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, 2019**

**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, 2019**

**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.

**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.

**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 \$7,362,124 reported as landfill closure and postclosure care liability at September 30, 2019, 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 \$57,876 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. 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 sixty (60) 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.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**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. Deficit Net Position**

At the end of fiscal year 2019, the City held a deficit net position of \$199,602 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. The administration has indicated its intention to reduce the current deficit as well as present a potential solution to address the unfunded OPEB liability in the coming fiscal year.

**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 \$42,650,518. 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, 2019**

**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, 2019, 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 (\$30,546,228) difference are as follows:

Bonds payable	(\$19,329,275)
Capital leases	( 0)
Estimated cost of closure and postclosure of landfill	( 7,362,124)
Compensated absences	<u>( 3,854,829)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>(\$30,546,228)</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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 \$8,249,804 differences are as follows:

Capital outlay	\$18,990,512
Depreciation expense	<u>(10,740,708)</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>\$ 8,249,804</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 \$68,144 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.	\$ 124,727
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>( 56,583)</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>\$ 68,144</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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 \$2,743,313 difference are as follows:

Principal repayments:	
General obligation debt and capital leases	\$ 2,474,118
Net change in unamortized bond premium and discount costs	<u>269,195</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>\$ 2,743,313</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 (\$3,149,468) difference are as follows:

Compensated absences	\$ (210,471)
Estimated cost of closure and postclosure	(37,838)
Accrued interest	7,413
Net OPEB obligation	(2,502,918)
Pensions	<u>(405,654)</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>\$(3,149,468)</u></u>

**THE CITY OF DOTHAN  
 DOTHAN, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019**

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

At year end, the government’s carrying amount of deposits which includes Certificates of Deposit with a maturity date of three months or less was \$117,961,432 and the total bank balance was \$117,296,433. Of the bank balance, \$750,000 was covered by federal depository insurance. Of the remaining balance, \$116,546,433 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, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturing (years)</u>
Certificates of Deposit	\$17,221,071	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, 2019, \$116,546,433 of the government’s bank balance of \$117,296,433 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, 2019**

**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:

	<b>GENERAL</b>	<b>UTILITY FUND</b>	<b>TOTAL</b>
Receivables:			
Taxes	\$ 10,384,977	\$	\$ 10,384,977
Accounts	4,997,281	6,908,826	11,906,107
Interest	26,976	75,181	102,157
Total	\$ 15,409,234	\$ 6,984,007	\$ 22,393,241

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:

	<b>UNAVAILABLE</b>	<b>UNEARNED</b>
Property taxes receivable (general fund)	\$ 4,247,401	\$
Business licenses and certain other resources that have been received, but not yet earned		150,537
Total deferred/unearned revenue for governmental funds	\$ 4,247,401	\$ 150,537

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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, 2019, there were property taxes receivable and deferred revenue of \$4,247,401 that does not become earned until October 1, 2019, 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, 2019**

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

**C. Property Tax (Continued)**

<b>Economic/Industrial Development Tax Abatements</b>										
<b>Company</b>	<b>Date of Agreement</b>	<b>Annual Ad-Valorem FY 2019</b>	<b>Estimated Ad-Valorem</b>	<b>Total Construction Taxes</b>	<b>Capital Investment</b>	<b>Beginning of Abatement Term Fiscal Year</b>	<b>End of Abatement Term Fiscal Year</b>	<b>Amount of Taxes Abated FY 2017</b>	<b>Amount of Taxes Abated FY 2018</b>	<b>Amount of Taxes Abated FY 2019</b>
Wayne Farms, LLC (1)	10/23/19	\$ -	\$ 371,520.00	\$ 63,000.00	\$9,000,000.00	2021	2030	\$ -	\$ -	\$ -
MidSouth Bank (2)	05/07/19	1,320.66	224,370.00	232,400.00	5,250,000.00	2022	2031	-	-	-
Dothan Solar, LLC (3)	11/14/18	-	1,294,425.00	940,500.00	75,000,000.00	2021	2030	-	-	-
Wiregrass Block and Precast, LLC (4)	09/25/18	-	87,520.00	55,834.00	2,736,000.00	2020	2029	-	-	-
Dittus Machining (5)	09/25/18	420.08	13,480.00	4,845.00	320,000.00	2021	2030	-	-	-
Tri-State Tire & Rubber Co. (6)	09/25/18	232.53	23,680.00	20,335.00	555,000.00	2020	2029	-	-	-
Dothan Warehouse Investors, LLC (Westgate Industrial Park) (7)	04/03/18	-	1,833,410.00	2,680,000.00	37,770,000.00	2020	2039	-	-	-
J. Hendrix Design, LLC (8)	02/19/18	1,299.96	5,120.00	7,937.00	198,500.00	2019	2028	-	-	-
Gateway LP/Kyle and Dunlap (9)	12/07/17	53,570.22	287,200.00	510,000.00	11,000,000.00	2020	2029	-	-	33,384.34
* Biotic Environmental Solutions (10)	12/07/17	3,296.13	39,900.00	26,000.00	950,000.00	2019	2028	-	-	-
Tri-State Graphics II, LLC (TSG Enterprises, LLC) (11)	12/07/17	54.51	36,030.00	24,460.00	850,000.00	2018	2027	-	-	33.97
Wayne Farms VRT Project Amendment (12)	06/19/17	56,984.34	19,020,820.00	2,114,843.00	27,000,000.00	2019	2028	-	-	35,511.98
IB XLAM USA, LLC (13)	06/19/17	61,845.56	10,483,980.00	191,250.00	20,180,000.00	2018	2037	-	18,990.52	38,538.32
Standard Textile (14)	05/23/17	3,208.50	36,150.00	96,695.00	1,230,000.00	2018	2027	-	2,043.36	1,999.50
* IVS, Inc. dba Angeltrax (15)	03/24/17	10,489.51	42,900.00	10,733.00	1,650,000.00	2018	2027	-	-	-
* Matex Hose Company, LLC (16)	03/24/17	654.64	45,270.00	44,300.00	1,600,000.00	2018	2027	-	-	-
* Motobilt, Inc. (17)	12/22/16	4,029.60	29,000.00	29,639.00	722,390.00	2018	2027	-	-	-
Wayne Farms LLC (18)	03/28/16	271,193.46	5,424,880.00	2,956,500.00	64,500,000.00	2017	2026	165,068.40	119,903.78	169,004.62
Dothan Regional Airport (CAE USA, Inc.) (19)	03/15/16	363,880.41	1,619,000.00	5,085,750.00	80,600,000.00	2017	2036	39,682.00	56,787.25	78,116.97
Glasstream Powerboats LLC (20)	08/13/14	1,279.95	79,000.00	84,625.00	2,000,000.00	2018	2027	-	876.34	797.65
Michelin North America, Inc. (BAZ II) (21)	03/24/14	46,725.18	503,080.00	269,280.00	16,750,000.00	2016	2025	24,660.65	24,179.50	22,904.50
Michelin North America, Inc. (CBO) (22)	03/24/14	34,603.50	391,130.00	143,505.00	6,584,000.00	2017	2027	19,173.00	17,987.75	16,962.50
Michelin North America, Inc. (BAZ) (23)	05/21/13	37,924.11	438,330.00	207,225.00	9,695,000.00	2016	2025	21,486.75	19,813.50	18,590.25
Commercial Jet - Alabama (24)	04/05/13	6,939.06	188,084.00	544,514.00	7,040,000.00	2019	2028	-	-	3,401.50
Swedish Match Cigar Co. (25)	12/31/12	29,577.54	413,000.00	550,000.00	11,000,000.00	2013	2022	25,704.11	22,096.41	18,432.38
Watwood Investments, LLC (Mingledorf) (26)	04/09/12	5,397.18	44,000.00	120,000.00	1,500,000.00	2013	2022	2,720.61	3,363.46	3,363.46
Tire Distributors, Inc. (27)	01/31/12	8,425.59	72,147.00	28,000.00	1,349,000.00	2013	2022	4,496.08	5,271.80	5,250.73
KFH Industries (28)	01/30/12	9,202.53	73,000.00	100,000.00	2,500,000.00	2013	2022	4,532.20	6,341.64	5,734.91
Twitchell Technical Products (29)	11/18/11	89,261.16	930,000.00	150,000.00	21,000,000.00	2013	2022	57,957.12	57,237.73	55,626.52
VLP, LLC - Pepi Foods (30)	07/12/10	1,427.61	20,000.00	150,000.00	3,574,294.00	2012	2021	1,243.56	1,066.83	889.67
Henderson Steel Erectors, Inc. (31)	12/30/09	12,417.24	131,000.00	135,000.00	3,500,000.00	2011	2020	8,114.53	7,738.28	7,738.28
Qualico Steel Company, Inc. (32)	10/30/09	19,531.14	360,000.00	250,000.00	10,000,000.00	2013	2022	12,906.45	11,293.52	12,171.58
Swedish Match Cigar Co. (Project A) (33)	07/09/09	-	168,000.00	120,000.00	4,000,000.00	2010	2019	-	-	-

\* Approved for abatement/paperwork incomplete

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**C. Property Tax (Continued)**

- |  |   |
|--|---|
| (1) Processing facility dehumidification project                         | (18) Expand poultry plant for smaller birds                   |
| (2) Bank operations and data center                                      | (19) Development of new flight training facility              |
| (3) Solar photovoltaic generating facility                               | (20) Manufacturing facility for boats                         |
| (4) Manufacturing facility for block and concrete products               | (21) Expand manufacturing tire facility                       |
| (5) New facility and equipment for machining operations                  | (22) Upgrading tire manufacturing equipment                   |
| (6) Property for additional facilities                                   | (23) Manufacturing equipment for additional capacity          |
| (7) Freezer warehouse for poultry and agricultural products              | (24) Constructing an advanced aviation MRO facility           |
| (8) Manufacturing facility expansion                                     | (25) New production line for cigar manufacturing              |
| (9) Warehouse and distribution facility                                  | (26) New warehouse and distribution facility                  |
| (10) Manufacturing facility for landscaping products                     | (27) Wholesale tire distribution facility                     |
| (11) Expansion and equipment for graphic printing production             | (28) Expand plant and install additional loom equipment       |
| (12) VRT-Variable Retention Freezer System                               | (29) Manufacturing facility for technical fabrics             |
| (13) Manufacturing facility for construction grade laminated timber      | (30) New manufacturing facility for food products             |
| (14) Storage and distribution of textile                                 | (31) Manufacturing facility for steel fabrication             |
| (15) Manufacturing facility for in-vehicle mobile surveillance           | (32) Equipping manufacturing facility for metal parts         |
| (16) Manufacturing equip for industrial hose production and distribution | (33) Expansion of facility to include humidity control system |
| (17) Equipment for metal fabrication facility                            |   |

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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., and Private Holdings, LLC (front of the Sony Property - 37 acres which have not been activated, but qualify once a project is identified for development).

<b>The Brownfields Redevelopment Tax Abatement Act</b>										
<b>Company</b>	<b>Date of Agreement</b>	<b>Annual Ad-Valorem FY 2019</b>	<b>Estimated Ad-Valorem</b>	<b>Total Construction Taxes</b>	<b>Capital Investment</b>	<b>Beginning of Abatement Term Fiscal Year</b>	<b>End of Abatement Term Fiscal Year</b>	<b>Amount of Taxes Abated FY 2017</b>	<b>Amount of Taxes Abated FY 2018</b>	<b>Amount of Taxes Abated FY 2019</b>
Private Holdings, LLC (Old Sony)	01/09/18	\$ 5,177.76	\$ 220,000.00	\$ 180,000.00	\$2,750,000.00	2018	2037	\$ -	\$ 3,226.72	\$ 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	70,248.21	1,580,000.00	339,750.00	15,100,000.00	2016	2035	49,637.91	47,954.89	43,777.87
* Atlantic and Southern Eq., LLC	03/04/14	6,532.23	253,700.00	44,150.00	2,000,000.00	2014	2033	-	-	-
Dothan Kia Project	09/06/11	5,959.53	314,556.00	-	2,487,000.00	2011	2030	3,539.76	3,802.06	3,713.91
Institutional Investments Corp (Cottonwood Corners)	06/30/09	42,679.95	773,242.00	206,314.00	16,037,000.00	2011	2029	24,093.76	26,611.84	26,597.65
Slocomb National Bank (Friend Bank)	05/20/08	13,176.93	295,200.00	53,750.00	3,750,000.00	2010	2028	8,208.27	8,281.80	8,211.71

\* Approved for abatement/paperwork incomplete

\*\* Business closed/abatement removed

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**SEPTEMBER 30, 2019**

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

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2019, was as follows:

	<b>PRIMARY GOVERNMENT</b>			<b>ENDING BALANCE</b>
	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	
<b>GOVERNMENTAL ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land and easements	\$ 12,276,443	\$ 1,000	\$	\$ 12,277,443
Construction in progress	10,739,061	15,657,759	(4,225,133)	22,171,687
Total capital assets, not being depreciated	<u>23,015,504</u>	<u>15,658,759</u>	<u>(4,225,133)</u>	<u>34,449,130</u>
Capital assets, being depreciated:				
Buildings	81,330,062	1,304,042		82,634,104
Improvements other than buildings	71,622,289	2,378,464		74,000,753
Machinery and equipment	57,757,072	4,249,724	(2,759,553)	59,247,243
Infrastructure	457,736,357		(452,269)	457,284,088
Total capital assets, being depreciated	<u>668,445,780</u>	<u>7,932,230</u>	<u>(3,211,822)</u>	<u>673,166,188</u>
Less accumulated depreciation for:				
Buildings	60,667,394	1,497,380		62,164,774
Improvements other than buildings	32,865,431	2,852,087		35,717,518
Machinery and equipment	44,426,753	4,081,674	(2,452,353)	46,056,074
Infrastructure	445,478,076	2,309,567	(452,269)	447,335,374
Total accumulated depreciation	<u>583,437,654</u>	<u>10,740,708</u>	<u>(2,904,622)</u>	<u>591,273,740</u>
Total capital assets, being depreciated, net	<u>85,008,126</u>	<u>(2,808,478)</u>	<u>(307,200)</u>	<u>81,892,448</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 108,023,630</u>	<u>\$ 12,850,281</u>	<u>\$ (4,532,333)</u>	<u>\$ 116,341,578</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**D. Capital Assets (Continued)**

	<b>PRIMARY GOVERNMENT</b>			<b>ENDING BALANCE</b>
	<b>BEGINNING BALANCE</b>	<b>INCREASES</b>	<b>DECREASES</b>	
<b>BUSINESS-TYPE ACTIVITIES:</b>				
Capital assets, not being depreciated:				
Land and easements	\$ 4,311,522	\$ 13,000	\$	\$ 4,324,522
Construction in progress	45,447,929	17,833,708	(7,516,744)	55,764,893
Total capital assets, not being depreciated	49,759,451	17,846,708	(7,516,744)	60,089,415
Capital assets, being depreciated:				
Buildings	5,315,204	47,180		5,362,384
Improvements other than buildings	232,881,603	6,923,687	(1,031,111)	238,774,179
Machinery and equipment	13,807,657	1,394,262	(299,388)	14,902,531
Total capital assets, being depreciated	252,004,464	8,365,129	(1,330,499)	259,039,094
Less accumulated depreciation for:				
Buildings	3,336,455	161,947		3,498,402
Improvements other than buildings	115,557,675	8,070,060	(607,473)	123,020,262
Machinery and equipment	9,540,718	1,307,849	(299,387)	10,549,180
Total accumulated depreciation	128,434,848	9,539,856	(906,860)	137,067,844
Total capital assets, being depreciated, net	123,569,616	(1,174,727)	(423,639)	121,971,250
<b>Business-type activities capital assets, net</b>	<b>\$ 173,329,067</b>	<b>\$ 16,671,981</b>	<b>\$ (7,940,383)</b>	<b>\$ 182,060,665</b>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**D. Capital Assets (Continued)**

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

<b>Governmental activities:</b>	
General government	\$ 909,374
Public safety	2,288,844
Public works, including depreciation of general infrastructure assets	4,690,799
Planning and development	35,722
Health and welfare	10,605
Culture and recreation	1,950,049
General services	271,065
Schools	584,250
	<hr/>
Total depreciation expense - governmental activities	<u>\$ 10,740,708</u>
 <b>Business-type activities:</b>	
Electric	\$ 2,989,118
Water	1,951,599
Wastewater/sewer	4,539,172
Combined utilities	59,967
	<hr/>
Total depreciation expense - business-type activities	<u>\$ 9,539,856</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**E. Interfund Receivables, Payables, and Transfers**

The interfund transfers were as follows:

<b>Transfer out:</b>	<b>Transfer in:</b>				<b>Total</b>
	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Capital Projects Fund</b>	<b>Nonmajor Governmental</b>	
General Fund	\$ (2,140,804)	\$ 1,777,375	\$	\$ 363,429	\$ -
Utility Fund	1,147,485	1,308,745		3,811,225	6,267,455
Total Transfer out	<u>\$ (993,319)</u>	<u>\$ 3,086,120</u>	<u>\$ -</u>	<u>\$ 4,174,654</u>	<u>\$ 6,267,455</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.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**ANALYSIS OF NET INVESTMENT IN CAPITAL ASSETS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET
<b>Other Capital Assets - Governmental</b>			
2014 G/O Series - Refunding	\$ 1,501,834	\$	\$ 1,501,834
2017 G/O Series	15,659,586		15,659,586
Total Other Capital Assets - Governmental	17,161,420	-	17,161,420
<b>Total Governmental Debt</b>			
			\$ 17,161,420
Total Capital Assets			707,615,318
Accumulated Depreciation			(591,273,740)
<b>Net Capital Assets</b>			116,341,578
Net Investment in Capital Assets			\$ 99,180,158
<b>Infrastructure - Proprietary</b>			
2009 G/O Series - Refunding	17,750,265		17,750,265
2010-CWSRF-BL Sewer Warrant - Refunding	2,240,000		2,240,000
2010B-CWSRF-BL Sewer Warrant - Refunding	1,310,000		1,310,000
2011 G/O Series - CWSRF-DL	2,435,000		2,435,000
2011 G/O Series - CWSRF-DL	5,120,000		5,120,000
2014 G/O Series - CWSRF-DL	15,210,000	369,612	14,840,388
2016 G/O Series - Sewer Warrant - Refunding	6,590,000		6,590,000
2016 G/O Series - CWSRF-DL Sewer Warrant	36,010,000	19,487	35,990,513
2019 G/O Series - Refunding	3,180,000		3,180,000
Total Infrastructure - Proprietary	89,845,265	389,099	89,456,166
<b>Total Proprietary Debt</b>			
			\$ 89,456,166
Total Capital Assets			319,128,509
Accumulated Depreciation			(137,067,844)
<b>Net Capital Assets</b>			182,060,665
Net Investment in Capital Assets			\$ 92,604,499

**THE CITY OF DOTHAN  
 DOTHAN, ALABAMA  
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 SEPTEMBER 30, 2019**

**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>
2020	\$ 34,850
2021	29,175
2022	17,529
2023	2,486
2024	-
Total minimum lease payments	<u>\$ 84,040</u>

The rental expense for the above operating leases is \$31,796 for the year ended September 30, 2019.

*Capital Leases*

The City had previously entered into an agreement to lease mailing equipment. This agreement is, in substance, a purchase (capital lease) and was 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.

As of September 30, 2019, the City has satisfied all previous capital lease obligations.

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

**G. Leases (Continued)**

Equipment acquired under capital leases in capital assets at September 30, 2019, include the following:

Equipment	\$	50,111
Less: Accumulated depreciation		<u>(45,881)</u>
 Total	 \$	 <u><u>4,230</u></u>

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

**H. Long-Term Debt**

General Obligation Bonds

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

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

<u>PURPOSE</u>	<u>INTEREST RATES</u>	<u>AMOUNT</u>
Governmental activities	2.54 – 2.80%	\$ 17,933,742
Governmental activities – refunding	5.00%	1,255,000
Business-type activities	2.20 – 3.10%	58,775,000
Business-type activities – refunding	1.74 – 3.19%	<u>31,070,265</u>
		<u><u>\$109,034,007</u></u>

**THE CITY OF DOTHAN**  
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**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 SEPTEMBER 30</u>	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>
2020	\$ 2,577,909	\$ 516,393	\$ 7,165,456	\$ 2,167,535
2021	1,358,803	417,749	7,373,959	1,981,375
2022	1,395,489	381,063	7,584,666	1,789,714
2023	1,089,580	343,383	6,532,645	1,592,423
2024	769,951	319,423	6,697,972	1,421,948
2025-2029	4,155,226	1,291,644	29,360,570	4,605,012
2030-2034	4,714,148	732,722	20,159,997	1,707,181
2035-2037	3,127,636	140,486	4,970,000	109,890
<b>TOTAL</b>	<u>\$ 19,188,742</u>	<u>\$ 4,142,863</u>	<u>\$ 89,845,265</u>	<u>\$ 15,375,078</u>

**THE CITY OF DOTHAN**  
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**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, 2019, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 21,662,053	\$	\$ (2,473,311)	\$ 19,188,742	\$ 2,577,909
Plus: Unamortized bond premium	293,844		(153,311)	140,533	
Total Bonds Payable	21,955,897	-	(2,626,622)	19,329,275	2,577,909
Capital leases	807		(807)	-	
Estimated cost of closure and postclosure	7,324,286	37,838		7,362,124	
Compensated absences	3,644,358	381,618	(171,147)	3,854,829	3,487,432
Governmental Activity Long-Term Liabilities	<u>\$ 32,925,348</u>	<u>\$ 419,456</u>	<u>\$ (2,798,576)</u>	<u>\$ 30,546,228</u>	<u>\$ 6,065,341</u>
<b>Business-type activities:</b>					
Bonds payable:					
General obligation bonds	\$ 96,719,351	\$ 3,445,000	\$ (10,319,086)	\$ 89,845,265	\$ 7,165,456
Total Bonds Payable	96,719,351	3,445,000	(10,319,086)	89,845,265	7,165,456
Compensated absences	793,622	95,215	(37,069)	851,768	724,024
Pollution remediation obligation	1,892,931	1,197,820	(1,455,193)	1,635,558	1,220,000
Business-Type Activity Long-Term Liabilities	<u>\$ 99,405,904</u>	<u>\$ 4,738,035</u>	<u>\$ (11,811,348)</u>	<u>\$ 92,332,591</u>	<u>\$ 9,109,480</u>

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

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

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

- 1) On July 13, 2010, the City refunded Series 2000A-SRF by issuing Series 2010A-CWSRF-BL general obligation warrants in the amount of \$8,090,000. On December 15, 2010, the City refunded Series 2000B-SRF by issuing Series 2010B-CWSRF-BL general obligation warrants in the amount of \$4,450,000.
- 2) On January 11, 2011, the City issued \$3,395,000 of general obligation warrants Series 2011-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer Enhancement Program.
- 3) On January 17, 2012, the City issued \$7,170,000 of general obligation warrants Series 2011-CWSRF-DL for the purpose of financing the costs of capital improvements for the Dothan Sanitary Sewer Enhancement Program.
- 4) On January 18, 2012, the City issued \$31,750,000 of general obligation warrants for the purpose of refunding the 2009 general obligation warrants totaling \$29,750,000 on a current basis and to provide \$2,000,000 for improvements to public streets.
- 5) On March 1, 2013, the City issued \$6,000,000 of general obligation warrants Series 2013 for the purpose of providing financing for the Dothan-Houston County Airport Authority economic development project.
- 6) On July 1, 2014, the City issued \$10,705,000 of general obligation warrants Series 2014 refunding warrants with interest rates of 2% to 5% for the purpose of refunding, on a current basis, the City's general obligation warrants dated July 1, 2005. The net carrying amount of the old debt exceeded the reacquisition price by \$714,622. This amount is added to the new debt and amortized over the remaining life of the refunded debt, which is the same life as the old debt. This current refunding was undertaken to reduce total debt service payments over the next six years by \$925,907 and resulted in an economic gain of \$899,880.
- 7) 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, 2019, \$18,875,388 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2019, there were \$369,612 remaining state revolving funds available.
- 8) On February 23, 2016, the City issued \$8,560,000 of general obligation warrants Series 2016 refunding warrants with interest of 1.74% for the purpose of refunding, on a current basis, the City's general obligation warrants Series 2009-CWSRF-DL dated September 30, 2009. The net carrying amount of the old debt equaled the reacquisition price. This current refunding was undertaken to reduce total debt service payments over the next fourteen (14) years by \$1,193,921 and resulted in an economic gain of \$1,064,095.
- 9) On July 15, 2016, the City issued \$41,085,000 of general obligation 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, 2019, \$41,065,513 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2019, there were \$19,487 remaining state revolving funds available.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**IV. DETAILED NOTES ON ALL FUNDS (Continued)**

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

- 10) On September 1, 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, 2019, all bond monies have been spent.
- 11) On June 13, 2019, the City issued Series 2019 general obligation warrants in the amount of \$3,445,000. The purpose of the new bond issuance was to refund the Series 2009-DWSRF/ARRA-DL general obligation warrants and the Series 2009-CWSRF/ARRA-DL general obligation warrants. The reacquisition price (funds required to refund the old debt) equaled the net carrying amount of the old debt. The refunding of the Series general obligation warrants resulted in a economic gain of \$134,875 and a decrease of \$43,995 in future debt service payments.

**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 \$145,000 for the policy year. As of September 30, 2019, the City accrued \$952,773 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, 2019, the City accrued the actuarially determined undiscounted amount of \$1,024,000 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**  
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**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, 2019, the City accrued the actuarially determined undiscounted amount of \$2,951,000 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 2019 and 2018:

	<b>YEAR ENDED SEPTEMBER 30,</b>	
	<b>2019</b>	<b>2018</b>
Liability beginning balance	\$ 4,153,196	\$ 3,904,683
Claims and changes in estimates	12,669,983	12,735,495
Claim payments	(11,895,407)	(12,486,982)
Liability ending balance	\$ 4,927,772	\$ 4,153,196
Due in one year or less	\$ 4,927,772	\$ 4,153,196

**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 12, 2020, which is the date these financial statements were available to be issued.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**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, 2019, there are approximately 150 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 \$1,635,558 at September 30, 2019, to address the environmental issues associated with the wastewater treatment and collection system. The estimate of costs used to establish the liability was developed by engineers and City personnel for legal and site analysis necessary to address these issues. The liability was determined using the expected cash flow technique, which measured the liability as the sum of probability-weighted amounts within the range of possible amounts. The estimate is subject to change due to price changes, technology changes, or other changes. The pollution remediation liability does not reflect any recovery of outlays because the City does not anticipate that it will be able to recover any remediation costs from other parties. The City's ultimate liability is undeterminable at this time; however, it is expected to be material.

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**V. OTHER INFORMATION (Continued)**

**E. Postemployment Healthcare Plan**

*Plan Description.* The City of Dothan Healthcare Plan is a single-employer defined benefit healthcare plan 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	<p>An Employee is considered to be a retired employee of the Retirement Systems of Alabama under the following tiers:</p> <p>Tier I (for those hired before 01/01/2013):</p> <ul style="list-style-type: none"> <li>• Retiree has 25 years of credible service, regardless of age, or</li> <li>• 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.</li> </ul> <p>Tier II (for those hired on or after 01/01/2013):</p> <ul style="list-style-type: none"> <li>• 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.</li> </ul>
Amount of Allowance	<p>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.</p> <p>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.</p>
Other Post-Employment Benefits	<p>Medical and drug benefits are available for Pre-Medicare retirees.</p> <p>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.</p>
Dependent Coverage	<p>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 40% of the premium for dependents of employees hired prior to January 1, 2009.</p>

**THE CITY OF DOTHAN**  
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**V. OTHER INFORMATION (Continued)**

**E. Postemployment Healthcare Plan (Continued)**

*Retiree Premium Contributions.* Retirees are required to pay the following premiums as of September 30, 2019:

	<b>MONTHLY RETIREE PREMIUM</b>
Retiree only	\$258.00
Retiree's Spouse only	258.00
Retiree plus 1 dependent	638.00
Retiree plus 2 or more dependents	782.00
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 \$46,777,651 as the net OPEB Liability as of September 30, 2019.

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**V. OTHER INFORMATION (Continued)**

**E. Postemployment Healthcare Plan (Continued)**

**Actuarial Methods and Assumptions**

<b>Valuation Date (VD):</b>	September 30, 2018
<b>Prior Measurement Date:</b>	September 30, 2017
<b>Measurement Date (MD):</b>	September 30, 2018
<b>Reporting Date (RD):</b>	September 30, 2019

**Membership Data as of September 30, 2018:**

Inactive Members or Beneficiaries Currently Receiving Benefits	204
Inactive Members Entitled To But Not Yet Receiving Benefits	0
Active Members	<u>1,030</u>
Total Membership	1,234

**Discount Rate:**

Municipal Bond Index Rate at Prior Measurement Date	3.57%
Municipal Bond Index Rate at Measurement Date	4.18%

**Total OPEB Liability as of Measurement Date:** \$ 46,777,651

**OPEB Expense:** \$ 3,272,768

**Deferred Inflows/Outflows Balances as of the Measurement Date\***

Deferred Inflows of Resources	\$ (1,595,305)
Deferred Outflows of Resources	\$ 10,561,027

\* The total OPEB liability was rolled forward from the September 30, 2018, valuation date, using the following assumptions, applied to all periods included in the measurement.

Inflation	2.750%
Real Wage Growth	0.25%
Wage Inflation	3.000%
Salary increases, including wage inflation	3.25%-5.00%
Municipal Bond Index Rate	
Prior Measurement Date	3.57%
Measurement Date	4.18%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028

**THE CITY OF DOTHAN**  
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**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, 2018, 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, 2018, valuation were based on a review of recent plan experience done concurrently with the September 30, 2018, 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**

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
Total OPEB Liability	\$ 42,032,639	\$ 46,777,651	\$ 52,268,975

**THE CITY OF DOTHAN**  
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**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 4.18%, 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:

	<b>Discount Rate Sensitivity</b>		
	<b>1% Decrease (3.18%)</b>	<b>Current (4.18%)</b>	<b>1% Increase (5.18%)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total OPEB Liability	\$ 51,361,072	\$ 46,777,651	\$ 42,666,570

**Actuarially Determined Total OPEB Liability**

**Changes in the TOL**

<b>Total OPEB Liability as of September 30, 2017</b>	\$ 36,286,443
<b>Changes for the year:</b>	
Service Cost at the end of the year*	924,527
Interest on TOL and Cash Flows	1,246,307
Change in benefit terms	0
Difference between expected and actual experience	10,403,990
Changes of assumptions or other inputs	692,467
Plan member contributions	0
Benefit payments	(2,776,083)
Other	0
<b>Net Changes</b>	<u>10,491,208</u>
<b>Total OPEB Liability as of September 30, 2018</b>	<u><u>\$ 46,777,651</u></u>

\* The service cost includes interest for the year.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
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**SEPTEMBER 30, 2019**

**V. OTHER INFORMATION (Continued)**

**E. Postemployment Healthcare Plan (Continued)**

**OPEB Expense**

**OPEB Expense**  
**For the year Ending September 30, 2019**

Service Cost at end of year*	\$	924,527
Interest on the Total OPEB Liability		1,246,307
Current-period benefit changes		-
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability		1,282,859
Expensed portion of current-period changes of assumptions or other inputs		85,384
Administrative Costs**		-
Other		-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense		11,135
Recognition of beginning Deferred Inflows of Resources as OPEB Expense***		<u>(277,444)</u>
<b>OPEB Expense</b>	<b>\$</b>	<b><u>3,272,768</u></b>

\* The service cost includes interest for the year.

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

\*\*\* Deferred Inflows are negative as it is a reduction of the OPEB expense.

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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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, 2019, are as follows:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9,185,158	\$ -
Changes of assumptions or other inputs	607,083	(1,595,305)
Contribution paid subsequent to the measurement date	768,786	-
Total	<b>\$ 10,561,027</b>	<b>\$ (1,595,305)</b>

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

<b>Year Ended September 30</b>	
2019	\$ 1,101,934
2020	1,101,934
2021	1,101,934
2022	1,101,934
2023	1,101,934
Thereafter	2,687,266

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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 which consists of 13 trustees. The Plan is administered by the Retirement Systems of Alabama (RSA). Title 36-Chapter 27 of the Code of Alabama grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at [www.rsa-al.gov](http://www.rsa-al.gov).

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

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

*Benefits provided.* State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in 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, 2019**

**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 90,999 participants. As of September 30, 2018, membership consisted of:

Retirees and beneficiaries currently receiving benefits	24,818
Terminated employees entitled to but not yet receiving benefits	1,426
Terminated employees not entitled to a benefit	7,854
Active members	56,760
Post-drop participants who are still in active service	<u>141</u>
Total	<u><u>90,999</u></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, 2019, the City's average contribution rate to fund the normal and accrued liability costs was 20.74% of covered employee payroll.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

The City's contractually required contribution rate for the year ended September 30, 2019, was 21.47% of pensionable pay for Tier 1 employees and 20.75% 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 \$11,000,559 for the year ended September 30, 2019.

**Net Pension Liability**

The City's net pension liability was measured as of September 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2017, rolled forward to September 30, 2018, using standard roll-forward techniques as shown in the following table:

**Membership as of the Measurement Date of September 30, 2018**

Retired members or their beneficiaries currently receiving benefits	596
Vested Inactive Members	16
Nonvested inactive members	72
Active members	1,030
Post-drop retired members still in active service	<u>2</u>
<b>Total</b>	<b><u>1,716</u></b>

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

	<b><u>Expected</u></b>	<b><u>Actual</u></b>	<b><u>Actual</u></b>
(a) TPL as of September 30, 2017	\$ 267,812,966	\$ 270,966,437	\$ 272,368,819
(b) Discount Rate	7.75%	7.75%	7.70%
(c) Entry Age Normal Cost for the period October 1, 2017 - September 30, 2018	4,092,424	4,092,424	4,129,254
(d) Transfers Among Employers:		(780,564)	(780,564)
(e) Actual Benefit Payments and Refunds for the period October 1, 2017 - September 30, 2018	(15,671,233)	(15,671,233)	(15,671,233)
(f) TPL as of September 30, 2018 = [(a) x (1+ (b))] + (c) + (d) + [(e) x (1+0.5 x (b))]	<u>\$ 276,382,402</u>	<u>\$ 278,999,703</u>	<u>\$ 280,415,333</u>
(g) Difference Between Expected and Actual		\$ 2,617,301	
(h) Less Liability Transferred for Immediate Recognition		(780,564)	
(i) Experience (Gain)/Loss = (g) - (h)		<u>\$ 3,397,865</u>	
(j) Difference between actual at 7.70% and actual at 7.75% [Assumption change (gain/loss)]			\$ 1,415,630

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**V. OTHER INFORMATION (Continued)**

**F. Retirement Plan (Continued)**

*Actuarial assumptions.* The total pension liability as of September 30, 2018, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2017. The key actuarial assumptions are summarized below:

Inflation	2.75%
Salary increases	3.25% - 5.00%
Investment rate of return*	7.70%

\*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, 2017, 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, 2019**

**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, 7.70%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on the assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<b>Total Pension Liability (a)</b>	<b>Plan Fiduciary Net Position (b)</b>	<b>Net Pension Liability (Asset) (a) – (b)</b>
Balances at September 30, 2017	\$ 267,812,966	\$ 128,813,130	\$ 138,999,836
Changes for the year:			
Service cost	4,092,424		4,092,424
Interest	20,148,245		20,148,245
Changes of assumptions	1,415,630		1,415,630
Difference between expected and actual experience	3,397,865		3,397,865
Contributions - employer		9,708,209	(9,708,209)
Contributions - employee		3,770,078	(3,770,078)
Net investment income		11,783,703	(11,783,703)
Benefit payments, including refunds of employee contributions	(15,671,233)	(15,671,233)	-
Administrative expense			-
Transfers among employers	(780,564)	(780,564)	-
Net changes	<u>12,602,367</u>	<u>8,810,193</u>	<u>3,792,174</u>
Balances at September 30, 2018	<u>\$ 280,415,333</u>	<u>\$ 137,623,323</u>	<u>\$ 142,792,010</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**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 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate:

	<b>1% Decrease (6.70%)</b>	<b>Current Discount Rate (7.70%)</b>	<b>1% Increase (8.70%)</b>
Plan's Net Pension Liability (Asset)	\$ 174,051,938	\$ 142,792,010	\$ 116,279,301

*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, 2018. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2018. The auditor's report dated August 17, 2019, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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

For the year ended September 30, 2019, the City recognized pension expense of \$11,508,403. At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,137,814	\$ 805,505
Changes of assumptions	6,078,662	
Net difference between projected and actual earnings on plan investments		4,494,099
Employer contributions subsequent to the Measurement Date	11,000,559	
<b>Total</b>	<b>\$ 20,217,035</b>	<b>\$ 5,299,604</b>

**THE CITY OF DOTHAN  
 DOTHAN, ALABAMA  
 NOTES TO FINANCIAL STATEMENTS  
 SEPTEMBER 30, 2019**

**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 September 30</u>	
2020	\$ 1,663,992
2021	224,322
2022	663,035
2023	535,869
2024	750,740
Thereafter	78,913

**G. Construction and Other Significant Commitments**

**New Commitments as Follows:**

- On October 1, 2019, the City of Dothan entered into an agreement with Condrey & Associates, Inc. to perform a compensation and classification study for the City of Dothan at a cost of \$97,500. Findings from the study are expected to be available in March 2020.
- On October 15, 2019, the City of Dothan entered into an agreement with L & K Contracting Company, Inc. for improvements to the Lakewood Pump Station in the amount of \$679,675.
- On November 5, 2019, the City of Dothan approved a Commercial Development Incentive Program (CDIP) as part of a (re)development strategy that will stimulate (re)development of existing commercial property, help retain existing business, and attract new businesses to locate in the City.
- On November 19, 2019, the City of Dothan entered into an agreement with Poly, Inc. for professional consulting services for additional lanes on U.S. Highway 84 West (West Main Street) westbound from Flowers Chapel Road to John D. Odom Road in the amount of \$332,055.
- On December 17, 2019, the City of Dothan awarded a bid and entered into a contract with L & K Contracting Company, Inc. for Red Water Main Replacements in the amount of \$768,065.
- On December 17, 2019, the City awarded a bid and entered into a contract with Lewis Construction, LLC for the Water World Water Slide Addition in the amount of \$1,870,000.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**V. OTHER INFORMATION (Continued)**

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

**New Commitments as Follows: (Continued)**

- On December 17, 2019, the City awarded a bid and entered into a contract with Blankenship Contracting, Inc. for sewer improvements in the amount of \$2,083,985.
- On January 7, 2020, the City appropriated \$405,000 to the Dothan Downtown Redevelopment Authority for funding assistance for downtown redevelopment.
- On January 7, 2020, the City appropriated an additional \$300,000 for construction on the Wiregrass Public Safety Training Center.
- On January 21, 2020, the City entered into an agreement with Barge Design Solutions, Inc. for professional engineering, architectural design and consultation service for the Water World Slide and Wading Pool Expansion Project in the amount of \$68,000.
- On March 3, 2020, the City awarded a bid and entered into a contract with Lewis Construction, LLC for a new wading pool at Water World in the amount of \$937,800.
- On March 3, 2020, the City entered into an agreement with Barge Design Solution, Inc. for professional engineering services along City of Dothan rights-of-way for a pavement condition rating along with collecting inventory of the City of Dothan’s maintained signs, signals, pavements markings and striping, curbing and curb inlets in the amount of \$298,000.

**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, 2019, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<b>Encumbrances Included in:</b>		
	<b>Restricted Fund Balance</b>	<b>Committed Fund Balance</b>	<b>Assigned Fund Balance</b>
General Fund	\$ -	\$ 6,003,858	\$ 2,811,180
Capital Projects Fund	2,544,341	-	-

## **REQUIRED SUPPLEMENTARY INFORMATION**

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		POSITIVE (NEGATIVE)
<b>REVENUES:</b>				
Taxes	\$ 72,045,000	\$ 72,472,500	\$ 86,462,314	\$ 13,989,814
Licenses and permits	3,661,700	3,661,700	4,256,649	594,949
Intergovernmental	2,773,000	3,771,445	5,180,154	1,408,709
Charges for services	6,292,500	6,357,000	6,993,048	636,048
Fines and forfeitures	1,552,500	1,651,381	1,447,728	(203,653)
Interest	97,100	97,100	811,989	714,889
Miscellaneous	1,748,756	3,130,278	4,556,110	1,425,832
<b>Total Revenues</b>	<b>88,170,556</b>	<b>91,141,404</b>	<b>109,707,992</b>	<b>18,566,588</b>
<b>EXPENDITURES:</b>				
Current:				
General government:				
General administrative	4,289,303	5,529,933	4,011,699	1,518,234
Information system/Technology	3,909,706	4,584,452	4,278,025	306,427
Budget and finance	1,226,553	1,253,989	1,242,358	11,631
Personnel services	2,450,109	2,450,244	2,299,761	150,483
Judicial department	1,195,535	1,201,615	1,199,219	2,396
Public safety:				
Fire department	15,519,941	16,111,530	16,104,668	6,862
Police department	20,561,536	21,283,973	20,347,862	936,111
Public works:				
Street department	7,145,282	7,207,249	6,316,022	891,227
Engineering department	3,255,427	3,341,417	3,233,870	107,547
Environmental services	6,318,004	8,539,690	7,654,083	885,607
Planning and development	2,814,617	3,231,497	2,731,282	500,215
Health and welfare	3,894,586	4,456,845	4,143,067	313,778
Culture and recreation:				
Recreation	9,657,604	10,390,951	10,002,411	388,540
Culture	2,075,697	2,092,702	2,039,513	53,189
General services:				
Administration	487,857	491,510	489,160	2,350
Facility	1,652,947	1,695,625	1,650,711	44,914
Fleet	2,592,577	2,667,344	2,587,274	80,070
Insurance department	2,285,160	3,045,277	467,836	2,577,441
Capital outlay	16,332,960	18,289,709	7,681,022	10,608,687
<b>Total Expenditures</b>	<b>107,665,401</b>	<b>117,865,552</b>	<b>98,479,843</b>	<b>19,385,709</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>(19,494,845)</b>	<b>(26,724,148)</b>	<b>11,228,149</b>	<b>37,952,297</b>

(Continued on page 80)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)	\$ 3,653,227	\$ 3,624,350	\$ (993,319)	\$ (4,617,669)
Capital leases				-
<b>Total Other Financing Sources (Uses)</b>	<u>3,653,227</u>	<u>3,624,350</u>	<u>(993,319)</u>	<u>(4,617,669)</u>
<b>Net Change in Fund Balances</b>	(15,841,618)	(23,099,798)	10,234,830	33,334,628
<b>Fund Balances - Beginning</b>	<u>15,841,618</u>	<u>23,099,798</u>	<u>42,673,407</u>	<u>19,573,609</u>
<b>Fund Balances - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,908,237</u>	<u>\$ 52,908,237</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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 **</u>
<b>Total pension liability</b>					
Service Cost	\$ 4,092,424	\$ 3,943,866	\$ 3,920,097	\$ 3,817,644	\$ 3,688,399
Interest	20,148,245	19,569,649	18,782,327	18,187,261	17,601,231
Changes of benefit terms					
Difference between expected and actual experience	3,397,865	(1,189,079)	489,648	132,752	
Changes of assumptions	1,415,630		9,484,262		
Benefit payments, including refunds of employee contributions	(15,671,233)	(15,153,706)	(14,951,110)	(14,447,566)	(13,480,931)
Transfers among employers	(780,564)	553,788	108,582		
<b>Net change in total pension liability</b>	<u>12,602,367</u>	<u>7,724,518</u>	<u>17,833,806</u>	<u>7,690,091</u>	<u>7,808,699</u>
<b>Total pension liability - beginning</b>	<u>267,812,966</u>	<u>260,088,448</u>	<u>242,254,642</u>	<u>234,564,551</u>	<u>226,755,852</u>
<b>Total pension liability - ending (a)</b>	<u>\$ 280,415,333</u>	<u>\$ 267,812,966</u>	<u>\$ 260,088,448</u>	<u>\$ 242,254,642</u>	<u>\$ 234,564,551</u>
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 9,708,209	\$ 9,721,334	\$ 9,561,337	\$ 10,148,294	\$ 9,879,917
Contributions - member	3,770,078	3,646,353	3,507,389	3,512,701	3,479,758
Net investment income	11,783,703	14,691,147	10,743,967	1,253,364	11,378,472
Benefit payments, including refunds of employee contributions	(15,671,233)	(15,153,706)	(14,951,110)	(14,447,566)	(13,480,931)
Transfers among employers	(780,564)	553,788	108,582	(245,363)	26,249
<b>Net change in plan fiduciary net position</b>	<u>8,810,193</u>	<u>13,458,916</u>	<u>8,970,165</u>	<u>221,430</u>	<u>11,283,466</u>
<b>Plan net position - beginning</b>	<u>128,813,130</u>	<u>115,354,214</u>	<u>106,384,049</u>	<u>106,162,619</u>	<u>94,879,153</u>
<b>Plan net position - ending (b)</b>	<u>\$ 137,623,323</u>	<u>\$ 128,813,130</u>	<u>\$ 115,354,214</u>	<u>\$ 106,384,049</u>	<u>\$ 106,162,619</u>
<b>Net pension liability (asset) - ending (a) - (b)</b>	\$ 142,792,010	\$ 138,999,836	\$ 144,734,234	\$ 135,870,593	\$ 128,401,932
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	49.08%	48.10%	44.35%	43.91%	45.26%
<b>Covered payroll*</b>	\$ 48,816,195	\$ 47,219,580	\$ 45,464,517	\$ 44,671,105	\$ 43,373,860
<b>Net pension liability (asset) as a percentage of covered payroll</b>	293.00%	294.00%	318.00%	304.00%	296.00%

\* Employer's covered-payroll during the measurement period is the total covered payroll.

For FY 2019 the measurement period is October 1, 2017 - September 30, 2018.

\*\* 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015 ***</u>
Actuarially determined contribution*	\$ 11,000,559	\$ 9,707,432	\$ 9,721,334	\$ 9,554,816	\$ 10,148,530
Contributions in relation to the actuarially determined contribution*	<u>11,000,559</u>	<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>	<u>\$ -</u>
Covered payroll**	\$ 52,556,662	\$ 48,816,195	\$ 47,219,580	\$ 45,464,517	\$ 44,671,105
Contributions as a percentage of covered payroll	20.93%	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.

The Schedule of Employer Contributions is based on the 12 month period of the underlying financial statement.

\*\* Employer's covered payroll for FY 2019 is the total covered payroll for the 12 month period of the underlying financial statement.

\*\*\* 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 2019 were based on the September 30, 2016, actuarial valuation.

Methods and assumptions used to determine contributions rates for the period October 1, 2018 to September 30, 2019

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	24.7 years
Asset valuation method	Five year smoothed market
Inflation	2.88%
Salary increases	3.375 - 5.125%, including inflation
Investment rate of return	7.875%, 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 CONTRIBUTIONS  
 LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

<b>Total OPEB Liability*</b>	<b>2018</b>	<b>2017 **</b>
Service Cost at end of year	\$ 924,527	\$ 1,026,908
Interest	1,246,307	1,085,659
Changes in benefit terms	-	-
Difference between expected and actual experience	10,403,990	86,297
Changes of assumptions or other inputs	692,467	(2,150,193)
Benefit payments	(2,776,083)	(1,619,166)
Other	-	-
<b>Net Change in Total OPEB Liability</b>	<b>10,491,208</b>	<b>(1,570,495)</b>
<b>Total OPEB Liability- beginning</b>	<b>36,286,443</b>	<b>37,856,938</b>
<b>Total OPEB Liability- ending</b>	<b>\$ 46,777,651</b>	<b>\$ 36,286,443</b>
<b>Covered payroll</b>	<b>\$ 48,816,195</b>	<b>\$ 47,219,580</b>
<b>Net OPEB Liability as a percentage of covered payroll</b>	<b>95.82%</b>	<b>76.85%</b>

\*The actuarial methods and assumptions used to calculate the total OPEB liabilities are described in Note V.(E.) to the financial statements.

\*\*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 LIABILITY AND RELATED RATIOS  
 LAST 10 FISCAL YEARS ENDING SEPTEMBER 30**

<b>Total OPEB Liability</b>	<u><b>2018</b></u>	<u><b>2017 **</b></u>
Actuarially Determined Contribution	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	-	-
Contribution deficiency (excess)	-	-
Covered Payroll	<u>\$ 48,816,195</u>	<u>\$ 47,219,580</u>
Contribution as a percentage of covered payroll	0.00%	0.00%

\*There is no statutorily determined contribution applicable to the City.

\*\*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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Special assessments	\$ 600	\$ 600	\$	\$ (600)
Interest from funds invested and special assessments			405	405
<b>Total Revenues</b>	<u>600</u>	<u>600</u>	<u>405</u>	<u>(195)</u>
<b>EXPENDITURES:</b>				
General administrative	600	600		600
Principal retirement	2,473,312	2,474,119	2,474,118	1
Interest	612,392	612,408	612,407	1
<b>Total Expenditures</b>	<u>3,086,304</u>	<u>3,087,127</u>	<u>3,086,525</u>	<u>602</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(3,085,704)</u>	<u>(3,086,527)</u>	<u>(3,086,120)</u>	<u>407</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,085,704	3,086,527	3,086,120	(407)
Transfers out				-
<b>Total Other Financing Sources (Uses)</b>	<u>3,085,704</u>	<u>3,086,527</u>	<u>3,086,120</u>	<u>(407)</u>
<b>Net Change in Fund Balance</b>	-	-	-	-
<b>Fund Balances - Beginning</b>				-
<b>Fund Balances - Ending</b>	<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, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Intergovernmental	\$	\$	107,575	\$ 107,575
Interest from funds invested	-	-	110,551	110,551
<b>Total Revenues</b>	-	-	218,126	218,126
<b>EXPENDITURES:</b>				
Public works	-	-	-	-
Capital outlay	14,865,391	14,865,391	11,309,490	3,555,901
<b>Total Expenditures</b>	14,865,391	14,865,391	11,309,490	3,555,901
<b>Excess of Revenues over (under) Expenditures</b>	(14,865,391)	(14,865,391)	(11,091,364)	3,774,027
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in (out)				-
<b>Total Other Financing Sources (Uses)</b>	-	-	-	-
<b>Net Change in Fund Balances</b>	(14,865,391)	(14,865,391)	(11,091,364)	3,774,027
<b>Fund Balances - Beginning</b>	14,865,391	14,865,391	13,638,542	(1,226,849)
<b>Fund Balances - Ending</b>	\$ -	\$ -	\$ 2,547,178	\$ 2,547,178

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**SCHOOL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
<b>REVENUES:</b>				
Taxes	\$ 225,000	\$ 225,000	\$ 221,400	\$ (3,600)
Interest earned	-	-	848	848
<b>Total Revenues</b>	<u>225,000</u>	<u>225,000</u>	<u>222,248</u>	<u>(2,752)</u>
<b>EXPENDITURES:</b>				
Intergovernmental:				
Subsidies to agencies	3,738,286	3,996,436	3,996,436	-
Obligations/expenses paid for schools	196,526	199,836	197,683	2,153
Other support - schools	101,413	537,307	187,985	349,322
<b>Total Expenditures</b>	<u>4,036,225</u>	<u>4,733,579</u>	<u>4,382,104</u>	<u>351,475</u>
<b>Excess of Revenues over (under) Expenditures</b>	<u>(3,811,225)</u>	<u>(4,508,579)</u>	<u>(4,159,856)</u>	<u>348,723</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	3,811,225	4,508,579	4,174,654	(333,925)
<b>Net Change in Fund Balance</b>	-	-	14,798	14,798
<b>Fund Balance - Beginning</b>			108,787	108,787
<b>Budgetary Fund Balance - Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,585</u>	<u>\$ 123,585</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL**  
**UTILITY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	<u>BUDGET</u>	<u>BUDGETARY BASIS ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>			
Electric department	\$ 94,571,000	\$ 94,910,274	\$ 339,274
Water department	9,233,315	10,730,447	1,497,132
Sewer department	15,795,000	20,038,723	4,243,723
Delinquent fees - combined utilities	950,000	916,472	(33,528)
Other revenue	2,074,592	2,001,941	(72,651)
Interest from funds invested	100,000	1,475,915	1,375,915
<b>Total Utility Revenues</b>	<u>122,723,907</u>	<u>130,073,772</u>	<u>7,349,865</u>
<b>OPERATING EXPENSES:</b>			
Electric department	83,852,494	75,186,229	8,666,265
Water department	10,156,982	6,449,765	3,707,217
Sewer department	10,376,225	7,997,712	2,378,513
Billing collection department	1,958,947	1,920,148	38,799
Meter reading department	900,354	899,997	357
Combined utility expense:			
Capital outlay	39,289,337	12,985,367	26,303,970
Miscellaneous expenses	546,849	310,965	235,884
Interest and fiscal charges	2,688,840	2,423,097	265,743
Bond issuance costs			-
Principal on bonds and capital leases	7,009,586	6,984,086	25,500
Depreciation	9,650,000	9,539,856	110,144
<b>Total Expenses</b>	<u>166,429,614</u>	<u>124,697,222</u>	<u>41,732,392</u>
<b>Excess of Revenues Over (Under) Expenses</b>	<u>\$ (43,705,707)</u>	<u>\$ 5,376,550</u>	<u>\$ 49,082,257</u>

(Continued on page 89)

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, 2019**

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
<b>OTHER FINANCING SOURCES (USES):</b>			
Intergovernmental Revenue	\$ 5,216,878	\$ 1,730,919	\$ (3,485,959)
Transfers (out)	(11,219,456)	(6,267,455)	4,952,001
Gain (loss) on disposition of capital assets	-	(772,344)	(772,344)
Issuance of Debt	110,000	110,000	-
<b>Total Other Financing Sources (Uses)</b>	<b>(5,892,578)</b>	<b>(5,198,880)</b>	<b>693,698</b>
<b>Excess of Revenues Over Expenses per Budget Resolutions</b>	<b>(49,598,285)</b>	<b>177,670</b>	<b>49,775,955</b>
Capital contributions	-	53,136	53,136
Adjustment for capital outlay, principal payments on bonds and capital leases	19,859,453	19,859,453	-
<b>Total Net Position - Beginning</b>	<b>49,598,285</b>	<b>126,581,011</b>	<b>76,982,726</b>
<b>Total Net Position - Ending</b>	<b>\$ 19,859,453</b>	<b>\$ 146,671,270</b>	<b>\$ 126,811,817</b>

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

Capital outlay expense	\$ 12,985,367
Principal payment on bonds	6,984,086
Bond proceeds	(110,000)
<b>Total Adjustments</b>	<b>\$ 19,859,453</b>

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**  
**2020-2037**

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	
2020	\$ 1,776,552	\$ 1,317,750	\$ 975,350	\$ 8,357,641	\$ 12,427,293
2021	1,776,552		985,059	8,370,275	11,131,886
2022	1,776,552		984,269	8,390,111	11,150,932
2023	1,432,963		993,186	7,131,882	9,558,031
2024	1,089,374		986,604	7,133,316	9,209,294
2025	1,089,374		989,848	7,127,922	9,207,144
2026	1,089,374		1,002,712	7,125,699	9,217,785
2027	1,089,374		999,990	5,791,671	7,881,035
2028	1,089,374		1,011,975	4,455,428	6,556,777
2029	1,089,374		1,008,374	4,451,963	6,549,711
2030	1,089,374		1,019,480	4,451,566	6,560,420
2031	1,089,374			4,448,965	5,538,339
2032	1,089,374			4,454,184	5,543,558
2033	1,089,374			3,745,638	4,835,012
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>\$ 22,013,855</u>	<u>\$ 1,317,750</u>	<u>\$ 10,956,847</u>	<u>\$ 94,263,496</u>	<u>\$ 128,551,948</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2009**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
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>\$ 1,249,762</u>	<u>\$ 1,098,722</u>	<u>\$ 9,469,571</u>	<u>\$ 8,280,695</u>	<u>\$ 20,098,750</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2010-CWSRF-BL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>		
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>\$ 59,182</u>	<u>\$ 59,182</u>	<u>\$ 2,240,000</u>	<u>\$ 2,358,364</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION SEWER WARRANTS - SERIES 2010B-CWSRF-BL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>		
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>\$ 33,188</u>	<u>\$ 33,187</u>	<u>\$ 1,310,000</u>	<u>\$ 1,376,375</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>	
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>\$ 280,316</u>	<u>\$ 242,573</u>	<u>\$ 2,435,000</u>	<u>\$ 2,957,889</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2011-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>	<u>DUE AUGUST 15</u>	<u>SERVICE</u>
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>\$ 549,117</u>	<u>\$ 549,113</u>	<u>\$ 5,120,000</u>	<u>\$ 6,218,230</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2013**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>	
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>\$ 74,262</u>	<u>\$ 56,706</u>	<u>\$ 1,300,095</u>	<u>\$ 974,061</u>	<u>\$ 2,405,124</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION REFUNDING WARRANTS - SERIES 2014**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>DUE MARCH 1</u>	<u>DUE SEPTEMBER 1</u>	<u>DUE SEPTEMBER 1</u>	<u>SERVICE</u>
2020	5.00%	\$ 31,375	\$ 31,375	\$ 1,255,000	\$ 1,317,750
		<u>\$ 31,375</u>	<u>\$ 31,375</u>	<u>\$ 1,255,000</u>	<u>\$ 1,317,750</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2014-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<u>YEAR ENDING SEPTEMBER 30</u>	<u>INTEREST RATE - %</u>	<u>INTEREST</u>		<u>PRINCIPAL</u>	<u>TOTAL DEBT SERVICE</u>
		<u>DUE FEBRUARY 15</u>	<u>DUE AUGUST 15</u>	<u>DUE AUGUST 15</u>	
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>\$ 1,440,844</u>	<u>\$ 1,440,843</u>	<u>\$ 15,210,000</u>	<u>\$ 18,091,687</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANT - SERIES 2016**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>	
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>\$ 357,746</u>	<u>\$ 357,742</u>	<u>\$ 6,590,000</u>	<u>\$ 7,305,488</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2016-CWSRF-DL**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

<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>	
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>\$ 3,774,155</u>	<u>\$ 3,378,045</u>	<u>\$ 36,010,000</u>	<u>\$ 43,162,200</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2017**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
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>\$ 2,023,981</u>	<u>\$ 1,925,167</u>	<u>\$ 7,780,388</u>	<u>\$ 7,879,197</u>	<u>\$ 19,608,733</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**GENERAL OBLIGATION WARRANTS - SERIES 2019**  
**SCHEDULE OF BONDED DEBT AND INTEREST**  
**SEPTEMBER 30, 2019**

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL DUE AUGUST 15	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15		
2020	2.38%	\$ 37,842	\$ 37,842	\$ 255,000	\$ 330,684
2021	2.38%	34,807	34,808	265,000	334,615
2022	2.38%	31,654	31,654	270,000	333,308
2023	2.38%	28,441	28,441	280,000	336,882
2024	2.38%	25,109	25,109	280,000	330,218
2025	2.38%	21,777	21,777	285,000	328,554
2026	2.38%	18,385	18,386	295,000	331,771
2027	2.38%	14,875	14,875	300,000	329,750
2028	2.38%	11,305	11,305	310,000	332,610
2029	2.38%	7,616	7,616	315,000	330,232
2030	2.38%	3,867	3,868	325,000	332,735
		<u>\$ 235,678</u>	<u>\$ 235,681</u>	<u>\$ 3,180,000</u>	<u>\$ 3,651,359</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY SOURCE**  
**SEPTEMBER 30, 2019**

**CAPITAL ASSETS:**

Land and easements	\$	12,277,443
Buildings		82,634,104
Improvements other than buildings		74,000,753
Machinery and equipment		59,247,243
Infrastructure		457,284,088
Construction in progress		22,171,687
		22,171,687
<b>Total Capital Assets</b>	<b>\$</b>	<b>707,615,318</b>
		<b>707,615,318</b>

**INVESTMENTS IN CAPITAL ASSETS FROM:**

Capital Projects Funds:		
General obligation bonds	\$	54,165,795
Grants		24,546,773
General fund revenues		622,611,506
Special revenue fund revenues		175,736
Gifts		6,037,640
Utility fund revenues		77,868
		77,868
<b>Total Investment in Capital Assets</b>	<b>\$</b>	<b>707,615,318</b>
		<b>707,615,318</b>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**SEPTEMBER 30, 2019**

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	\$ 199,390	\$ -	\$ -	\$ 7,350,141
Staff Agencies:							
Information system/Technology		215,658	1,264,806	8,794,672		109,980	10,385,116
Budget and finance		276,022		22,167			298,189
Personnel services				5,009			5,009
Total Staff Agencies	-	491,680	1,264,806	8,821,848	-	109,980	10,688,314
Total General Government	1,580,360	3,046,946	4,279,931	9,021,238	-	109,980	18,038,455
Public Safety:							
Fire department	1,517,199	6,363,962	992,165	11,234,878			20,108,204
Police department	15,332	6,130,234	11,043,183	15,404,901		17,388,847	49,982,497
Total Public Safety	1,532,531	12,494,196	12,035,348	26,639,779	-	17,388,847	70,090,701
Public Works:							
Street department	373,836	40,110	5,733,690	5,646,177	453,703,652	2,628,646	468,126,111
Environmental services	2,726,060	1,042,790	4,911,397	11,009,753		1,402,467	21,092,467
Special assessments	25,000		7,308,292				7,333,292
Health and welfare	106,381	599,781	79,110				785,272
Engineering department	578,636	996,500	1,094,954	2,213,132	3,580,436	582,002	9,045,660
Culture and recreation	4,369,861	20,902,213	35,838,800	2,969,003		59,745	64,139,622
General services		1,455,946	2,113,076	467,699			4,036,721
Equipment maintenance		1,268,529	606,155	1,280,462			3,155,146
Schools	984,778	40,787,093					41,771,871
Total Other	9,164,552	67,092,962	57,685,474	23,586,226	457,284,088	4,672,860	619,486,162
<b>Total Capital Assets</b>	<b>\$ 12,277,443</b>	<b>\$ 82,634,104</b>	<b>\$ 74,000,753</b>	<b>\$ 59,247,243</b>	<b>\$ 457,284,088</b>	<b>\$ 22,171,687</b>	<b>\$ 707,615,318</b>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2018</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2019</u>
General Government:				
Control:				
General administrative	\$ 7,429,481	\$ -	\$ 79,340	\$ 7,350,141
Staff Agencies:				
Information system/Technology	10,235,872	824,338	785,074	10,275,136
Budget and finance	298,189			298,189
Personnel services	5,009			5,009
Total Staff Agencies	<u>10,539,070</u>	<u>824,338</u>	<u>785,074</u>	<u>10,578,334</u>
Total General Government	<u>17,968,551</u>	<u>824,338</u>	<u>864,414</u>	<u>17,928,475</u>
Public Safety:				
Fire department	19,250,672	1,284,653	427,121	20,108,204
Police department	33,114,964	473,565	994,879	32,593,650
Total Public Safety	<u>52,365,636</u>	<u>1,758,218</u>	<u>1,422,000</u>	<u>52,701,854</u>
Public Works:				
Street department	464,031,338	1,589,964	123,837	465,497,465
Environmental services	19,142,593	620,960	73,553	19,690,000
Special assessments	7,333,292			7,333,292
Health and welfare	785,272			785,272
Engineering department	8,477,658	498,644	512,644	8,463,658
Culture and recreation	61,911,306	2,240,293	71,722	64,079,877
General services	4,023,414	13,307		4,036,721
Equipment maintenance	2,911,292	387,506	143,652	3,155,146
Schools	41,771,871			41,771,871
Construction in progress	10,739,061	15,657,759	4,225,133	22,171,687
Total Other	<u>621,127,097</u>	<u>21,008,433</u>	<u>5,150,541</u>	<u>636,984,989</u>
<b>Total Capital Assets</b>	<u>\$ 691,461,284</u>	<u>\$ 23,590,989</u>	<u>\$ 7,436,955</u>	<u>\$ 707,615,318</u>

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## STATISTICAL SECTION

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

### 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.

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#### ***Revenue Capacity***

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

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									
	2010	2011	2012*	2013	2014	2015*	2016	2017	2018*	2019
Governmental activities:										
Net Investment in capital assets	\$ 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	\$ 99,180,158
Restricted		2,095,216	1,890,847	883,855	210,752	270,862	211,985	17,189,646	268,218	2,901,466
Unrestricted	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)	(102,281,226)
Total governmental activities net position	<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>	<u>\$ (199,602)</u>
Business-type activities:										
Net Investment in capital assets	\$ 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	\$ 92,604,499
Restricted										
Unrestricted	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	54,066,771
Total business-type activities net position	<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>	<u>\$ 146,671,270</u>
Primary government:										
Net Investment in capital assets	\$ 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	\$ 191,784,657
Restricted		2,095,216	1,890,847	883,855	210,752	270,862	211,985	17,189,646	268,218	2,901,466
Unrestricted	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)	(48,214,455)
Total primary government net position	<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>	<u>\$ 146,471,668</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									
	2010	2011	2012*	2013	2014	2015	2016	2017	2018	2019
<b>Expenses</b>										
Governmental activities:										
General government	\$ 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	\$ 16,827,227
Public safety	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	38,937,890
General services	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	5,014,839
Planning and development	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	2,771,676
Other public works	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	21,944,769
Insurance department	2,952,101	193,439	805,007	1,280,974	452,688	3,696,580	3,681,005	(279,055)	216,427	467,836
Culture and recreation	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	13,994,251
Education	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	4,966,354
Health and welfare	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	4,153,672
Interest/fiscal charges on long-term debt	1,294,921	1,036,530	912,187	829,200	1,066,624	329,021	213,947	180,601	453,754	335,799
Total governmental activities expenses	<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>	<u>109,414,313</u>
Business-type activities:										
Electric	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	75,186,229
Water	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	6,449,765
Wastewater	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	7,997,712
Billing - collection department	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	1,920,148
Meter reading department	773,300	807,608	768,870	840,669	827,914	762,080	753,346	803,913	841,044	899,997
Depreciation	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	9,539,856
Miscellaneous	682,221	613,665	592,935	753,836	758,777		41,378	139,446	394,383	310,965
Bond issue costs	47,486	47,486					55,262			
(Loss) on disposition of capital assets	8,600	45,741	289,649	268,174	704,513	205,266	459,404	404,560	264,511	772,344
Interest /fiscal charges	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	2,423,097
Total business-type activities expenses	<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>	<u>105,500,113</u>
Total primary government expenses	<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>	<u>\$ 214,914,426</u>
<b>Program Revenues (see Schedule 3)</b>										
Governmental activities:										
Charges for services:										
Other public works	\$ 395,381	\$ 2,150,847	\$ 2,155,359	\$ 2,475,778	\$ 4,255,759	\$ 4,265,779	\$ 4,316,604	\$ 4,356,163	\$ 4,376,974	\$ 4,418,379
Culture and recreation	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	2,466,028
General government	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	3,882,802
Public safety	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	1,479,893
Planning and development	408,863	436,465	436,958	412,672	429,797	468,221	426,098	449,775	432,826	450,323
Operating grants and contributions	143,851	171,923	136,040	117,809	437,237	517,865	564,624	1,743,473	3,117,078	1,612,553
Capital grants and contributions	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	1,717,484
Total governmental activities program revenues	<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>	<u>16,027,462</u>
Business-type activities:										
Charges for services:										
Electric	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	94,910,274
Water	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	10,730,447
Wastewater/sewer	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	20,038,723
Combined utilities							1,040,333	1,041,610	949,348	916,472
E-911	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	1,784,055
Total business-type activities program revenues	<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>	<u>128,379,971</u>
Total primary government program revenues	<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>	<u>\$ 144,407,433</u>

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

\*Restated

(Continued on page 109)

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

	FISCAL YEAR									
	2010	2011	2012*	2013	2014	2015	2016	2017	2018	2019
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (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)	\$ (93,386,851)
Business-type activities	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	22,879,858
Total primary government net expense	<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>	<u>\$ (70,506,993)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
General property tax	\$ 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	\$ 4,800,653
General sales and use tax	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	74,607,092
Alcoholic beverage tax	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	1,313,351
Lodging tax	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	4,017,771
Franchise tax	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	1,723,447
Cigarette tax	325,389	303,738	294,300	265,950	257,850	256,500	226,850	247,150	218,700	221,400
Unrestricted grants and contributions	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	2,192,970
Unrestricted investment earnings	312,047	253,518	179,658	137,581	137,238	110,618	95,636	118,737	419,681	813,242
Miscellaneous	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	4,499,527
Transfers	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	6,267,455
Special items			(1,427,363)	(6,000,000)						
Total governmental activities	<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>	<u>100,456,908</u>
Business-type activities:										
Unrestricted grants and contributions	293,194	274,470	196,188	74,849	142,625					
Unrestricted investment earnings	239,355	114,809	106,013	119,370	98,152	68,360	114,181	227,902	806,622	1,475,915
Gain on sale of capital assets										
Miscellaneous	894,467	937,805	1,056,759	990,405	1,062,203	1,281,074	1,016,352	1,318,857	1,045,838	2,001,941
Transfers	(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)	(6,267,455)
Total business-type activities	<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>	<u>(2,789,599)</u>
Total primary government	<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>	<u>\$ 97,667,309</u>
<b>Change in Net Position</b>										
Governmental activities	\$ (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	\$ 7,070,057
Business-type activities	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	20,090,259
Total primary government	<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>	<u>\$ 27,160,316</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function/Program</b>										
Governmental activities:										
General government	\$ 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	\$ 5,202,018
Public safety	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	2,202,074
General services						7,500		3,800		
Other public works	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	5,706,019
Planning and development	408,863	436,465	436,958	412,672	429,797	468,221	426,098	449,775	432,826	451,323
Culture and recreation	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	2,466,028
Subtotal governmental activities	<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>	<u>16,027,462</u>
Business-type activities:										
Electric	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	94,912,274
Water	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	11,590,319
Wastewater/sewer	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	20,960,906
Combined utilities							1,040,333	1,041,610	949,348	916,472
E-911	1,163,718	1,099,713	1,278,007	1,443,736	1,744,910					
Subtotal business-type activities	<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>	<u>128,379,971</u>
Total primary government	<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>	<u>\$ 144,407,433</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$ 10,411,532	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved	20,403,277									
Nonspendable		325,046	373,624	327,987	363,341	363,755	295,087	328,562	371,481	398,346
Restricted		1,439,033	1,377,477	340,115	148,063	188,753	166,769	151,573	159,431	230,703
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	10,344,018
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	25,693,251
Unassigned		11,461,686	14,024,201	11,423,170	869,854	4,982,343	4,462,443	5,718,239	3,652,561	16,241,919
<b>Total general fund</b>	<b>\$ 30,814,809</b>	<b>\$ 33,661,227</b>	<b>\$ 39,165,916</b>	<b>\$ 44,298,794</b>	<b>\$ 45,879,970</b>	<b>\$ 46,376,998</b>	<b>\$ 39,893,413</b>	<b>\$ 38,853,359</b>	<b>\$ 42,673,407</b>	<b>\$ 52,908,237</b>
All Other Governmental Funds										
Reserved	\$ 2,356	\$	\$	\$	\$	\$	\$	\$	\$	\$
Unreserved, reported in:										
Special revenue funds										
Capital projects funds	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	2,670,763
Committed										
Assigned										
Unassigned										
<b>Total all other governmental funds</b>	<b>\$ 2,264,306</b>	<b>\$ 770,795</b>	<b>\$ 2,530,944</b>	<b>\$ 1,897,016</b>	<b>\$ 62,990</b>	<b>\$ 82,174</b>	<b>\$ 45,556</b>	<b>\$ 17,038,311</b>	<b>\$ 13,747,329</b>	<b>\$ 2,670,763</b>

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

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

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Revenues</b>										
Taxes (see Schedule 6)	\$ 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	\$ 86,683,714
Licenses, fees, and permits	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	4,256,649
Fines and penalties	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	1,447,728
Charges for services	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	6,993,048
Special assessments	78,042	69,042	53,126	5,503	1,338	690	440	310	312	
Intergovernmental	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	5,287,729
Investment earnings	355,165	270,620	191,681	143,063	138,210	110,618	95,911	118,785	579,441	923,793
Other revenues	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	4,556,110
<b>Total revenues</b>	<b>81,054,888</b>	<b>81,380,427</b>	<b>81,108,691</b>	<b>86,153,837</b>	<b>88,514,998</b>	<b>92,802,161</b>	<b>94,571,730</b>	<b>94,800,615</b>	<b>100,445,732</b>	<b>110,148,771</b>
<b>Expenditures</b>										
General government	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	13,031,062
Public safety	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	36,452,530
Planning and development	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	2,731,282
Refuse collection	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	4,727,145
Other public works	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	17,203,975
Health and welfare	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	4,143,067
Culture and recreation	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	12,041,924
Insurance	2,952,101	193,439	805,007	1,280,974	452,688	3,696,580	3,681,005	(279,055)	216,427	467,836
Capital outlay	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	18,990,512
Intergovernmental	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	4,382,104
Debt service										
Interest	1,370,157	1,148,631	1,044,618	942,089	1,249,993	4,367,483	492,721	421,760	732,446	612,407
Principal	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	2,474,118
<b>Total expenditures</b>	<b>90,479,919</b>	<b>82,639,678</b>	<b>81,945,680</b>	<b>88,586,391</b>	<b>108,425,162</b>	<b>104,767,788</b>	<b>109,180,340</b>	<b>102,589,548</b>	<b>106,810,460</b>	<b>117,257,962</b>
Excess of revenues over (under) expenditures	<u>(9,425,031)</u>	<u>(1,259,251)</u>	<u>(836,989)</u>	<u>(2,432,554)</u>	<u>(19,910,164)</u>	<u>(11,965,627)</u>	<u>(14,608,610)</u>	<u>(7,788,933)</u>	<u>(6,364,728)</u>	<u>(7,109,191)</u>
<b>Other Financing Sources (Uses)</b>										
Bonds issued			2,000,000	6,000,000	11,650,415	43,685		17,000,000		
Capital leases		9,012					6,426			
Refunding bonds issued										
Payment to Dothan-Houston County Airport Authority Bond Fund				(6,000,000)						
Transfers in	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	6,267,455
<b>Total other financing sources (uses)</b>	<b>4,792,797</b>	<b>2,612,158</b>	<b>8,101,827</b>	<b>6,931,504</b>	<b>19,657,314</b>	<b>12,481,839</b>	<b>8,088,407</b>	<b>23,741,634</b>	<b>6,893,794</b>	<b>6,267,455</b>
<b>Net change in fund balances</b>	<b>\$ (4,632,234)</b>	<b>\$ 1,352,907</b>	<b>\$ 7,264,838</b>	<b>\$ 4,498,950</b>	<b>\$ (252,850)</b>	<b>\$ 516,212</b>	<b>\$ (6,520,203)</b>	<b>\$ 15,952,701</b>	<b>\$ 529,066</b>	<b>\$ (841,736)</b>
Debt service as a percentage of noncapital expenditures	8.3%	6.3%	6.0%	5.7%	16.8%	5.4%	4.9%	3.5%	4.5%	3.1%

**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>
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
2019	3,999,941	800,712	74,607,092	4,017,771	1,723,447	1,313,351	221,400	86,683,714
Change								
2010-2019	\$ 321,443	\$ 169,445	\$ 19,332,613	\$ 2,463,985	\$ (900,099)	\$ 121,588	\$ (103,989)	\$ 21,404,986

**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>
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%
2019	260,271	728,497	138,953	849,815	5.00	6,147,655	13.8%

**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
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
2019	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50

**Source:** Houston County Revenue Commissioner

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

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

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

<b>TAXPAYER</b>	<b>2019</b>			<b>2010</b>		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Wayne Farms, LLC / Perdue Farms, Inc.	\$ 10,583,700	1	1.25%	\$ 3,546,280	8	0.47%
Triad of Alabama, LLC	9,281,360	2	1.09%	9,761,280	3	1.29%
Centurytel of Alabama, LLC	7,710,180	3	0.91%	12,041,000	2	1.60%
Nutcracker Brands/Flavor House Products, Inc.	5,878,760	4	0.69%			
Dothan Pavilion Group LLC	5,402,200	5	0.64%			
WMJSHR Investments, LLC	5,239,580	6	0.62%			
Wiregrass Electric	5,036,660	7	0.59%			
Watson & Downs Investments, LLC	4,653,880	8	0.55%	5,830,840	4	0.77%
Wiregrass Realty LLC & Wiregrass CH LLC	4,313,220	9	0.51%			
Alabama Power Company Tax Accounting	3,936,720	10	0.46%			
Sony Magnetic Products, Inc.				13,493,800	1	1.79%
Flowers Hospital				5,041,680	5	0.67%
Inland American Dothan Pavilion, LLC				4,820,880	6	0.64%
Wiregrass Telecom Inc.				3,549,000	7	0.47%
Wiregrass Mall Associates, LLC/PR Wiregrass Commons, LLC				3,472,640	9	0.46%
Wal-Mart Real Estate Business Trust				2,825,680	10	0.37%
<b>Total</b>	<b>\$ 62,036,260</b>		<b>7.31%</b>	<b>\$ 64,383,080</b>		<b>8.53%</b>

Source: Revenue Commissioner Houston County

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

FISCAL YEAR ENDED SEPTEMBER 30	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS	TOTAL COLLECTIONS TO DATE	
		AMOUNT	PERCENTAGE OF LEVY		AMOUNT	PERCENTAGE OF LEVY
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 %	386	3,976,754	95.58 %
2019	4,243,808	4,004,328	94.36 %	-	4,004,328	94.36 %

**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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Accommodation & Food Services	\$ 192,631	\$ 198,879	\$ 252,250	\$ 300,239	\$ 312,830	\$ 482,549	\$ 516,333	\$ 497,075	\$ 383,565	\$ 334,800
Administrative & Waste Mgmt.	6,141	7,197	6,764	4,853	1,829	5,733	28,890	17,194	9,505	18,323
Agriculture, Forestry, Fishing, etc.	181	641	570	587	644	414	464	427	450	455
Arts, Entertainment & Recreation	7,564	7,398	12,116	26,255	34,848	19,283	33,982	18,246	34,884	33,448
Construction	9,923	11,656	20,709	25,163	49,213	17,548	41,704	31,930	27,569	27,755
Educational Services	2,730	2,702	2,157	1,505	4,484	1,911	2,041	1,944	1,848	2,389
Finance & Insurance	3,388	4,196	9,048	13,735	14,762	3,710	4,832	13,591	4,630	4,496
Health Care & Social Assistance	19,441	16,304	17,880	40,657	20,759	22,063	43,759	47,494	30,722	17,578
Information	22,926	26,683	21,483	27,238	23,621	48,227	41,624	34,016	31,406	29,448
Management of Companies	97	89	62	41	67	36	27	26	3,097	292
Manufacturing	72,888	75,504	93,248	106,322	122,218	108,290	111,240	67,043	70,037	78,140
Mining	42	52	105	23	6	90	563	892	957	1,361
Other Services	26,512	27,516	53,414	64,822	85,159	70,830	100,800	48,377	54,819	57,261
Professional Services	21,918	22,880	29,991	38,199	53,510	49,582	51,593	41,691	37,538	31,675
Public Administration	137	598	557	579	716	703	980	699	1,108	1,083
Real Estate & Rental & Leasing	7,755	6,100	7,796	9,521	13,515	7,912	9,007	48,581	14,247	7,465
Retail Trade	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	1,500,689
Transportation & Warehousing	9,763	8,115	7,061	8,006	6,436	9,787	5,651	11,170	22,551	7,493
Unidentified*	4,285	8,503	8,570	19,662	60,543	40,195	1	-	586	107,268
Utilities	310	38	113	70	42	29	43	81	190	186
Wholesale Trade	137,284	143,753	159,921	182,704	185,190	154,872	167,001	152,871	174,091	183,598
<b>Total</b>	<b>\$ 1,619,353</b>	<b>\$ 1,666,401</b>	<b>\$ 1,996,616</b>	<b>\$ 2,237,906</b>	<b>\$ 2,405,969</b>	<b>\$ 2,441,960</b>	<b>\$ 2,661,755</b>	<b>\$ 2,486,186</b>	<b>\$ 2,356,868</b>	<b>\$ 2,445,203</b>
City direct sales tax rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

**Sources:** 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>
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%
2019	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>2019</u>	<u>2010</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	
Target Corporation	5	5
Home Depot USA, Inc.	6	8
Winn Dixie Montgomery, LLC	7	4
RK Holdings LLP	8	
Dolgencorp, LLC	9	10
Academy, LTD	10	
Best Buy Stores, LP		6
Higbee Company dba Dillards		9
Kmart Corporation		7

**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			
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	2.35%	1,739
2019	19,329,275		1,373,074		88,472,191	109,174,540	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			
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
2019	19,329,275	89,845,265	109,174,540	1.78%	1,600

**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, 2019**

	DEBT OUTSTANDING	ESTIMATED PERCENTAGE APPLICABLE*	ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT
City of Dothan Direct Debt			
General Bonded Debt and Warrants	\$ 20,702,349	100.00%	\$ 20,702,349
Overlapping Debt			
Houston County	11,825,000	57.78%	6,832,485
Southeast Alabama Medical Center	-	57.78%	-
<b>Total direct and overlapping debt</b>			<b>\$ 27,534,834</b>

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

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

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

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

	FISCAL YEAR									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Debt limit*	\$ 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	\$ 187,566,052
Total net debt applicable to limit	<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>	<u>15,659,586</u>
Legal debt margin	<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>	<u>\$ 171,906,466</u>
Total net debt applicable to the limit as a percentage of debt limit	4.55%	3.40%	3.58%	3.02%	1.68%	0.81%	0.01%	9.17%	8.93%	8.35%

**Legal Debt Margin Calculation for Fiscal Year 2019**

Assessed value	\$ 937,830,260
Debt limit (20% of assessed value)*	187,566,052
Debt applicable to limit:	
General obligation bonds (Includes unamortized bond premium)	109,174,540
Less: Exempt debt	93,514,954
Less: Amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>15,659,586</u>
Legal debt margin	<u>\$ 171,906,466</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	
2010	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2011														
2012														
2013														
2014														
2015														
2016														
2017														
2018														
2019														

**Notes:** The City does not have any pledged revenues.

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

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME (thousands of dollars)</u>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>EDUCATION LEVEL IN YEARS OF SCHOOLING</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
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	68,247	2,790,142	40,883	38.9	12.9	9,342	4.10%
2019	NA	NA	NA	39.0	13.0	8,976	3.20%

**Sources:** Population information obtained from the U.S. Census Bureau and the University of Alabama's Center for Business and Economic Research. Personal income and per capita personal income information obtained from the U.S. Bureau of Economic Analysis. Median age and education level information obtained from city-data.com. School enrollment data obtained from the Dothan City School System. Unemployment data obtained from the Alabama Department of 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>2019</u>			<u>2010</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 Health/Southeast Alabama Medical Center	3,100	1	6.32%	2,002	1	4.94%
Dothan (City) & Houston County School Systems	1,973	2	4.02%	1,973	2	4.87%
Flowers Hospital	1,350	3	2.75%	1,100	3	2.72%
Wayne Farms (formerly Perdue Farms)	1,300	4	2.65%	800	6	1.98%
City of Dothan	972	5	1.98%	936	4	2.31%
Southern Nuclear (Farley)	900	6	1.83%	860	5	2.12%
Michelin Tire	550	7	1.12%	542	8	1.34%
AAA Cooper Transportation	425	8	0.87%	475	9	1.17%
SpectraCare Health Systems	400	9	0.82%			
Houston County Government	399	10	0.81%			
Pemco World Air Services				600	7	1.48%
Wal-Mart Super Center #604				430	10	1.06%
<b>Total</b>	<b>11,369</b>		<b>23.17%</b>	<b>9,718</b>		<b>23.99%</b>

\*These figures are for Houston County.

**Source:** Dothan Area Chamber of Commerce, US Bureau of Labor and Statistics, 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b><u>Function/Program</u></b>										
General government										
Administrative services	11	11	12	13	13	13	13	13	12	13
Information systems	15	16	15	16	16	14	11	14	14	14
City clerk	7	5	6	4	4	4	4	4	4	4
Finance	41	41	41	40	45	41	43	43	46	44
Personnel	10	9	10	10	10	10	10	10	10	10
Judicial	13	12	13	13	13	12	13	14	13	14
General services	53	53	53	51	51	54	53	53	57	56
Police										
Officers	155	151	158	158	171	167	164	159	157	169
Civilians	66	71	70	72	69	75	69	74	70	67
Fire										
Firefighters and officers	168	168	169	168	171	171	167	171	170	161
Civilians	2	2	3	3	3	3	3	3	3	3
Refuse collection	82	77	73	80	78	74	71	70	70	67
Other public works										
Engineering	16	16	14	15	18	19	16	16	16	17
Street	42	43	44	43	44	42	42	43	45	45
Traffic	11	11	12	13	13	12	12	12	12	12
Other	6	5	6	0	0	6	6	6	7	7
Planning and development	17	17	16	20	21	20	21	23	23	24
Parks and recreation	60	60	57	63	64	61	62	68	70	70
Performing arts	10	11	11	11	12	12	10	12	10	11
Electric	61	62	66	67	65	63	64	66	68	67
Water	35	35	33	34	36	34	37	38	37	37
Wastewater	55	51	54	50	54	52	51	54	59	60
Total	<u>936</u>	<u>927</u>	<u>936</u>	<u>944</u>	<u>971</u>	<u>959</u>	<u>942</u>	<u>966</u>	<u>973</u>	<u>972</u>

**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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function</b>										
General government										
Building permits issued	4,032	4,961	4,427	4,215	4,888	5,900	5,577	5,718	5,311	5,766
Building inspections conducted	7,614	7,104	6,581	7,051	6,954	6,995	7,155	7,090	7,023	7,019
Police										
Physical arrests	6,552	5,239	5,289	5,034	7,199	7,874	6,198	6,212	6,009	6,622
Parking violations	173	142	118	190	137	75	178	49	121	96
Traffic and non misdemeanor violations	14,827	12,423	13,606	9,466	12,337	12,607	17,625	19,080	18,768	21,449
Fire										
Emergency responses	10,201	10,755	11,017	11,198	11,180	12,205	12,836	13,402	13,815	15,648
Fires extinguished	508	533	464	371	536	396	294	364	284	382
Inspections	3,508	2,614	2,662	2,603	2,167	2,565	2,157	2,177	2,185	2,101
Refuse collection										
Refuse collected (tons per day)	227.00	231.61	243.42	253.82	178.20	118.27	126.89	119.92	155.38	112.36
Recyclables collected (tons per day)	2.28	2.71	2.92	4.15	4.35	5.36	5.94	6.32	9.23	4.49
Other public works										
Street resurfacing (miles)	16	14	13	16	15	10	13	15	11	14
Parks and recreation										
Athletic field permits issued	126	242	381	364	466	345	461	445	301	446
Community center admissions*	82,344	106,696	110,943	106,880	121,097	129,346	110,508	91,606	100,635	90,344
Library										
Volumes in collection - books	208,097	180,642	170,078	183,821	152,920	152,681	136,597	139,796	107,957	104,718
Volumes in collection - audio/video	3,950	4,266	7,567	8,178	8,048	8,287	15,645	17,723	18,755	19,880
Volumes borrowed	286,541	235,517	239,238	317,074	228,672	288,661	344,397	394,623	488,046	492,926
Water										
New connections	98	315	144	435	185	284	396	442	106	176
Water main breaks	226	209	169	180	154	179	154	167	110	143
Average daily consumption (thousands of gallons)	12,664	13,038	11,470	9,548	11,252	10,406	12,274	13,028	12,019	13,325
Peak daily consumption (thousands of gallons)	20,611	24,013	22,744	20,942	19,439	18,514	20,239	19,656	19,814	24,856
Wastewater										
Average daily sewage treatment (thousands of gallons)	12,150	9,611	9,631	14,437	13,619	10,551	15,475	12,635	11,509	13,223

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

**Notes:** Figure for 2010 includes community center admissions plus the number of times the Westgate Tennis Complex was rented by an organization. Figures for 2011-2019 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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>Function</b>										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	52	52	52	51	51	51	49	49	49	52
Other public works										
Streets (miles)	452	455	455	455	455	455	455	457	457	457
Highways (miles)*	58	58	58	58	58	59	59	59	59	59
Street lights	13,979	15,135	15,378	15,722	15,766	15,847	16,345	17,981	18,021	18,096
Traffic signals	190	190	190	190	190	190	190	190	190	190
Parks and recreation										
Acreage	706	706	708	708	708	708	1,092	1,102	1,102	1,102
Playgrounds	10	13	15	15	15	15	15	16	16	18
Baseball/softball diamonds	31	31	31	31	31	31	31	44	44	44
Soccer/football fields	8	8	8	8	8	8	8	9	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	1
Water										
Water mains (miles)	488	497	502	505	507	510	512	514	516	519
Fire hydrants	3,021	3,430	3,459	3,470	3,482	3,499	3,514	3,634	3,648	3,684
Storage capacity (thousands of gallons)	14,500	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Wastewater										
Sanitary sewers (miles)	497	504	505	505	505	506	506	510	511	512
Storm sewers (miles)	181	183	185	186	186	187	187	187	188	189
Treatment capacity (thousands of gallons)	23,120	23,120	22,120	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.*

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



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*Alabama Society of Certified Public Accountants*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama, as of and for the year ended September 30, 2019, 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 12, 2020.

**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. However, material weaknesses may exist that have not been identified.

### **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*.

### **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 12, 2020

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

*George C. McClintock, C.P.A.*

*Marc A. Nelson, C.P.A.*

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*Rebecca C. Solomon, C.P.A.*

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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, 2019. 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, 2019.

**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 12, 2020

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<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 10-01-18</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-19</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-17-MC-01-0010 - B-18-MC-01-0010	\$ 904,013	\$ 57,058	\$ 267,807	\$ 267,807	\$ 68,857
<u>Passed Through Dothan Housing Authority:</u>							
Public Housing Capital Fund	14.872	None	175,000	175,000	175,000	175,000	-
<b>Total U.S. Department of Housing and Urban Development</b>				<u>232,058</u>	<u>442,807</u>	<u>442,807</u>	<u>68,857</u>
<b>U.S. DEPARTMENT OF JUSTICE:</b>							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	19,980		12,488	12,488	12,488
Edward Byrne Memorial Justice Assistance Grant	16.738	None	28,697		28,697	28,697	
Edward Byrne Memorial Justice Assistance Grant	16.738	None	23,437	12,610	4,727	4,727	-
<b>Total U.S. Department of Justice</b>				<u>12,610</u>	<u>45,912</u>	<u>45,912</u>	<u>12,488</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION:</b>							
Local Impact	20.600	None	30,082		30,082	30,082	
Local Impact	20.600	None	30,964		30,964	30,964	19,089
Local Impact	20.600	None	3,128		3,128	3,128	
Local Impact	20.616	None	7,564		7,564	7,564	7,564
Local Impact	20.616	None	6,047		6,047	6,047	6,047
MPO Grant - Denton Road	20.205	STPOA-9450 (602)	1,200,000	174,398	305,799	305,799	305,799
Brookside Bridge Replacement	20.205	ATRIP 35-05-38	772,543		90,570	90,570	90,570
MPO Grant - Denton Road	20.205	STPOA-9450 (602)	286,328		54,247	54,247	54,247
MPO Planning Grant	20.205	None	206,880		137,582	137,582	64,132
Ross Clark Circle Widening Phase 1	20.205	0210(501)-PH1	516,600		428,501	428,501	428,501
Ross Clark Circle Widening Phase 2	20.205	0210(501)-PH2	4,791,778		1,223,292	1,223,292	1,223,292
Alternatives Plan (TAP) -Shared Use Trail	20.205	TAPAA-TA17(932)	400,000	76,419	323,581	323,581	-
<b>Total U.S. Department of Transportation</b>				<u>250,817</u>	<u>2,641,357</u>	<u>2,641,357</u>	<u>2,199,241</u>

(Continued on Page 136)

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019**

<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 10-01-18</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED OR (DEFERRED) REVENUE AT 9-30-19</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY:</b>							
<u>Direct Programs:</u>							
Bomb Equipment Grant	97.067	None	\$ 12,500	\$	\$ 12,500	\$ 12,500	\$
Bomb Equipment Grant	97.067	None	30,000	23,931	5,989	5,989	
Hazmat and Rescue Teams	97.067	None	6,946		4,007	4,007	4,007
Hazmat and Rescue Teams	97.067	None	18,584		17,904	17,904	4,087
<b>Total U.S. Department of Homeland Security</b>				<u>23,931</u>	<u>40,400</u>	<u>40,400</u>	<u>8,094</u>
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>							
<u>Passed Through State Department of Education:</u>							
Summer Food Service Program	10.559	AKZ-0000	155,696		155,696	155,696	627
Children At Risk Feeding Child and Adult Care Program	10.558	AKZ-0000	166,012		166,012	166,012	23,225
<b>Total U.S. Department of Agriculture</b>				<u>-</u>	<u>321,708</u>	<u>321,708</u>	<u>23,852</u>
<b>ENVIRONMENTAL PROTECTION AGENCY:</b>							
<u>Passed Through State of Alabama:</u>							
2017 Brownfields Community - Wide Assessment	66.818	00D58117	300,000	54,637	117,769	117,769	30,168
General Obligation Warrant Series 2014 CWSRF-DL	66.458	2014-CWSRF-DL	19,235,000	875,906	1,880,073	1,880,073	151,753
General Obligation Warrant Series 2016 CWSRF-DL	66.458	2016-CWSRF-DL	41,085,000	1,293,553	2,336,178	2,336,178	-
<b>Total Environmental Protection Agency</b>				<u>2,224,096</u>	<u>4,334,020</u>	<u>4,334,020</u>	<u>181,921</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 2,743,512</u>	<u>\$ 7,826,204</u>	<u>\$ 7,826,204</u>	<u>\$ 2,494,453</u>

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2019**

**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, 2019, \$18,875,388 had been drawn down to pay for construction in progress and financing costs. As of September 30, 2019, there were \$369,612 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, 2019, \$41,065,513 had been drawn down to pay for financing costs. As of September 30, 2019, there were \$19,487 remaining state revolving funds available.

**THE CITY OF DOTHAN**  
**DOTHAN, ALABAMA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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
14.218	U.S. Department of Housing and Urban Development-CDBG-Entitlement

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**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2019**

SECTION II  
FINANCIAL STATEMENT FINDINGS AND RESPONSES

None Reported

SECTION III  
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None reported