

THE CITY OF DOTHAN, ALABAMA

# POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ending September 30, 2021



**MARK SALIBA, MAYOR**

District Commissioners

- |                       |                      |
|-----------------------|----------------------|
| 1. Kevin Dorsey       | 4. John Ferguson     |
| 2. Aristotle Kirkland | 5. Gantt Pierce      |
| 3. Bradley Bedwell    | 6. David Crutchfield |

**Kevin A. Cowper, City Manager**



## *To the Citizens of Dothan!*

*Understanding today's governmental financial statements can prove to be difficult. In an effort to provide our citizens with an easy to read financial report of the City of Dothan's finances, we are pleased to present the Popular Annual Financial Report (PAFR) for fiscal year ending September 30, 2021. This report represents Dothan's ongoing commitment to increase our level of operational productivity and accountability. As we strive to keep citizens informed about the City's financial position, we understand the importance of being accountable for the receipt and expenditure of public funds.*

*Through easier, more user-friendly financial reporting, the PAFR is another example of our commitment to improve communication with our citizens and increase public confidence in the governing body for the City of Dothan. I want to congratulate Romona Marcus, Director of Finance, and our financial reporting staff for their work in providing citizens with an understandable general overview of the City's finances.*

*On behalf of the Dothan City Commission and the City Manager, I thank you for taking a moment to read our financial report. We are proud to serve the citizens of Dothan and we thank you for your support as we seek to further enhance the level of financial accountability to our taxpayers. Questions, comments and feedback on this report are welcomed and encouraged, so please feel free to contact me at (334) 615-3111.*

*Sincerely*

A handwritten signature in cursive script that reads "Mark Saliba".

*Mark Saliba, Mayor*



# INTRODUCTION

In the 1830's, a fort existed on the Barber Plantation, ten or twelve miles east of Poplar Head, named for the poplar trees that encircled the glade where the cool water, or "head" (as springs were often called) welled from the earth. This was where the settlers from the surrounding areas could go when they felt threatened by the Indians. By 1840, the Indian wars in Alabama were over and the fort soon disappeared. By 1885, the hamlet had grown into a village. The settlers realized that if the community's growth was to be sustained, they needed a governing body and local law enforcement. On November 10, 1885, the people of Poplar Head voted to incorporate and named the town Dothan.

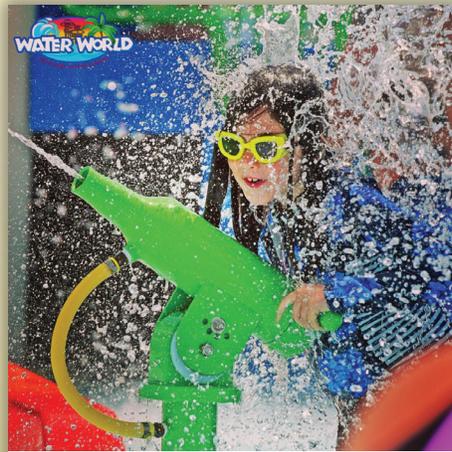
The City of Dothan is located in the southeastern part of the state of Alabama approximately twenty miles west of the Georgia state line and eighteen miles north of the state of Florida.

Dothan currently operates under 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. This Board of Commissioners serves part-time and is responsible for adopting all legislative ordinances and establishing policies to guide the various City departments in providing services to citizens, including the appropriation of all monies.

The Mayor, who is a member of the Board of Commissioners, is the City's chief executive officer. The City Manager is the administrative head of the City government and is responsible for directing and managing the daily activities of the City and implementing the policies of the Board of Commissioners. The City's departments include:

- General Administrative (Mayor, Commissioners, City Manager, City Clerk, Public Relations, Internal Analyst & Legal)
- Information Technology
- Judicial
- Finance (Accounting, Purchasing, & Utility Collections & Services)
- Personnel (Human Resources & EEO)
- Police
- Fire
- Public Works (Engineering, Street & Environmental Services)
- Planning & Development (Permitting, Business License, Inspections & Zoning)
- Leisure Services
- Performing Arts
- General Services (Liability & Workers' Compensation Insurance, Facility & Fleet)
- Dothan Utilities (Electric, Water & Wastewater/Sewer)

There are 1,325 authorized positions (1,067 full time, 48 part time and 210 seasonal) of which 1,117 are currently filled (988 full time, 39 part time and 90 seasonal) and those employees staff the departments, producing high-quality and cost-effective public services.



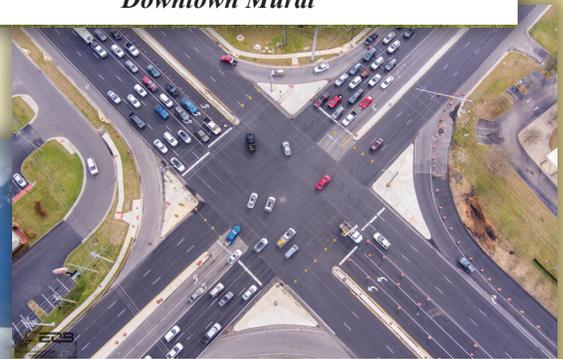
*Water World Play Area*



*Downtown Mural*



*Downtown Flags*



*Ross Clark Circle*



*Walton Park Trail*

## ABOUT THIS FINANCIAL REPORT

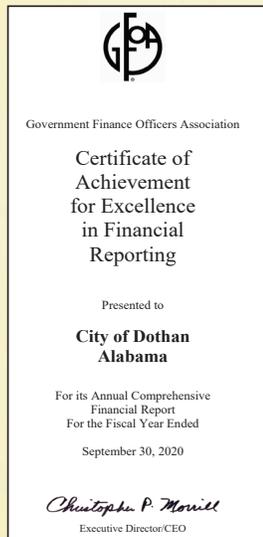
As part of our continuous effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2021 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and is drawn from information found in the Annual Comprehensive Financial Report (ACFR). The ACFR is prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by McDaniel & Associates.

Unlike the ACFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the ACFR includes the City's component units and the presentation of individual funds, as well as full disclosure of all material events, financial and non-financial, in the notes to the financial statements. Dothan's ACFR can be viewed by the public at City Hall, at the Public Library and online at <https://www.dothan.org/DocumentCenter/View/7946>.

## AWARDS

The City received the following awards (valid for one year only) from the Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting for the ACFR for the year ended September 30, 2020 (thirty-eight consecutive years, 1983 - 2020).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the PAFR for the year ended September 30, 2020 (seventeen consecutive years, 2004 - 2020).



## FINANCIAL HIGHLIGHTS

- The City's *combined* net position (difference between assets and deferred outflows and liabilities and deferred inflows in governmental and business-type activities) at September 30, 2021, totaled \$197,467,652 as follows: \$242,947,056 in net investment in capital assets (difference between the capital asset and the outstanding debt incurred to finance those capital assets), \$1,036,674 restricted (resources that are constrained by legislation to a particular purpose) and a deficit unrestricted net position of \$46,516,078.
- Total revenues for all governmental funds were \$112,862,008 and total spending was \$108,622,208. The fund balances (the excess of what is owned over what is owed ~ assets minus liabilities/debt) for these funds were \$72,912,945 in FY 2021 compared to \$58,414,700 in FY 2020.
- Total revenues for business-type activities (Utility and Solid Waste) at the end of FY 2021 were \$136,118,988 and total spending was \$111,786,170. Total net position was \$174,391,969 in FY 2021 as compared to \$160,317,596 in FY 2020.

- The City of Dothan adopts a biennium budget for its general, debt service, capital projects, school, utility and solid waste funds. In addition, a mid-biennium budget is presented no later than April 15th of each year.

## GENERAL FINANCIAL INFORMATION

Most City services and projects are accounted for in a general category referred to as Governmental Funds. These concise descriptions should provide you with a better understanding of the accounts.

### GOVERNMENTAL FUNDS

- **General Fund** - Accounts for revenues and expenditures associated with the general operations of the City that are not required to be accounted for in separate funds.
- **Special Revenue Funds** - Account for proceeds of specific revenue sources that are legally restricted for specific purposes (e.g. street paving and schools).
- **Debt Service Funds** - Account for the payment of principal, interest and related costs on general long-term debt.
- **Capital Projects Funds** - Account for the financial resources used for the construction and/or acquisition of major capital facilities.

### PROPRIETARY FUNDS

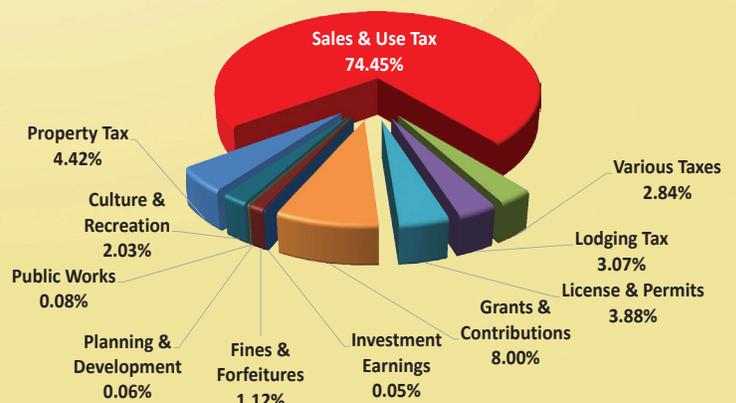
Proprietary Funds account for activities the City operates similar to private businesses. The City of Dothan has two proprietary funds: the Utility Fund (Electric, Water, Wastewater/Sewer and Combined Activities) and the Solid Waste Fund (Solid Waste Collections and Landfill Operations).

The PAFR focuses on the City's two largest funds (General and Utility), which are of the most interest to citizens.

## GOVERNMENTAL FUNDS' FINANCIAL ACTIVITIES

At September 30, 2021, the City's governmental funds reflected a combined fund balance of \$72,912,945, a \$14,498,245 increase from the previous year at \$58,414,700. These financial activities comprise the major changes in governmental fund balances:

### FY 2021 GOVERNMENTAL REVENUES



## GOVERNMENTAL REVENUES

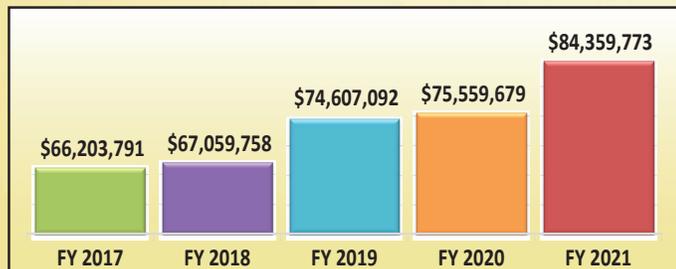
Total revenues for the governmental funds (\$112,862,008) showed an increase of \$5,101,920 or 4.73% over the prior year (\$107,760,088).



Key elements in the change of net position are as follows:

- In FY 2021, sales tax collections totaled \$84,359,773 which was \$8,800,094 (11.65%) over FY 2020 amount of \$75,559,679. Dothan's metro area services an estimated 525,000 people within a 50-mile radius and is a hub for dining, shopping, recreation, industry and medical services for surrounding towns and rural areas. Various other taxes had a net increase of \$826,992.
- Recreational activity revenue for FY 2021 (\$1,859,802) reflected an increase of \$1,273,730 (217.33%) from FY 2020 (\$586,072).

## CITY OF DOTHAN SALES & USE TAX



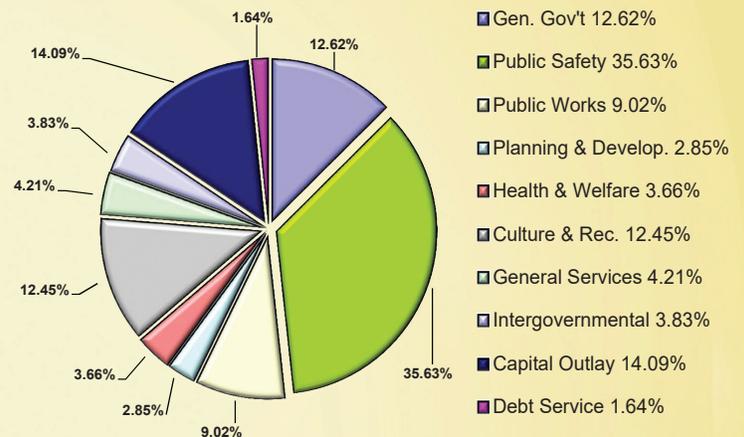
## GOVERNMENTAL EXPENDITURES

Total governmental expenditures decreased by \$6,749,687 (5.85%) in FY 2021 (\$108,622,208) from FY 2020 (\$115,371,895). The major contributing factors that resulted in this net decrease include:

- City departments experienced a \$5,268,088 net decrease as follows: (General Admin) computer equipment; (Public Safety) communication equipment and body worn cameras; and (General Services) net insurance claims payable. This decrease was offset by increases for (Public Works) resurfacing; (Planning & Development) brownfield cleanup and Highway 84 East corridor plan; (Culture and Recreation) child nutrition programs; and city-wide increase in salaries and benefits from cost of living and performance adjustments.

- Health and Welfare increased \$386,902 which was a result of a change in appropriations to various agencies.
- Intergovernmental decreased by \$1,148 due to a decrease in property insurance for Dothan City Schools and printing of tobacco stamps during the year, which was offset by an increase for school protection officers and school crossing guards.
- Capital outlay decreased by \$547,403 due to the decrease in funding in Public Safety from the prior year for the construction of the Wiregrass Public Safety Center and a decrease in vehicle replacement but was offset by the construction of additional roadway improvements at recreational facilities.
- Principal retirement, interest and fiscal charges on long-term debt decreased \$1,319,950.

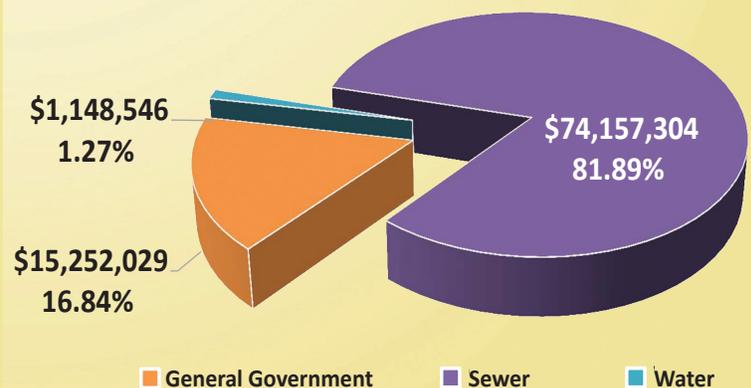
## 2021 GOVERNMENTAL FUND EXPENDITURES



## LONG-TERM DEBT

As of the fiscal year end, the City had \$90,557,879 in long-term debt outstanding compared to \$99,290,642 in 2020 (\$8,732,763 or 8.80%).

## Outstanding Debt as of September 30



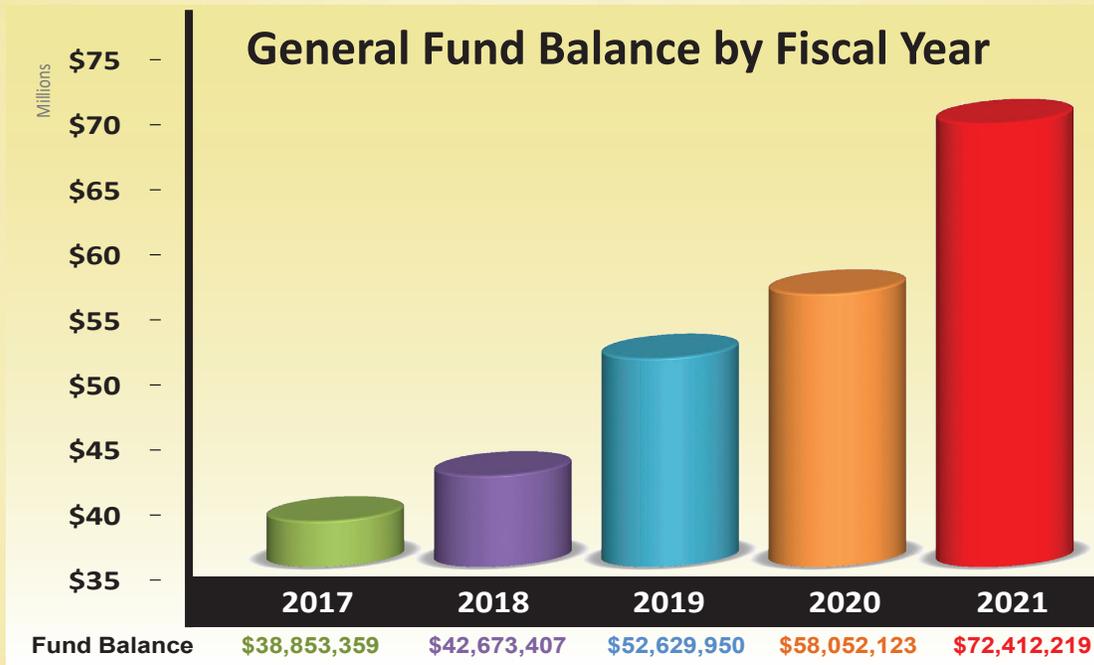
Principal payment on debt will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase net investment in capital assets.

# GENERAL FUND

## FUND BALANCE

Fund balance is the excess of what is owned (assets) over what is owed (debts or liabilities). Funds equal to 8% of budgeted expenditures in the General Fund and Utility Fund have been reserved to be utilized in the event of a natural disaster or unexpected economic decline. The total amount reserved for General Fund and Utility Fund as of September 30, 2021, was \$18,904,488. The General Fund reported a fund balance at September 30, 2021, of \$72,412,219, an increase of \$14,360,096 (24.73%) in comparison with the prior year which totaled \$58,052,123. Governmental Funds' combined ending fund balances were \$72,912,945 compared to 2020 at \$58,414,700 producing a \$14,498,245 (24.82%) increase. Of this fund balance, \$9,763,384 constitutes the unassigned fund balance, which is available for spending at the government's discretion (referred to as *unassigned fund balance*).

**The chart below provides fund balance comparisons:**



## GENERAL FUND EXPENDITURES

General Fund expenditures totaling \$102,621,892 decreased \$2,181,405 (2.08%) from 2020 at \$104,803,297. The City made a conscious effort to live within the constraints of available revenues. Filling of vacated staff positions was still approved on a case-by-case basis and expenditures were closely monitored. The City cautiously purchased essential vehicles and equipment and addressed the most pressing building or facility maintenance/repair needs.

**Increases or decreases for major functions are as follows:**

| MAJOR FUNCTIONS      | AMOUNT               | PERCENT OF TOTAL | INCREASE (DECREASE) OVER 2020 |
|----------------------|----------------------|------------------|-------------------------------|
| GENERAL GOVERNMENT   | \$13,709,127         | 13.36%           | \$ (128,300)                  |
| PUBLIC SAFETY        | 38,717,248           | 37.73%           | (1,508,904)                   |
| PUBLIC WORKS         | 9,799,023            | 9.55%            | 512,830                       |
| PLANNING & DEV.      | 3,093,378            | 3.01%            | 246,240                       |
| HEALTH & WELFARE     | 3,973,609            | 3.87%            | 386,902                       |
| CULTURE & RECREATION | 13,527,238           | 13.18%           | 1,738,799                     |
| GENERAL SERVICES     | 4,569,804            | 4.46%            | (6,128,753)                   |
| CAPITAL OUTLAY       | 15,232,465           | 14.84%           | 2,699,781                     |
| <b>TOTAL</b>         | <b>\$102,621,892</b> | <b>100.00%</b>   | <b>\$ (2,181,405)</b>         |

# UTILITY FUND

The City's Utility Fund has a customer base of approximately 39,150 electric, water and wastewater/sewer customers. The largest utility revenue source comes from electric power sales. The gross income on electric sales for FY 2021 totaled \$25,064,788 compared to last year's amount of \$29,576,533. FY 2021's net income from electric sales totaled \$15,358,595 (excludes capital outlay). Electric rates have remained constant since the last rate increase effective January 2016. A steady wholesale power cost (as a result of lower fuel cost), along with a reduction in customer consumption, contributed to the decrease in income for FY 2021.

Each October the water rates increase 2.85%. This additional revenue over the years has allowed the City to pay the debt on wells, as well as fund upgrades on transmission lines and maintenance on the existing wells. FY 2021's net income from water sales totaled \$4,257,458 (excludes capital outlay).

In September 2009, a sewer rate increase was implemented, and rates were adjusted \$.75 per thousand gallons of metered water for five years and 2.85% thereafter. However, the additional funds from this rate increase were not sufficient to offset the cost of the debt service on required sewer improvements; therefore, in December 2015, the Commission approved a revised annual rate increase of \$.25, \$.50, \$.30, \$.35 and \$.30 for years 2016-2019 and then increase by 2.85% each October thereafter. FY 2021's net income from sewer sales totaled \$10,653,281 (excludes capital outlay).

***Electric, water, and wastewater/sewer operations, excluding capital outlay, for FY 2021 are reflected as follows:***



## BOND RATING

The City of Dothan maintains the following ratings for general obligation debt which reflects excellent financial security:

- S&P Global Ratings ~ “AA”
- Moody’s Investors Service ~ “Aa2”

In June 2014, Standard and Poor’s Global Ratings Services upgraded the City of Dothan’s bond rating from AA- to AA. The increase was based on the rating agency’s view of the “city’s historically very strong budgetary flexibility and liquidity.” The bond rating can affect the cost of borrowing funds in the future.

| RATING CATEGORIES  |                     |  |
|--|---------------------|--|
| SECURE RANGE:  |                     |  |
| Moody’s  | S & P               |  |
| Aaa  | AAA                 | PRIME:<br>Superior financial security. Highest safety.   |
| Aa1<br>Aa2<br>Aa3  | AA+<br>AA<br>AA-    | HIGH GRADE:<br>Excellent financial security. Highly safe.  |
| A1<br>A2<br>A3   | A+<br>A<br>A-       | UPPER MEDIUM GRADE:<br>Good financial security. More susceptible to economic changes than highly rated companies.    |
| Baa1<br>Baa2<br>Baa3   | BBB+<br>BBB<br>BBB- | LOWER MEDIUM GRADE:<br>Adequate financial security. More vulnerable to economic changes than highly rated companies. |
| VULNERABLE RANGE:  |                     |  |
| Ba1<br>Ba2<br>Ba3  | BB+<br>BB<br>BB-    | NON INVESTMENT GRADE:<br>Speculative. Capacity to meet long-term policies is vulnerable.                             |
| B1<br>B2<br>B3   | B+<br>B<br>B-       | HIGHLY SPECULATIVE:<br>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. |                     |  |

## TREND DATA

### Population Trends

(Estimates Obtained from U.S. Census Bureau)



### Unemployment Rate

(Obtained from AL Dept of Industrial Relations)



## ECONOMIC GROWTH

The City relies on taxes (sales, property, gasoline, etc.), fees (license and permits), and fines (public safety) for their governmental activities. In the business-type and certain governmental activities (electric, water, sewer, garbage, recreational programs, etc.), the user pays a related fee/charge associated with the service. Revenue sources have a direct bearing on the City’s ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential and industrial) to choose to be located in the jurisdiction. The City places significant emphasis on both economic development/recruitment and job growth.

While recovering from the global coronavirus pandemic, the City’s sales tax showed significant growth over the previous fiscal

year and the local economy continues to show signs of improvement with unemployment for Dothan at 2.5%.

Principal employers are as follows:

### PRINCIPAL EMPLOYERS

1. Southeast Health
2. Dothan (City) & Houston Co. Schools
3. Wayne Farms
4. Flowers Hospital
5. Southern Nuclear (Farley)
6. City of Dothan
7. Michelin Tire
8. AAA Cooper Transportation
9. SpectraCare Health Systems
10. Houston County Government

The City has made an effort to live within the constraints of avail-

able revenue and has addressed the most pressing needs. Major design/construction projects in 2021 were as follows: Sanitary Sewer Improvements; Water Main Replacements; Denton Road Widening and Bridge; Ross Clark Circle Widening; Water World Expansion; Rip Hewes Stadium Renovations; Walton Park Walking Trail; Downtown Lighting Improvements; and Dothan Utilities Operations Facility.

In recent years, the City’s staff has done an exceptional job of controlling costs. Additionally, the City Commission continues to work diligently to set priorities for major programs undertaken by the City while revisiting the Strategic Plan each year. This Strategic Plan provides a sense of unity, direction, and vision for the City’s future.

Direct any questions about this financial report to:

Romona Marcus, Finance Director – Treasurer • [rlmarcus@dothan.org](mailto:rlmarcus@dothan.org) • P. O. Box 2128 • Dothan, AL 36302 • (334) 615-3140