

The City of
Dothan, Alabama



Annual Comprehensive Financial Report
Fiscal Year Ended September 30,

2022

INTRODUCTORY SECTION

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022
PREPARED BY
DEPARTMENT OF FINANCE
ROMONA L. MARCUS, CGFM, DIRECTOR-TREASURER

THE CITY OF DOTHAN
DOTHAN, ALABAMA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2022
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BOARD OF COMMISSIONERS

MARK SALIBA
PRESIDENT/MAYOR
KEVIN R. DORSEY
COMMISSIONER, DISTRICT 1
ARISTOTLE O. KIRKLAND
COMMISSIONER, DISTRICT 2
BRADLEY B. BEDWELL, CPA
COMMISSIONER, DISTRICT 3
JOHN D. FERGUSON
COMMISSIONER, DISTRICT 4
W. GANTT PIERCE
COMMISSIONER, DISTRICT 5
DAVID L. CRUTCHFIELD
COMMISSIONER, DISTRICT 6

The City of Dothan

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

March 10, 2023



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

The Annual Comprehensive Financial Report (Annual Report) of the City of Dothan, Alabama (the City) for the fiscal year ended September 30, 2022, 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 Annual Report 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. If receiving federal grant funding, a fourth section of the Annual Report is required. This single audit section 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

The City of Dothan presents financial information that meets the requirements of accounting standards issued by the Government Accounting Standards Board (GASB). Each year, management

evaluates new GASB reporting requirements to determine applicability to the City. The requirements issued by GASB that became effective during this fiscal period and those that will become effective in the next fiscal period are described below.

The City implemented the following statements during fiscal year 2022:

- GASB Statement No. 87, “Leases” increases the usefulness of the government’s financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are the financing of a right to use underlying asset. The City implemented this statement for the fiscal year 2022 reporting period.
- GASB Statement No. 89, “Accounting for Interest Cost Incurred before the End of Construction Period” enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, as well as simplifies the accounting for interest cost incurred before the end of a construction period. This statement currently does not affect the City.

The City will evaluate the financial impact of implementing the following required statements for fiscal year 2023. This includes GASB Statement No. 91, “Conduit Debt Obligations,” Statement No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements,” and Statement No. 96, “Subscription-Based Information Technology Arrangements.”

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, 2022. 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, U.S. Department of Transportation, for review.

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

- Governmental Accounting Standards Board (GASB)
- American Institute of Certified Public Accountants (AICPA)
- Government Finance Officers Association (GFOA)
- Ordinances and Resolutions of the City of Dothan

The financial records of the City for the year ended September 30, 2022, have been audited by an independent certified public accounting firm whose opinion is a part of the Annual 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 of the current year as compared 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. In addition to being 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 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 1,376 authorized employee positions: 1,106 full-time employees; 48 part-time employees; and 222 seasonal employees which staff these departments, producing high-quality and cost-effective public services. These services include general government or administrative services (including the policymaking and legislative authority, policy administration, record/document management and election services, public relations, business licenses, financial reporting, information technology support, employee processing, payroll and benefit administration, equal employment opportunity guidance, judicial and legal services); public safety services (including police, fire, E911 communications and animal control); public services (right-of-way and street maintenance, landscaping, traffic signaling, building code enforcement, permitting, community development, planning, neighborhood enhancement, and engineering services); culture and recreation (including performing arts, cemeteries, parks and recreation services); general services (including building maintenance, fleet management, safety and self-insurance programs); solid waste services (refuse collections and landfill services); 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.

Biennium 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. Dothan's continued growth in the retail industry has enabled the City to see a significant increase in sales tax. The increase has afforded the City the opportunity to invest in capital projects and maintain and improve essential services provided to our citizens such as fire and police protection, recreational activities, infrastructure improvements, and other services.

The influx of people into Dothan for shopping, medical, and other various reasons continues to support Dothan's need for infrastructure improvements. While the City continues to grow, Dothan must find ways to keep up with the increasing demand on services and infrastructure. To better enable the City to address major infrastructure programs and capital objectives, Dothan continues to be aggressive in obtaining state and federal funding for these improvements and looking at other revenue sources in an effort to fund the growth and vitality of the City.

In addition to state and federal funding, 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 5 mills of ad valorem tax. By referendum, the City could levy an additional 7.5 mills which would generate an additional \$6,350,000. 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 in additional revenue.

Financial Planning

Funds equal to 10% 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, 2022, was \$23,974,918.

The City's capital improvement plan for Fiscal Year 2022 identified \$86 million in capital projects. The City Commission funded \$66.7 million; of this amount \$44.9 million was for General Fund; \$20.9 million for Utility Fund; and \$0.9 million for Solid Waste Fund. These projects included architectural services for downtown improvements; enterprise resource planning software; communication equipment, Integrated Ballistic Identification System, tasers and training headsets, design of two fire stations, cardiac monitor replacement, and a gamma rae remote monitoring system for public safety; playground equipment at Kinney Park; Westgate indoor pool filter replacement; turf installation at James Oates Park; renovations and improvements at Rip Hewes Stadium; lighting upgrades at Dixie Youth Fields; multi-use fields at Wiregrass Park; sidewalk and streetscaping additions and improvements downtown; miscellaneous sewer improvement projects; water main replacement; sanitary sewer system extensions; transformers for substations; fleet replacement; and roll off containers for solid waste collections.

The City monitors revenues and expenses for electric, water, wastewater, and solid waste disposal services in order to maintain rate stability and provide for infrastructure improvements. 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. Each October, water and wastewater rates are increased 2.85%. This

modest annual increase allows the City to fund upgrades for wells, transmission lines, sewer basins and treatment facilities and offset the cost of debt service. The current residential water and sewer rates per 1,000 gallons of metered water are \$1.84 - \$3.42 (based on usage) and \$7.37, respectively.

The monthly residential customer rate for collecting, hauling and disposal of refuse is \$14.75. This rate was implemented in December 2012. Tipping fees for commercial waste haulers and private entities are currently \$43.78 per ton. This rate increases 3% biannually; the next increase is scheduled for 2023.

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 2022 was as follows:

	<u>Amount</u>	<u>Ratio of Debt to Assessed Value</u>	<u>Debt per Capita</u>
Net Direct Bonded Debt	\$13,856,540	1.29%	\$195

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

During fiscal year 2022, the Dothan area saw continued increases in investment and expansion of its manufacturing, restaurant, retail,

healthcare, commercial services, and finance/insurance sectors. According to the Dothan Area Chamber of Commerce annual report, there were 80 new or expanding investments in the area. Some of these projects include the addition of Simply 10, relocation of SmartBank to the downtown area, Springhill Suites, Waldo's, and the start of construction for the new Burlington Coat Factory development on Ross Clark Circle and Main Street. From an industrial and distribution sector standpoint, Dothan saw the completion of the new FedEx Ground distribution center; a 317,000 square foot facility constructed at Sam Houston Industrial Park that will add 200 plus jobs to the area. Several new projects announced in fiscal year 2022 include: ISA Alabama Corporation that will be a nitrile glove manufacturing facility adding 80 new jobs in the Dothan metro area; Gateway Tire will invest \$9 million in a 100,000 square foot expansion which will create 30 new jobs; GRI-APS announced the creation of 100 new jobs at their current location in Dothan; SmartLam and Peak Renewables announced a \$92 million investment to include a new wood glue lamination facility and an adjacent pellet plant at its current location making it the largest in the United States; SpectraCare Health Systems announced the opening of a crisis center in the summer of 2023 and will add 164 new positions to the area; University of Alabama at Birmingham School of Dentistry will expand their presence to train future dentists in the state by establishing a residency program at Health Center South Medical Tower; and HudsonAlpha Institute for Biotechnology Wiregrass and the City of Dothan also announced a partnership that will focus on the advancement of agriculture genomic research, economic development, and genomic education throughout our local school system.

Overall, the Dothan area added 1,400 more jobs to the economy and saw over \$200 million in industrial investment with an estimated 700 jobs to be created with future developments. City, county, and business leaders are fully focused on adding more industrial sites and speculative buildings due to the lack of available inventory. Napier Field Industrial Park, an 86.8 acre development, held a groundbreaking for a new 100,000 square foot speculative building earlier this year.

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 Annual Comprehensive Financial Report (Annual Report) for the fiscal year ended September 30, 2021. The City has received this prestigious award for 39 consecutive years (fiscal years ended 1983 – 2021).

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Annual Report, 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 Popular Annual Financial Report (PAFR) for 18 consecutive years (fiscal years ended 2004 – 2021). 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 to determine its eligibility for another award.

The preparation of this report on a timely basis was made possible by the efficient and dedicated service of our external auditor, McDaniel & Associates, PC, Certified Public Accountants, and the entire staff of the Finance Department. We would like to express our sincere appreciation to McDaniel & Associates, PC 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,



Romona L. Marcus, 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**

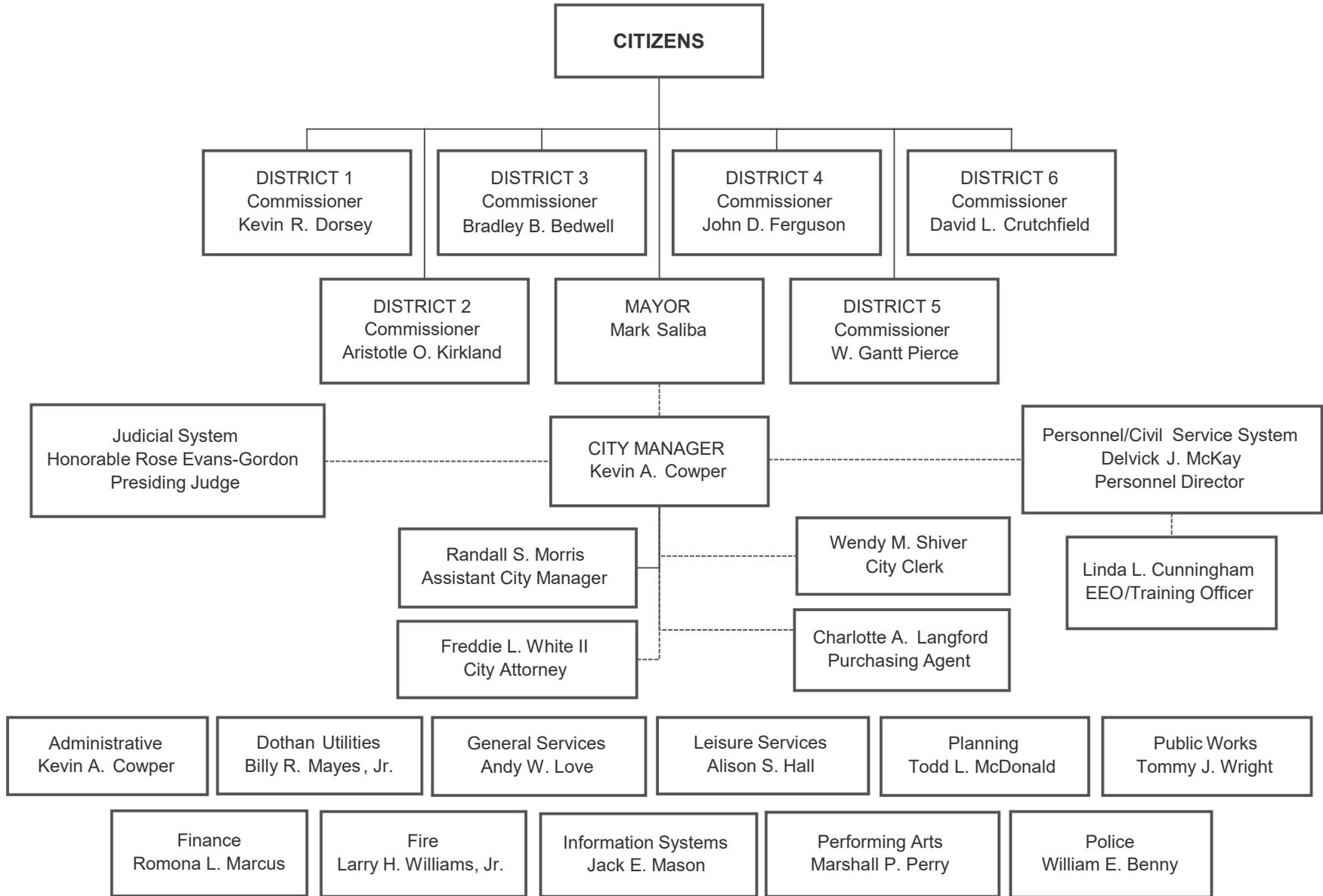
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2021

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 R. Dorsey	Commissioner, District 1
Aristotle O. Kirkland	Commissioner, District 2
Bradley B. Bedwell	Commissioner, District 3
John D. Ferguson	Commissioner, District 4
W. Gantt Pierce	Commissioner, District 5
David L. Crutchfield	Commissioner, District 6

APPOINTED OFFICIALS

Kevin A. Cowper	City Manager	Alison S. Hall	Leisure Services Director
Randall S. Morris	Assistant City Manager	William E. Benny	Police Chief
Wendy M. Shiver	City Clerk	Marshall P. Perry	Civic Center/Opera House Director
Charlotte A. Langford	Purchasing Agent	Andy W. Love	General Services Director
Freddie L. White, II	City Attorney	Delvick J. McKay	Personnel Director
Rose Evans-Gordon	Municipal Judge	Linda L. Cunningham	EEO/Training Officer
Derel K. Kelly	Assistant City Attorney	Todd L. McDonald	Planning Director
Joe E. Herring, Jr.	Assistant City Attorney	Jack E. Mason	Information Technology Director
Romona L. Marcus	Finance Director-Treasurer	David A. Jones	Public Defender
Billy R. Mayes, Jr.	Dothan Utilities Director	Shawn McGhee	Public Defender
Tommy J. Wright	Public Works Director	Kathleen Nemish	Public Defender
Larry H. Williams, Jr.	Fire Chief		

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FINANCIAL SECTION



PO Box 6356
Dothan, Alabama 36302

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Dothan, Alabama as of September 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Dothan, Alabama and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City of Dothan, Alabama's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dothan, Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Dothan, Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Dothan, Alabama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

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

The introductory section, other supplementary information, statistical section and 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, introductory section, other supplementary information, statistical section and schedules of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2023 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 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, Alabama's internal control over financial reporting and compliance.

McDaniel & Associates, P.C.

MCDANIEL & ASSOCIATES, P.C.

Dothan, Alabama

March 10, 2023

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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, 2022. 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 annual comprehensive financial report (Annual Report).

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 \$222,793,035. Of this amount, the City had a deficit unrestricted net position of \$53,513,851 offset by \$1,520,201 in restricted net position and \$274,786,685 in net investment in capital assets.
- The City's total net position increased by \$25,325,383 (12.83%) from \$197,467,652 at September 30, 2021 to \$222,793,035 at September 30, 2022. A detailed explanation of this increase can be viewed on page eight of this MD&A.
- Total net position for governmental activities increased by \$26,127,645 (113.22%), thus totaling \$49,203,328 for fiscal year 2022.
- At the close of fiscal year 2022, the City of Dothan's governmental funds reported a combined fund balance of \$85,828,533. This was an increase of \$12,915,588 (17.71%) compared to fiscal year 2021.
- The unassigned fund balance for the General Fund was

\$20,510,227 for fiscal year 2022. This total is available for spending at the government's discretion.

- Sales and use tax, the City's single largest revenue source, increased 7.83% (\$6,715,427) during the 2022 fiscal year, reflecting continued growth in Dothan's economy.
- The City of Dothan's total debt decreased by \$8,936,339 (9.87%) during the current fiscal year, yielding a total outstanding debt of \$81,621,540 compared to last year at \$90,557,879.

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 subsidies 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, combined utilities, and solid waste 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, debt service, and capital projects funds which are considered to be major funds, and the school fund which 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, utility and solid waste funds. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the general fund budget.

Proprietary Funds. The City of Dothan maintains two types of proprietary funds (Utility and Solid Waste). *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 and one major enterprise fund to provide for separate information for solid waste collections and landfill operations.

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 No. 34 requires that these assets (infrastructure: roads, bridges, traffic signals, underground pipes [not associated to the electric, water, sewer, nor solid waste 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, 2022, totaled \$222,793,035. Governmental Activities' net position increased by \$26,127,645, while Business-type Activities' net position decreased \$802,262 during fiscal year 2022. The primary government's total net position increase of \$25,325,383 in fiscal year 2022 includes the following major changes: (1) an increase in net investment in capital assets of \$31,839,629; (2) a decrease in cash and cash equivalents of \$20,098,530; (3) an increase in investments of \$15,000,000; (4) an increase in receivables of \$4,643,771; (5) an increase in the deficit in unrestricted net position of \$6,997,773; (6) an increase in deferred inflows of \$16,161,890; and (7) a decrease in liabilities of \$16,108,545. 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 (123.33%) 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 assets at September 30, 2022, was \$274,786,685. 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: \$740,646 for street and bridge maintenance and \$779,555 for education. The remaining balance of (\$53,513,851) 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	
	2022	2021	2022	2021	2022	2021
Current & Other Assets	\$ 100,942	\$ 87,511	\$ 79,881	\$ 90,982	\$ 180,823	\$ 178,493
Capital Assets	133,181	114,222	222,925	218,280	356,106	332,502
Total Assets	234,123	201,733	302,806	309,262	536,929	510,995
Deferred Outflows of Resources	39,082	39,940	11,120	10,817	50,202	50,757
Current & Other Liabilities	14,892	19,758	19,206	27,200	34,098	46,958
Long-term Liabilities	188,044	190,241	117,249	118,301	305,293	308,542
Total Liabilities	202,936	209,999	136,455	145,501	339,391	355,500
Deferred Inflows of Resources	21,066	8,599	3,881	186	24,947	8,785
Net Position						
Net Investment in Capital Assets	119,626	99,973	155,160	142,974	274,786	242,947
Restricted for:						
Public safety programs	-	-	-	-	-	-
Street and bridge maintenance	741	536	-	-	741	536
Education	779	500	-	-	779	500
Unrestricted	(71,943)	(77,934)	18,430	31,418	(53,513)	(46,516)
Total Net Position (Deficit)	\$ 49,203	\$ 23,075	\$ 173,590	\$ 174,392	\$ 222,793	\$ 197,467

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.

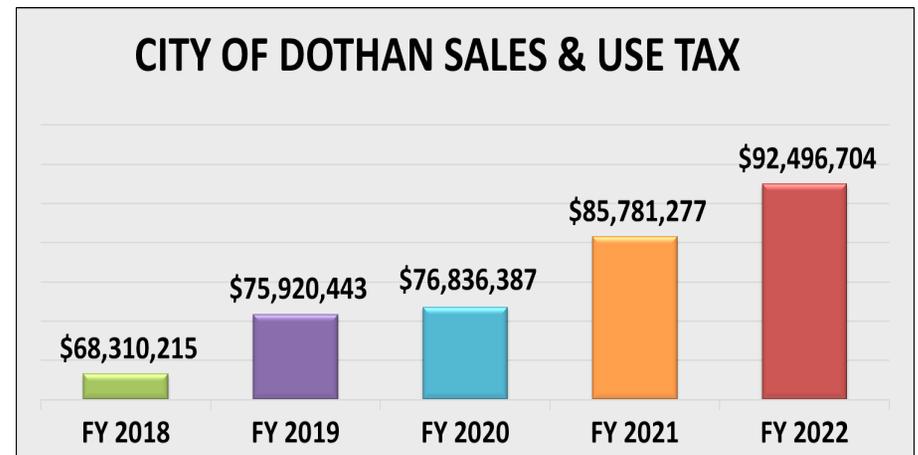
Spending of Non-Borrowed Current Assets on New Capital – which will (a) reduce current assets and increase capital assets, and (b) reduce unrestricted net position and increase net investment in capital assets.

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 \$92,496,704 in 2022. This revenue reflected an increase of \$6,715,427 (7.83%) compared to \$85,781,277 in 2021. The sales and use tax has afforded the City the opportunity to expend monies for vehicle and equipment replacement, resurfacing, employee salary increases, roadway improvements, and recreational facilities.



Changes in Net Position
For the Fiscal Year Ended September 30, 2022
(In Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
REVENUES						
Program Revenues:						
Charges for services	\$ 9,697	\$ 8,130	\$ 135,417	\$ 128,164	\$ 145,114	\$ 136,294
Operating grants & contributions	3,352	4,443	133	25	3,485	4,468
Capital grants & contributions	1,679	1,402	7,488	7,256	9,167	8,658
General Revenues:						
Property taxes	5,143	5,010	-	-	5,143	5,010
Other taxes	98,159	91,046	-	-	98,159	91,046
Grants & contributions not restricted to specific programs	3,191	2,960	-	-	3,191	2,960
Other	4,908	320	300	673	5,208	993
Total Revenues	126,129	113,311	143,338	136,118	269,467	249,429
EXPENSES						
Governmental Activities:						
General government	24,628	19,624	-	-	24,628	19,624
Public safety	45,794	41,619	-	-	45,794	41,619
Public works	12,108	11,507	-	-	12,108	11,507
Planning & development	3,829	3,140	-	-	3,829	3,140
Health & welfare	5,115	4,347	-	-	5,115	4,347
Culture & recreation	17,005	15,747	-	-	17,005	15,747
General services	5,446	4,974	-	-	5,446	4,974
Insurance	2,616	(146)	-	-	2,616	(146)
Education	4,057	12,136	-	-	4,057	12,136
Interest on long-term debt	378	415	-	-	378	415
Business-Type Activities:						
Solid waste collections	-	-	7,235	7,137	7,235	7,137
Solid waste landfill	-	-	1,110	1,082	1,110	1,082
Electric department	-	-	79,351	68,779	79,351	68,779
Water department	-	-	6,276	5,018	6,276	5,018
Sewer department	-	-	8,501	8,701	8,501	8,701
Billing-collection department	-	-	2,589	2,166	2,589	2,166
Meter reading department	-	-	566	666	566	666
Depreciation	-	-	14,750	14,328	14,750	14,328
Miscellaneous	-	-	961	1,111	961	1,111
Gain (loss) disposition of capital assets	-	-	235	837	235	837
Bond issue costs	-	-	51	-	51	-
Interest and fiscal charges	-	-	1,540	1,960	1,540	1,960
Total Expenses	120,976	113,363	123,165	111,785	244,141	225,148
Change in net position before transfers	5,153	(52)	20,173	24,333	25,326	24,281
Transfers	20,975	10,258	(20,975)	(10,258)	-	-
Change in net position	26,128	10,206	(802)	14,075	25,326	24,281
Beginning net position	23,075	12,869	174,392	160,317	197,467	173,186
Net position (deficit) September 30	\$ 49,203	\$ 23,075	\$ 173,590	\$ 174,392	\$ 222,793	\$ 197,467

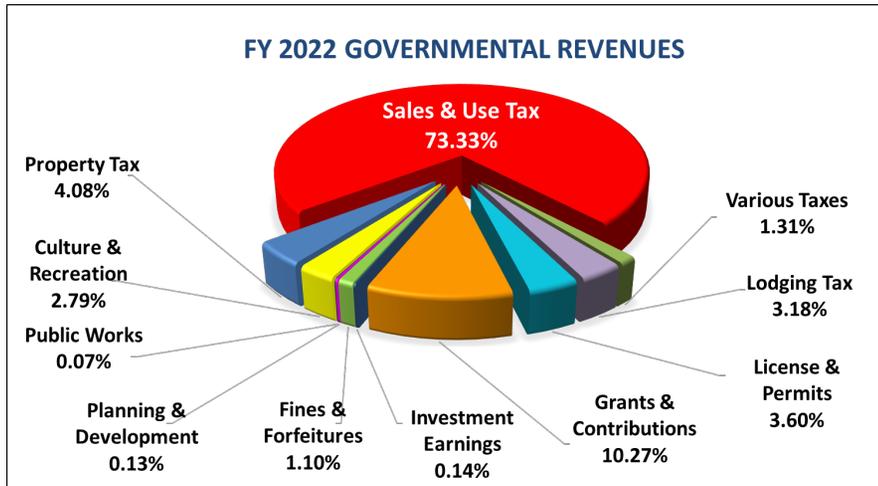
Statement of Activities

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 \$26,127,645. Governmental revenues totaling \$126,129,246 increased \$12,817,532 or 11.31% over fiscal year 2021 (\$113,311,714). Governmental expenditures totaling \$120,976,375 increased \$7,613,029 or 6.72% over fiscal year 2021 (\$113,363,346). Key elements in the change of net position are listed below.

- Taxes increased \$7,246,410 (7.54%). Sales taxes increased \$6,715,427, and lodging tax increased \$533,303, plus various other taxes had a net increase of \$132,520 over the previous year. These increases were offset by a decrease in franchise taxes in the amount of \$119,990, and cigarette tax in the amount of \$14,850.
- Grant revenues decreased \$583,334 (6.62%) due to a decrease of \$934,536 from the U.S. Department of Agriculture for the Summer/At Risk Food Service Program Child Nutrition Grant; a decrease of \$175,000 from the Housing and Urban Development Grant; and a decrease of \$136,801 from the US Environmental Protection Agency; which was offset by an increase in revenue from the Alabama Department of Economic and Community Affairs of \$484,624 and an increase in Community Development Block Grant funding of \$318,089.
- Charges for services increased \$1,566,922 (19.27%). Civic Center and Opera House event revenue increased \$736,780; recreational facility revenue increased \$477,030; license and permit fees increased \$144,114; and fines increased \$119,238.
- Expenses increased \$7,613,029, which was primarily due to an increase of \$1,349,539 for downtown improvements; \$1,370,771 for computer upgrades; \$5,091,519 for additional public safety personnel, training, and equipment.

Business-type activities decreased the City of Dothan's net position by \$802,262. Business-type revenues totaling \$143,337,786 increased \$7,218,798 or 5.30% over fiscal year 2021 (\$136,118,988). Business-type expenditures totaling \$123,165,274 increased \$11,379,104 or 10.18% over fiscal year 2021 (\$111,786,170) and transfers to the General Fund increased by \$10,716,329.



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 \$85,828,533, an increase of \$12,915,588 (17.71%) in comparison with the prior year of \$72,912,945. The fund balance increase is largely contributed to an increase in tax revenue of \$7,246,410 of which \$6,715,427 was sales tax and \$533,303 lodging tax and an increase in grants and contributions of \$3,886,622. Of this total fund balance, \$20,510,227 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 fiscal year 2022 the total fund balance was \$85,048,978 (\$515,809 was nonspendable, \$740,646 was restricted, \$19,588,370 was committed, \$43,693,926 was assigned and \$20,510,227 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 \$20,510,227 represents 16.00% of the general fund expenditures which equal \$128,218,760, while the total general fund balance of \$85,048,978 represents 66.33% of the general fund expenditures. The fund balance of \$85,048,978 for the City of Dothan's general fund increased by \$12,636,759 (17.45%) from \$72,412,219 in 2021.

The general fund's total assets increased by \$13,622,364 during 2022. The increase in investments was largely due to additional sales tax revenue. 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.

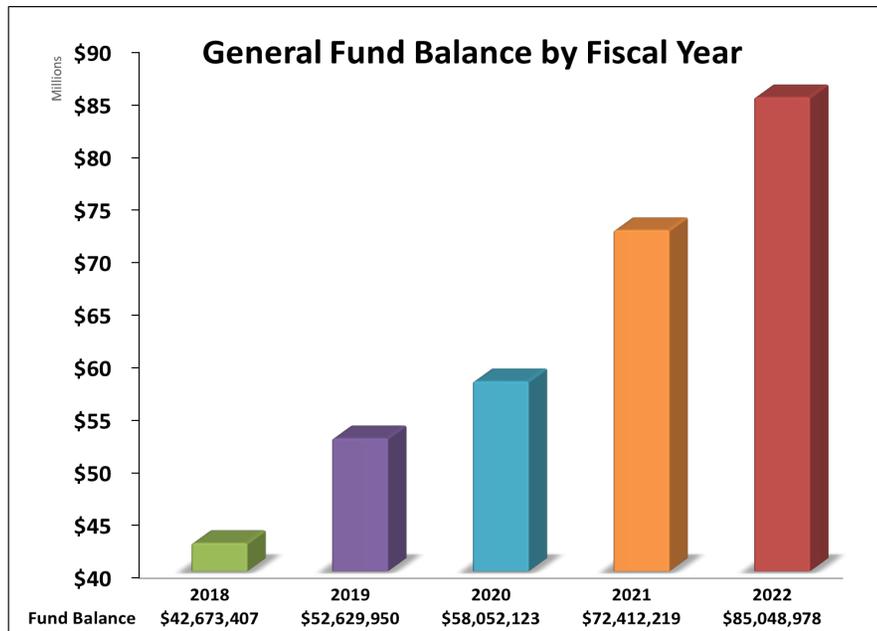
Total liabilities in the general fund (\$14,857,334) increased from the previous year (\$14,574,195) by \$283,139 (1.94%). The most significant component was vouchers/accounts payable which increased \$887,491. In addition, customer deposits increased by \$278,594 and

Fund Balance			
<u>Nonspendable:</u>		<u>Assigned:</u>	
Inventories	\$ 515,809	Administrative	\$ 448,602
		Capital Projects	2,457,190
<u>Restricted:</u>		Information Technology	2,976,388
Street & Bridge Maintenance	\$ 740,646	Economic Development Projects	897,065
Education	779,555	Public Safety Programs	620,540
	\$ 1,520,201	Public Works Projects	9,788,052
		Planning & Community Develop.	40,031
<u>Committed:</u>		Culture & Recreation	476,446
Information Technology	\$ 3,114,053	Facility Maintenance	4,144,798
Economic Development Projects	2,612,580	Debt Service	344,461
Public Safety Programs	4,268,670	Self-Insurance Claims	10,984,100
Public Works Projects	4,928,415	Fund Balance Reserves	10,516,253
Planning & Community Develop.	579,451		\$ 43,693,926
Culture & Recreation	625,788		
Facility Maintenance	3,459,413	Unassigned	\$ 20,510,227
	\$ 19,588,370		
		Total Fund Balance	\$ 85,828,533

unearned revenue increased by \$8,668 while accrued liabilities and payable to other governments decreased by \$884,974 and \$6,640, respectively.

Total deferred inflow of resources (\$5,140,925) increased by \$702,466 (15.83%). This was due to an increase in deferred property taxes of \$452,854 and \$249,612 for leases from the implementation of GASB Statement No. 87.

The debt service fund has a total fund balance of \$0 compared to \$0 in fiscal year 2021. 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 and solid waste fund at the end of the year amounted to \$173,589,707 compared to last year’s amount of

\$174,391,969. The utility fund experienced a decrease in net position in the amount of \$831,380. Although there were increased charges for services for electric and water, they were offset by an increased transfer to the general fund.

Budgetary Highlights

The City of Dothan adopts a biennium budget, consisting of two annual budgets. State law requires adoption of annual budgets. In fiscal year 2021, the City Commission adopted a biennium budget for fiscal years 2022 and 2023. This was the tenth biennium budget adopted for the City of Dothan. During the biennium 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, no later than April 15th of each year, the city manager is required to submit to the Commission a report, which shall encompass new programs or activities, capital expenditures and new personnel additions. During this financial message, the City Manager will submit recommendations 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 six-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 six years.

The fiscal year 2022 *final* general fund budget projected \$106,410,773 in revenues, \$174,069,397 in expenditures and \$15,204,886 in other financing sources/uses, producing a planned reduction of \$52,453,738 in the general fund’s balance. Actual amounts for revenues (\$125,626,820), expenditures (\$128,218,760) and other financing sources/uses (\$15,228,699) netted to a \$12,636,759 increase, rather than the expected \$52,453,738 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 \$19,216,047 over budget. Some major contributors to each revenue (actual) source being over/under from the final budget are listed as follows:

- \$16,064,062 Increase in Taxes - property (over \$2,970), motor vehicle property tax (over \$97,444), sales & use tax (over \$15,686,704),

cable/phone/gas franchise fee (under \$190,767), and lodging tax (over \$467,711)

- \$432,488 Increase in License and Permits – privilege and insurance license (over \$252,222), building permits (over \$162,226), and miscellaneous (over \$18,040)
- \$891,759 Increase in Intergovernmental – U.S. Department of Transportation and Alabama Department of Transportation Grants (over \$739,323), Alabama Trust Fund (over \$149,454), MPO grant (over \$278,559), financial institution funds (over \$213,519), gas tax revenues (over \$300,622), Summer and At-Risk Food Programs (under \$212,263), Community Development Block Grants (under \$74,839), Bureau of Justice, Homeland Security, Emergency Management Agency, and Public Housing Drug Grants (under \$640,143), and miscellaneous intergovernmental revenues (over \$137,527)
- \$672,781 Increase in Charges for Services - recreational programs (over \$356,075), civic center/opera house ticket sales/facility fees and rental (over \$105,338), joint paving and right-of-way maintenance (over \$90,541), planning and zoning application fees (over \$57,913), demolition and removal (over \$43,329), weed abatement liens (over \$21,837), and miscellaneous income (under \$2,252)
- \$57,198 Increase in Fines and Forfeitures - drug seizure (over \$76,499), pre-trial diversion fees (over \$53,242), court fines (under \$74,887), false alarm fees (under \$4,250), and miscellaneous fines and forfeitures (over \$6,594)
- \$29,746 Decrease in Interest – a decrease in the interest rate environment during fiscal year 2022 resulted in a decreased amount of interest income
- \$1,127,505 Increase in Miscellaneous – reimbursement for claims from the stop loss re-insurance carrier (over \$637,655), contributions/donations (over \$302,906), land sales (over \$38,524), rental income (over \$38,167), telephones in the jail (over \$28,772), housing authority pilot fees (over \$27,343), photocopy printing (over \$22,793), junk sales (over \$12,206), animal control fees (over \$11,665), ATM and credit card fees (over \$8,811), property damage recovery (over \$5,215), and miscellaneous income (under \$6,552)

The actual departmental expenditures in the general fund were well within the budgetary constraints and were under budget by \$17,363,830 in fiscal year 2022. Non-departmental expenditures were under budget by \$1,112,729 which was due to a decrease in insurance claims. Capital outlay expenditures were under budget \$27,374,078. This was primarily due to major purchases and projects not completed but carried over to Fiscal Year 2023 as follows: \$3,247,517 for new building construction and maintenance; \$9,749,254 for roadway, sidewalks, and traffic improvements; \$659,594 for public safety radio system; \$5,960,859 for software and computer upgrades; \$4,284,970 for recreation projects; and \$3,471,884 for vehicles and equipment for Police, Fire, Public Works, and General Services. Other financing sources and uses actual amounts compared unfavorably with the budget by \$23,813.

The total operating budget was increased by \$22,617,973 in the *final* budget as follows: departments (over \$11,042,507), insurance (over \$1,145,071) and capital outlay (over \$10,430,395). Although almost all departments' budgets were increased in the final budget (\$11,042,507), the *largest increases* are denoted as follows: general administration increased \$1,778,000 for economic development, and \$2,351,170 for downtown development; information technologies increased \$486,834 for computer upgrades; public safety increased \$637,984 for vehicle equipment; \$134,154 for officer training; \$86,386 for drug enforcement; \$228,000 for fuel; and \$227,199 for protective equipment; public works increased \$100,000 for traffic engineering services and \$90,000 for fuel; planning and development increased \$861,555 for community development block grants; health & welfare increased \$526,577 for contribution to local non-profit agencies; and culture and recreation increased \$400,000 for pool filter replacements and \$1,405,686 for summer and at-risk food service programs.

The actual revenues in the general fund, \$125,626,820, were \$19,216,047 over final revenue projections of \$106,410,773. During the year, revenues exceeded budgetary estimates. The original revenue projections in the general fund were \$7,266,717 under the *final* budget. The additional appropriations totaling \$49,685,443 were funded from: (1) the revenue sources in the following table in the amount of \$7,266,717; (2) encumbrances from fiscal year 2021 which were carried forward to fiscal year 2022 totaling \$26,763,472 (general fund beginning budget included these encumbrances which were funded from the general fund balance); and (3) the remaining \$15,655,254 was budgeted from the available unassigned fund balance.

Additional Revenue Sources Increasing Fiscal Year 2022 Budget

\$ 2,694,437	- federal, state and local grants
1,896,987	- contributions & donations
1,405,686	- summer/at-risk food service program funds
474,766	- recreation income
390,000	- lodging tax
242,287	- property tax
117,045	- police seizure funds
39,009	- miscellaneous sales
6,500	- court fines and fees
<u>\$ 7,266,717</u>	

The additional appropriations (\$15,655,254) that were funded by the unassigned fund balance can be briefly summarized by department as follows:

- General Administration - \$4,229,170 as follows: \$1,778,000 for economic development; \$2,251,170 for downtown development; and \$200,000 for city-wide Christmas decorations
- Information Technology - \$62,145 as follows: \$25,000 for public safety data migration; \$28,620 for software; and \$8,525 for city-wide mobile application
- Police - \$662,850 as follows: \$423,850 for vehicles and equipment; \$174,000 for fuel; \$40,000 for SmartForce Software; and \$25,000 for license plate reader cameras
- Fire - \$708,878 as follows: \$698,878 for pumper fire truck; and \$10,000 for a light tower
- Public Works - \$3,071,449 as follows: \$2,466,750 for Flowers Chapel Road construction; \$310,000 for a street sweeper; \$94,699 for Denton Road construction, engineering, and inspection; \$100,000 for grant application services; and \$100,000 for traffic engineering services
- Planning & Development – \$254,500 as follows: \$120,000 for demolition services; \$100,000 for housing rehabilitation; \$30,000 for traffic study; and \$4,500 for fuel
- Health & Welfare - \$73,320 as follows: \$58,320 for a needs assessment for Wiregrass Museum of Art; and \$15,000 for the Alabama State Games hosted by the ASF Foundation

- Leisure Services - \$6,503,442 as follows: \$3,450,000 for Rip Hewes Stadium improvements; \$725,000 for BMX Track improvements; \$469,922 for James Oates Park artificial turf and pedestrian bridge; \$782,336 for Water World improvements; \$500,000 for Wiregrass Park multi-use fields; \$400,000 for Westgate pool filter replacement; \$75,000 for security cameras; \$55,000 for Kinney Park improvements; \$15,000 for Dixie Youth Complex dugouts; \$14,755 for Walton Park walking trail; and \$16,429 for a copier
- General Services - \$4,500 for fuel
- Insurance - \$85,000 for insurance services

Capital Assets and Debt Administration

The City of Dothan’s investment in capital assets for its governmental and business-type activities as of September 30, 2022, amounts to \$356,106,202 (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 \$18,958,579. This increase resulted from additional capital assets totaling \$28,364,608 (see following table) decreased by accumulated depreciation totaling \$8,643,833. In addition, this total was reduced by \$2,208,616 (includes construction in progress placed in service of \$729,875) of capital assets which were retired and offset by recaptured depreciation of \$1,446,420. The large increase in capital assets was due to construction in progress at Rip Hewes Stadium and Water World.

GOVERNMENTAL CAPITAL ASSET ADDITIONS (In Millions)	
Construction Projects (Road Widening, Fire Truck Build, Traffic Signal Cabinets, Water World & Rip Hewes Stadium Improvements)	\$20.3
Additions & Improvements (Streets, Sidewalks, & Ballfield Lighting)	1.3
Software Upgrades & Computer Equipment	2.6
Equipment (Police & Safety Equipment & Playground Equipment)	1.8
Land (Easements & Parcels)	.3
Vehicles (Police, Public Works, Leisure Services, Performing Arts & General Services)	2.1
Total Capital Asset Additions	\$28.4

The business-type capital investments increased by \$4,644,947. This increase resulted from additional capital assets totaling \$33,304,605 decreased by accumulated depreciation totaling \$14,749,788. In addition, this total was reduced by \$15,431,173 (includes construction in progress placed in service of \$13,704,325) of capital assets which were retired and offset by recaptured depreciation of \$1,521,303 as follows:

BUSINESS-TYPE CAPITAL ASSET ADDITIONS (In Millions)	
Electric System & Substation Improvements	\$ 2.2
Water Improvements	2.7
Sanitary Sewer Improvements	7.9
Equipment (Electric, Water, & Sewer)	1.4
Land (Easements)	.5
Vehicles	1.1
Buildings	.1
Construction Projects	17.4
Total Capital Asset Additions	<u>\$33.3</u>

- **MEMORIAL TRAIL**

In December 2021, a contract was awarded to Avery Landscape and Associates for the design and development of a segment of The Dothan Cultural Trail to be known as the Memorial Trail. The Memorial Trail Project, as part of the Highway 84 East Corridor Plan, will provide an aesthetically pleasing entrance to downtown while promoting recreation and a healthier lifestyle for residents in the area. This phase of the project includes installing the 10-foot-wide concrete trail with brick paver accents and decorative lighting from Plant Street to the west end of the City Cemetery along the south side of Highway 84 East (East Main Street). Work began the week of January 31, 2022. The contract completed in December 2022 at a cost of \$271,055. The cost for decorative lighting materials in the amount of \$83,288 has been expended to date.

- **RIP HEWES STADIUM RENOVATIONS**

In February 2021, a contract was awarded to Seay, Seay, & Litchfield, PC for the design of the Rip Hewes Stadium renovations and additions project in the amount of \$542,400 with a total of \$532,418

expended to date. In June 2021, a contract was awarded to Saliba Construction Co, Inc. to execute the Phase 1 renovations and additions to Rip Hewes Stadium in the amount of \$3,367,565 with this contract completing at a cost of \$3,348,167. The City partnered with Daktronics, Inc. for the materials and supplies needed for the replacement of the scoreboard at the stadium in the amount of \$233,280 with all funds expended to date. In December 2021, a contract was awarded to Lewis Construction, LLC in the amount of \$9,090,000 for the Phase 2 renovations and additions to the stadium. Change orders in the amount of \$489,947 have amended this contract bringing the total cost to \$9,579,947; with \$9,116,274 expended to date. In February 2022, a purchase from AstroTurf Construction Corporation was approved in the amount of \$360,000 with all funds expended to date. With all other expenses involved, total project cost is \$14,135,116 to date.

- **JAMES OATES TURF INSTALLATION**

The City entered into an agreement in June 2021, for the inspection and planning of the turf installation project with Barge Design Solutions in the amount of \$75,000; with all funds expended to date. In October 2021, a contract was awarded to Sports Field, Inc. in the amount of \$1,747,162 for the installation of astroturf at James Oates Park; with \$1,743,438 expended to date. A contract was awarded to AstroTurf Construction Corporation in the amount of \$637,436 with all funds expended at this time. The project was completed May 2022.

- **SANITARY SEWER IMPROVEMENTS**

In December 2019, Blankenship Contracting, Inc. was awarded the contract for the 2019 Miscellaneous Sewer Improvements Project in the amount of \$2,083,985; with a change order being added December 2021 in the amount of \$64,858 bringing the total contract to \$2,148,843 with \$1,901,184 expended to date. An additional purchase order was issued to Carmichael Engineering, Inc. in the amount of \$23,165 for geotechnical investigation associated with continuing sewer system assessment requirements with \$13,823 spent to date. The total project cost as of the audit report date is \$1,915,007. In September 2020, SAK Construction, LLC was awarded the contract for the Omussee Trunk Line Rehabilitation in the amount of \$7,959,820; \$7,229,957 was the total expended for the project which was

completed in September 2022. In April 2021, Poly, Inc. was awarded a contract for the Beaver Creek Trunk Line Rehabilitation in the amount of \$760,000; with \$510,574 expended to date. Sak Construction, LLC was awarded a contract for rehabilitation in the amount of \$8,777,530 with \$7,590,702 expended to date. The Beaver Creek Trunk Line Rehabilitation was partially funded through the American Rescue Plan Act federal funding in the amount of \$5,488,847. In May 2021, Barge Design Solutions was awarded the contract for engineering services for the B4-52 Sewer Basin Rehabilitation Project in the amount of \$327,000 with all funds expended to date. In October 2021, an amendment to the contract with Barge Design Solutions was created for an additional amount of \$36,000 with \$15,117 spent to date. Suncoast Infrastructure, Inc. was awarded a contract for sewer basin rehabilitation in the amount of \$5,296,810 with \$786,033 expended to date. The B4-52 Sewer Basin Rehabilitation Project was partially funded through the American Rescue Plan Act federal funding in the amount of \$5,661,152.

- **RED WATER MAIN REPLACEMENTS**

To enhance the water distribution system, the City has initiated the replacement of antiquated watermains and associated appurtenances. In January 2021, L and K Contracting Company, Inc. was awarded the contract for the 2021 Red Water Main Replacement Phase A project in the amount of \$824,225; with \$771,882 expended to complete the project in September 2022. In June 2021, L and K Contracting Company, Inc. was awarded the contract for the 2021 Red Water Main Replacement Phase B project in the amount of \$874,739; with \$826,077 expended to complete the project in August 2022. In March 2022, a contract was awarded to L and K Contracting Company, Inc. for fiscal year 2022 red water main replacements in the amount of \$2,073,525; with \$1,861,570 expended to date. The fiscal year 2022 main replacements were partially funded through the American Rescue Plan Act federal funding in the amount of \$1,288,636.

- **HONEYSUCKLE ROAD WIDENING**

In September 2018, Gresham Smith was awarded the contract for services to provide engineering, design and professional services for the Honeysuckle Road Phase 1 improvements project in the amount of \$1,194,602; with \$1,135,764 expended to date. Phase 1 consists of

improvements from W. Main Street to Fortner Street. Also, in September 2018, Sain Associates, Inc. was awarded the contract for services to provide engineering, design and professional services for the Honeysuckle Road Phases 2 and 3 improvements project in the amount of \$774,991 with all funds expended to date. Phases 2 and 3 consist of improvements from south of Homestead Road to South Park Avenue and from South Park Avenue to the intersection of Campbellton Highway and Taylor Road. In July 2020, the current project received additional funding to extend the project from Homestead to Hartford Highway in the amount of \$469,839 with \$308,751 expended to date. Right-of-way acquisitions in the amount of \$1,202,257 have been expended to date.

- **DOTHAN'S CITY CENTER**

Wiregrass Foundation began a Transformation Through the Arts Study to determine the needs of the arts community in the Wiregrass. A Downtown Charrette Initiative was hosted and a diverse group of citizens envisioned what they would like to see Downtown Dothan look like in the future. City leaders then engaged with the design group RDG Planning & Design, PC, a national leader in reimagining cities' core spaces, to conceptualize what Dothan's City Center could become, for a fee of \$105,000. After hosting civic charettes and blending thoughts and opinions from across the community, the City, and its partners, including Wiregrass Foundation, presented an urban design scheme that skillfully bridges the architecture of earlier times with new and varied design schemes to accommodate the revitalization of the City Center. The plan reimages the heart of downtown Dothan into a vibrant, mixed-use destination where residents and visitors can enjoy the arts and entertainment. The plan was designed to be completed in phases over multiple years. An executive architect services contract for the City Center was approved in March 2022, for a not to exceed fee of \$175,000 for year one, \$100,000 for year two, and \$100,000 for year three with RDG Planning & Design, PC. Two additional contracts with RDG Planning & Design, PC were approved in August 2022, for the design and construction phase services for the Porter Park and Events Plaza and Opera House Enhancements and Addition Project in the amount of \$497,000 and \$1,084,170, respectively. The Porter Park and Events Plaza Phase will include removing the Dothan Utilities Collection building to add a terraced amphitheater, additional green space, and water features. The Opera House design will include a new addition to the historic

Dothan Opera House and new frontage to Main Street. A market assessment agreement with AMS Planning & Research Corporation was approved in August 2022 for a fee of \$198,700 for a new multi-purpose events center arena and surrounding downtown development area amenities to include a hotel. Construction of the Opera House additions and the Porter Park and Events Plaza are scheduled to begin in the summer of 2023.

- **ROSS CLARK CIRCLE WIDENING**

In May 2018, the State, with the City relocating utilities, began the process of widening Ross Clark Circle from Bauman Drive to Cherokee Avenue. The engineering contract for water and sanitary sewer relocation was awarded to Atkins North America, Inc. with the original contract and change orders coming to a total of \$424,907; with \$416,704 expended to date. The scope of the water and sewer relocation required the project to be separated into two phases. L and K Contracting Company, Inc. was awarded the bid for Phase 1 of the project in December 2018, in the amount of \$468,850; with \$449,447 expended for this phase. The contract for Phase 2 was awarded to Blankenship Contracting, Inc. in March 2019, in the amount of \$4,481,507; with \$4,472,156 expended to date. Electrical relocations were performed by the City of Dothan at a cost of \$938,335. The total cost of the City utility relocation project to date is \$6,281,825.

- **WATER WORLD EXPANSION**

In August 2019, the City began an extensive project to renovate and update the Water World Facility. In May 2021, Barge Design Solutions was awarded a contract for design and construction engineering for the completion of renovations to Water World Park in the amount of \$179,944; with all funds expended to date. In August 2021, a contract was awarded to Aquatic Builders, LTD for the replacement of wave generation equipment in the amount of \$271,800; with all funds expended to date. Wyatt Sasser Construction, LLC was awarded a construction contract in October 2021 to execute Phase II renovations in the amount of \$2,560,000. The contract required modifications that resulted in amendments in the amount of \$137,360 with all funds expended to date. In November 2021, Dixie Painting & Sandblasting was hired to complete the Great White Slide Rehabilitation project in the amount of \$503,618; this project is complete with \$501,307

expended. In February 2022, Musco Sports Lighting, LLC was contracted to supply additional light structures in the amount of \$253,100 with all funds expended to date. All renovations and updated structures since the project inception total \$9,174,878 as of the audit date.

- **FIRE STATIONS**

In July 2022, a contract was entered into with Seay, Seay & Litchfield, PC in the amount of \$680,888 for architectural services for the design of two fire stations. The addition of a new station, Fire Station #10, will be located at the corner of Main Street and Roosevelt Drive. Fire Station #3 will be relocated to Whatley Drive near John D. Odom Road. To date \$152,880 has been expended on the design contract. Land clearing and erosion control began in the last quarter of 2022. Bids are scheduled to open April 4, 2023.

- **DOUG TEW THERAPEUTIC RECREATION CENTER RENOVATIONS**

The City of Dothan entered into an agreement with Seay, Seay & Litchfield, PC for the architectural services to renovate the Doug Tew Recreation Center. Renovations included construction of two teaching kitchens for life skills and culinary programs, a large pantry/storage area, a large game room, two classrooms, and a pottery classroom. The construction bid was awarded to Lewis Construction, LLC on March 1, 2022, in the amount of \$943,500 with \$939,452 expended to complete the contract. The cost spent to date for equipment required for the kitchen renovations is \$54,254.

- **BMX RESTROOM AND CONCESSIONS**

In July 2022, the City of Dothan entered into a contract with Seay, Seay & Litchfield, PC in the amount of \$60,280 to design new restrooms and concession stand for the BMX track at Westgate Park. As of audit report date, \$53,280 has been expended on this contract. Bids were opened in September 2022 with Lewis Construction, LLC submitting the lowest responsible bid in the amount of \$1,111,400 with \$313,584 expended to date. The project is expected to complete early summer 2023.

● **GRANDVIEW TURF INSTALLATION**

Grandview Elementary School property has been leased to I. Reese Enterprises, LLC to use this property to benefit the youth of the community through sports participation opportunities, educational enrichment, and healthy nutrition needs. In April 2022, the City entered into a memorandum of understanding with Dothan Area Chamber Foundation to secure a grant from the NFL Foundation Grassroots Program to help finance the installation of artificial turf fields in the amount of \$250,000. Visit Dothan also entered into a memorandum of understanding to fund \$1,513,380 towards the cost of design and field installation. The City negotiated an agreement with Barge Design Solutions for consulting services for the design and construction administration for the installation of artificial turf in the amount of \$118,096. Bids were received in November 2022, for turf for the Grandview Elementary multi-purpose athletic field with the contract being awarded to Sports Turf Company, Inc. in the amount of \$876,800; with \$69,578 expended to date.

Capital Assets As of September 30 (In Thousands)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Land and Easements	\$ 10,012	\$ 9,783	\$ 8,625	\$ 8,175	\$ 18,637	\$ 17,958
Buildings	67,418	67,394	8,976	8,889	76,394	76,283
Improv. other than Bldgs.	77,225	75,973	337,998	325,703	415,223	401,676
Machinery & Equipment	55,399	50,059	30,703	29,382	86,102	79,441
Infrastructure	456,234	456,458			456,234	456,458
Construction in Progress	37,141	17,606	20,540	16,820	57,681	34,426
Total Capital Assets	\$703,429	\$677,273	\$406,842	\$388,969	\$1,110,271	\$1,066,242

Additional information on the City of Dothan’s capital assets can be found in note IV. D on pages 49-51 of this report.

Debt Outstanding

As of the fiscal year end, the City of Dothan had \$81,621,540 in general obligation debt outstanding compared to \$90,557,879 last

fiscal year end; thus, decreasing debt by \$8,936,339 (9.87%) during the current fiscal year.

State statutes limit the amount of general obligation debt a governmental entity may issue to twenty percent (20%) of the assessed value of all taxable property within the City’s corporate limits. Debt issued for schools, water, and sewer purposes is exempt from the legal debt limit. The current constitutional debt limitation for the City of Dothan is \$199,806,369, which is significantly in excess of the City of Dothan’s outstanding general obligation debt.

In October 2021, the City of Dothan Commission authorized the issuance of the City’s General Obligation Warrant Series 2021 in the principal amount of \$20,245,000 for the refunding of the General Obligation Warrant – Series 2011A SRF, the General Obligation Warrant – Series 2011-B SRF, and the General Obligation Warrant – Series 2012.

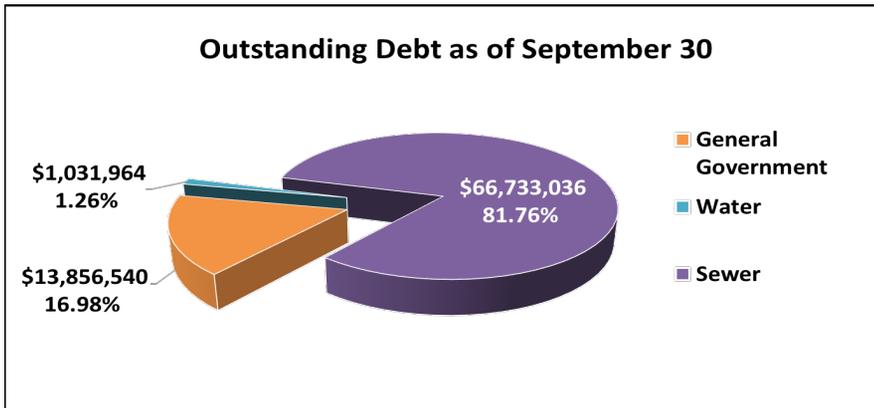
An important financial analysis ratio in government is the percentage of total expenditures comprised of debt service (repayment of principal, interest and related fees). In the governmental funds, the ratio for 2022 is 1.33% (total debt service expenditures were \$1,789,552 and total expenditures were \$134,064,847).

DOTHAN’S RATINGS FOR GENERAL OBLIGATION DEBT

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

Debt Type	2019	2020	2021	2022
General Government	\$ 17,933,742	\$ 16,610,832	\$ 15,252,029	\$ 13,856,540
School	1,255,000	-	-	-
Sewer	88,472,191	81,416,841	74,157,304	66,733,036
Storm Drain & Road Imp	140,533	-	-	-
Water	1,373,074	1,262,969	1,148,546	1,031,964
Totals	\$109,174,540	\$ 99,290,642	\$ 90,557,879	\$ 81,621,540

Additional information can be found in note IV. H on pages 55-58.



partnership to create HudsonAlpha Institute for Biotechnology Wiregrass. The project will focus on education, agricultural research, and economic development.

The Dothan City Commission and its partners, including the Wiregrass Foundation, are continuing their efforts to revitalize downtown. The “City Center”, discussed earlier, is a revitalization plan that reimagines the heart of downtown Dothan into a vibrant, mixed-use destination where residents and visitors can enjoy the arts and entertainment. The plan was designed to be completed in phases over multiple years and will include adding a terraced amphitheater and additional green space, additions and improvements to the historic Opera House, Wiregrass Arts and Innovation Center, multi-purpose events, sports and entertainment arena, hotel, parking structure, and mixed-use developments.

The Dothan 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. Additionally, Dothan’s management staff continues to evaluate and project the needs of the City and make recommendations to the City Commission as necessary. 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.

Financial Information Contact

The City of Dothan’s financial statements are designed to provide Dothan’s 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. For any additional questions or information, contact the City’s Finance Director-Treasurer, Romona Marcus, at 126 North Saint Andrews Street, Room 110 of the Dothan Civic Center, Dothan, Alabama 36303. Updated financial information about the City is also available by accessing the City’s website at www.dothan.org.

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). Approximately 73% 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 2013 by \$32,219,543. Dothan also continues to see increases in state-shared revenues and recurring and non-recurring (one-time) grants from both state and federal governments. In addition to the City’s major tax source, sales tax, continuing to strengthen, unemployment has declined 3.7% since 2013.

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 improve and expand city services, which encourages development (office, retail, residential, and industrial). The City places significant emphasis on economic development/recruitment and job growth.

The Dothan City Commission is committed to the development of a diversified economic base. The City’s partnership with the Dothan Area Chamber of Commerce has achieved an outstanding level of success in this effort. The City of Dothan and Huntsville’s HudsonAlpha Institute for Biotechnology formed a public-private

BASIC FINANCIAL STATEMENTS

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2022

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS:			
Cash and cash equivalents	\$ 75,633,417	\$ 60,315,913	\$ 135,949,330
Investments	10,000,000	5,000,000	15,000,000
Receivables	12,907,432	8,070,573	20,978,005
Due from other governments	1,634,816	681,812	2,316,628
Lease receivable	249,612	-	249,612
Internal balances	1,385	(1,385)	-
Inventories, at cost	515,809	5,813,444	6,329,253
Capital assets (See Note IV-D):			
Non-depreciable	47,153,778	29,164,954	76,318,732
Depreciable, net of accumulated depreciation	85,983,893	193,760,150	279,744,043
Right to use leased asset, net of amortization	43,427	-	43,427
Total Assets	234,123,569	302,805,461	536,929,030
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related	24,017,095	8,096,560	32,113,655
Asset retirement obligation related	-	3,023,900	3,023,900
OPEB related	15,064,904	-	15,064,904
Total Deferred Outflows of Resources	39,081,999	11,120,460	50,202,459
LIABILITIES:			
Vouchers/accounts payable	5,363,656	10,763,001	16,126,657
Accrued liabilities	8,106,322	389,528	8,495,850
Accrued interest payable	28,038	165,474	193,512
Payable to other governments	37,250	161	37,411
Customer deposits	1,071,474	7,888,650	8,960,124
Unearned revenue	285,624	-	285,624
Non-current liabilities:			
Due within one year	7,162,475	7,695,186	14,857,661
Due in more than one year	12,908,222	69,010,470	81,918,692
Net pension liability	117,105,407	37,285,248	154,390,655
Asset retirement obligation	-	3,257,779	3,257,779
Net OPEB liability	50,867,657	-	50,867,657
Total Liabilities	202,936,125	136,455,497	339,391,622
DEFERRED INFLOWS OF RESOURCES:			
Lease related	249,612	-	249,612
Pension related	11,858,175	3,880,717	15,738,892
OPEB related	8,958,328	-	8,958,328
Total Deferred Inflows of Resources	21,066,115	3,880,717	24,946,832
NET POSITION:			
Net investment in capital assets	119,626,581	155,160,104	274,786,685
Restricted for:			
Street and bridge maintenance	740,646	-	740,646
Education	779,555	-	779,555
Unrestricted (deficit)	(71,943,454)	18,429,603	(53,513,851)
Total Net Position	\$ 49,203,328	\$ 173,589,707	\$ 222,793,035

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FUNCTION / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT		TOTAL
					GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	
PRIMARY GOVERNMENT:							
Governmental Activities:							
General government	\$ 24,627,873	\$ 4,544,388	\$ 1,001,914	\$ -	\$ (19,081,571)	\$ -	\$ (19,081,571)
Public safety	45,793,981	1,382,751	107,530	524,958	(43,778,742)	-	(43,778,742)
Public works	12,107,927	94,099	-	1,148,721	(10,865,107)	-	(10,865,107)
Planning and development	3,829,683	160,449	1,020,023	-	(2,649,211)	-	(2,649,211)
Health and welfare	5,114,725	-	-	-	(5,114,725)	-	(5,114,725)
Culture and recreation	17,004,915	3,515,133	1,222,811	5,000	(12,261,971)	-	(12,261,971)
General services	5,446,054	-	-	-	(5,446,054)	-	(5,446,054)
Insurance department	2,616,416	-	-	-	(2,616,416)	-	(2,616,416)
Education	4,056,535	-	-	-	(4,056,535)	-	(4,056,535)
Interest/fiscal charges on long-term debt	378,266	-	-	-	(378,266)	-	(378,266)
Total Governmental Activities	120,976,375	9,696,820	3,352,278	1,678,679	(106,248,598)	-	(106,248,598)
Business-type activities:							
Utility							
Electric	82,903,872	94,897,052	35,000	826,995	-	12,855,175	12,855,175
Water	9,072,139	11,766,711	-	1,451,433	-	4,146,005	4,146,005
Wastewater/sewer	17,248,551	22,560,007	-	5,209,297	-	10,520,753	10,520,753
Combined utilities	3,943,032	890,126	-	-	-	(3,052,906)	(3,052,906)
Solid Waste							
Collections	7,951,985	4,519,608	98,176	-	-	(3,334,201)	(3,334,201)
Landfill	1,822,014	781,231	-	-	-	(1,040,783)	(1,040,783)
Combined Solid Waste	223,681	2,474	-	-	-	(221,207)	(221,207)
Total Business-Type Activities	123,165,274	135,417,209	133,176	7,487,725	-	19,872,836	19,872,836
Total Primary Government	\$ 244,141,649	\$ 145,114,029	\$ 3,485,454	\$ 9,166,404	\$ (106,248,598)	\$ 19,872,836	\$ (86,375,762)

(Continued on page 21)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
General Revenues and Transfers:			
General revenues:			
Taxes:			
Property tax	\$ 5,142,701	\$ -	\$ 5,142,701
Sales and use tax	92,496,704	-	92,496,704
Lodging tax	4,007,711	-	4,007,711
Franchise tax	1,459,233	-	1,459,233
Cigarette tax	195,750	-	195,750
Grants and contributions not restricted to specific programs	3,191,007	-	3,191,007
Unrestricted investment earnings	175,195	130,617	305,812
Miscellaneous	4,733,168	169,059	4,902,227
Transfers	20,974,774	(20,974,774)	-
Total General Revenues and Transfers	<u>132,376,243</u>	<u>(20,675,098)</u>	<u>111,701,145</u>
Change in Net Position	26,127,645	(802,262)	25,325,383
Net Position - Beginning	<u>23,075,683</u>	<u>174,391,969</u>	<u>197,467,652</u>
Net Position - Ending	<u>\$ 49,203,328</u>	<u>\$ 173,589,707</u>	<u>\$ 222,793,035</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2022

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
ASSETS:					
Cash and cash equivalents	\$ 74,890,725	\$ -	\$ -	\$ 742,692	\$ 75,633,417
Investments	10,000,000	-	-	-	10,000,000
Receivables:					
Taxes	13,098,328	-	-	-	13,098,328
Accounts	4,656,562	-	-	43,855	4,700,417
Lease	249,612	-	-	-	249,612
Due from other funds	1,385	-	-	-	1,385
Due from other governments	1,634,816	-	-	-	1,634,816
Inventories, at cost	515,809	-	-	-	515,809
Total Assets	\$ 105,047,237	\$ -	\$ -	\$ 786,547	\$ 105,833,784
LIABILITIES:					
Vouchers/accounts payable	5,363,248	-	-	408	5,363,656
Accrued liabilities	8,099,738	-	-	6,584	8,106,322
Payable to other governments	37,250	-	-	-	37,250
Customer deposits	1,071,474	-	-	-	1,071,474
Unearned revenue	285,624	-	-	-	285,624
Total Liabilities	14,857,334	-	-	6,992	14,864,326
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue-property taxes	4,891,313	-	-	-	4,891,313
Lease related	249,612	-	-	-	249,612
Total Deferred Inflows of Resources	\$ 5,140,925	\$ -	\$ -	\$ -	\$ 5,140,925

(Continued on page 23)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BALANCE SHEET
GOVERNMENTAL FUNDS - CONTINUED
SEPTEMBER 30, 2022

	GENERAL	DEBT SERVICE	CAPITAL PROJECTS	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
FUND BALANCES:					
Nonspendable:					
Inventories	\$ 515,809	\$ -	\$ -	\$ -	\$ 515,809
Restricted:					
Public safety programs	-	-	-	-	-
Street and bridge maintenance	740,646	-	-	-	740,646
Education	-	-	-	779,555	779,555
Committed:					
Administrative	-	-	-	-	-
Information technology equipment	3,114,053	-	-	-	3,114,053
Economic development projects	2,612,580	-	-	-	2,612,580
Public safety programs	4,268,670	-	-	-	4,268,670
Public works projects	4,928,415	-	-	-	4,928,415
Planning and community development	579,451	-	-	-	579,451
Culture and recreation	625,788	-	-	-	625,788
Facility maintenance	3,459,413	-	-	-	3,459,413
Assigned:					
Administrative	448,602	-	-	-	448,602
Capital projects	2,457,190	-	-	-	2,457,190
Information technology equipment	2,976,388	-	-	-	2,976,388
Economic development projects	897,065	-	-	-	897,065
Public safety programs	620,540	-	-	-	620,540
Public works projects	9,788,052	-	-	-	9,788,052
Planning and community development	40,031	-	-	-	40,031
Culture and recreation	476,446	-	-	-	476,446
Facility maintenance	4,144,798	-	-	-	4,144,798
Debt service	344,461	-	-	-	344,461
Self insurance claims	10,984,100	-	-	-	10,984,100
Fund balance reserves	10,516,253	-	-	-	10,516,253
Unassigned	20,510,227	-	-	-	20,510,227
Total Fund Balances	<u>85,048,978</u>	<u>-</u>	<u>-</u>	<u>779,555</u>	<u>85,828,533</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 105,047,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 786,547</u>	<u>\$ 105,833,784</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2022

Total Fund Balances - Governmental Funds \$ 85,828,533

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

Capital assets and right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	703,379,290	
Less: Depreciation expense to date	(570,241,618)	
Right to use leased assets	49,630	
Less: Amortization expense to date	<u>(6,204)</u>	133,181,098

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	(4,891,313)	
Adjustment of deferred property taxes	<u>4,891,313</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.

-

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

(20,070,697)

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

(28,038)

Net pension liability is non-current and is excluded from the fund financial statements.

(117,105,407)

Deferred outflows - pension related

24,017,095

Deferred inflows - pension related

(11,858,175)

Net OPEB liability is noncurrent and is excluded from the fund financial statements.

(50,867,657)

Deferred outflows - OPEB related

15,064,904

Deferred inflows - OPEB related

(8,958,328)

Net Position of Governmental Activities

\$ 49,203,328

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, 2022

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
REVENUES:					
Taxes	\$ 103,106,349	\$ -	\$ -	\$ 195,750	\$ 103,302,099
Licenses and permits	4,544,388	-	-	-	4,544,388
Intergovernmental revenues	7,995,882	-	-	-	7,995,882
Charges for services	3,801,845	-	-	-	3,801,845
Fines and forfeitures	1,350,587	-	-	-	1,350,587
Interest income	174,354	-	-	841	175,195
Miscellaneous	4,653,415	-	-	132,620	4,786,035
Total Revenues	<u>125,626,820</u>	<u>-</u>	<u>-</u>	<u>329,211</u>	<u>125,956,031</u>
EXPENDITURES:					
Current:					
General government	16,870,808	-	-	-	16,870,808
Public safety	42,711,615	-	-	-	42,711,615
Public works	10,105,776	-	-	-	10,105,776
Planning and development	3,812,192	-	-	-	3,812,192
Health and welfare	4,741,289	-	-	-	4,741,289
Culture and recreation	14,745,465	-	-	-	14,745,465
General services	5,185,999	-	-	-	5,185,999
Insurance department	2,616,416	-	-	-	2,616,416
Intergovernmental	-	-	-	4,056,535	4,056,535
Capital outlay	27,429,200	-	-	-	27,429,200
Debt service:					
Principal retirement	-	1,408,325	-	-	1,408,325
Interest and fiscal charges	-	381,227	-	-	381,227
Total Expenditures	<u>128,218,760</u>	<u>1,789,552</u>	<u>-</u>	<u>4,056,535</u>	<u>134,064,847</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (2,591,940)</u>	<u>\$ (1,789,552)</u>	<u>\$ -</u>	<u>\$ (3,727,324)</u>	<u>\$ (8,108,816)</u>

(Continued on page 26)

The notes to 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, 2022

	<u>GENERAL</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
OTHER FINANCING SOURCES (USES):					
Leases (as lessee)	\$ 49,630	\$ -	\$ -	\$ -	\$ 49,630
Transfers in (out)	15,179,069	1,789,552	-	4,006,153	20,974,774
Total Other Financing Sources (Uses)	<u>15,228,699</u>	<u>1,789,552</u>	<u>-</u>	<u>4,006,153</u>	<u>21,024,404</u>
Net Changes in Fund Balances	12,636,759	-	-	278,829	12,915,588
Fund Balances - Beginning	<u>72,412,219</u>	<u>-</u>	<u>-</u>	<u>500,726</u>	<u>72,912,945</u>
Fund Balances - Ending	<u>\$ 85,048,978</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,555</u>	<u>\$ 85,828,533</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022

Net Change in Fund Balances - Total Governmental Funds	\$ 12,915,588
Amounts reported for governmental activities in the statement of activities are different because:	
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.	18,785,367
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, leases, and donations) is to decrease net position.	123,585
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.	1,408,325
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>(7,105,220)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 26,127,645</u></u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2022

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	UTILITY	SOLID WASTE	TOTAL
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 58,477,140	\$ 1,838,773	\$ 60,315,913
Investments	5,000,000	-	5,000,000
Accounts receivable	7,839,554	231,019	8,070,573
Due from other governments	583,636	98,176	681,812
Inventories, at cost	5,813,444	-	5,813,444
Total Current Assets	77,713,774	2,167,968	79,881,742
Non-current Assets:			
Capital Assets:			
Land	5,899,102	2,726,060	8,625,162
Buildings	7,933,002	1,042,789	8,975,791
Improvements other than buildings	327,930,191	10,068,312	337,998,503
Machinery and equipment	18,352,865	12,350,239	30,703,104
Less accumulated depreciation	(168,328,721)	(15,588,527)	(183,917,248)
Construction in progress	20,539,792	-	20,539,792
Total Non-current Assets	212,326,231	10,598,873	222,925,104
Total Assets	290,040,005	12,766,841	302,806,846
DEFERRED OUTFLOWS OF RESOURCES:			
Pension related	6,422,732	1,673,828	8,096,560
Asset retirement obligation related	3,023,900	-	3,023,900
Total Deferred Outflows of Resources	\$ 9,446,632	\$ 1,673,828	\$ 11,120,460

(Continued on page 29)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - CONTINUED
SEPTEMBER 30, 2022

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	UTILITY	SOLID WASTE	TOTAL
LIABILITIES:			
Current Liabilities:			
Vouchers/accounts payable	\$ 10,357,041	\$ 405,960	\$ 10,763,001
Accrued liabilities	314,065	75,463	389,528
Due to other funds	-	1,385	1,385
Accrued interest payable	165,474	-	165,474
Payable to other governments	-	161	161
Pollution remediation obligation	51,211	-	51,211
Compensated absences	823,630	175,345	998,975
Customer deposits	7,887,470	1,180	7,888,650
Bonds payable - current	6,645,000	-	6,645,000
Total Current Liabilities	26,243,891	659,494	26,903,385
Non-Current Liabilities:			
Compensated absences	101,291	15,691	116,982
Estimated cost of closure and postclosure	-	7,773,488	7,773,488
Asset retirement obligation	3,257,779	-	3,257,779
Bonds payable (net of unamortized bond issue costs)	61,120,000	-	61,120,000
Net pension liability	29,563,777	7,721,471	37,285,248
Total Non-Current Liabilities	94,042,847	15,510,650	109,553,497
Total Liabilities	120,286,738	16,170,144	136,456,882
DEFERRED INFLOWS OF RESOURCES:			
Pension related	3,147,780	732,937	3,880,717
Total Deferred Inflows of Resources	3,147,780	732,937	3,880,717
NET POSITION:			
Net investment in capital assets	144,561,231	10,598,873	155,160,104
Unrestricted	31,490,888	(13,061,285)	18,429,603
Total Net Position	\$ 176,052,119	\$ (2,462,412)	\$ 173,589,707

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS		
	UTILITY	SOLID WASTE	TOTAL
OPERATING REVENUES:			
Charges for services	\$ 130,113,896	\$ 5,303,313	\$ 135,417,209
OPERATING EXPENSES:			
Solid waste collections	-	7,234,895	7,234,895
Solid waste landfill	-	1,109,662	1,109,662
Electric department	79,351,081	-	79,351,081
Water department	6,276,023	-	6,276,023
Sewer department	8,500,641	-	8,500,641
Billing - collection department	2,588,724	-	2,588,724
Meter reading department	566,219	-	566,219
Depreciation	13,320,347	1,429,441	14,749,788
Miscellaneous	737,610	223,682	961,292
Total Operating Expenses	111,340,645	9,997,680	121,338,325
Operating Income (Loss)	18,773,251	(4,694,367)	14,078,884
NONOPERATING REVENUES (EXPENSES):			
Intergovernmental revenue	35,000	98,176	133,176
Interest earnings	128,064	2,553	130,617
Miscellaneous revenue	113,656	55,403	169,059
Gain (loss) on disposition of capital assets	(235,471)	-	(235,471)
Bond issuance costs	(51,500)	-	(51,500)
Interest and fiscal charges	(1,539,978)	-	(1,539,978)
Total Nonoperating Revenues (Expenses)	(1,550,229)	156,132	(1,394,097)
Income (Loss) before Capital Contributions and Transfers	17,223,022	(4,538,235)	12,684,787
Capital contributions	7,487,725	-	7,487,725
Transfers in (out)	(25,542,127)	4,567,353	(20,974,774)
Change in Net Position	(831,380)	29,118	(802,262)
Total Net Position - Beginning	176,883,499	(2,491,530)	174,391,969
Total Net Position - Ending	\$ 176,052,119	\$ (2,462,412)	\$ 173,589,707

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	UTILITY	SOLID WASTE	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	\$ 128,588,244	\$ 5,304,493	\$ 133,892,737
Payments to suppliers	(82,111,625)	(5,171,119)	(87,282,744)
Payments to employees	(15,278,568)	(3,293,630)	(18,572,198)
Other receipts (payments)	113,656	55,403	169,059
Net Cash Provided by (Used for) Operating Activities	31,311,707	(3,104,853)	28,206,854
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Operating grants	35,000	-	35,000
Transfers in (out)	(25,542,127)	4,567,353	(20,974,774)
Net Cash Provided by (Used for) Noncapital Financing Activities	(25,507,127)	4,567,353	(20,939,774)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from capital debt and other capital receipts	19,991,283	-	19,991,283
Capital grants	6,558,014	-	6,558,014
Acquisition and construction of capital assets	(18,409,216)	(740,391)	(19,149,607)
Principal paid on bond maturities and capital leases	(27,785,850)	-	(27,785,850)
Interest paid on bonds and notes payable	(1,383,042)	-	(1,383,042)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(21,028,811)	(740,391)	(21,769,202)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Other investing receipts	(5,000,000)	-	(5,000,000)
Interest and dividends on investments	128,064	2,553	130,617
Net Cash Provided by (Used for) Investing Activities	(4,871,936)	2,553	(4,869,383)
Net Increase (Decrease) in Cash and Cash Equivalents	(20,096,167)	724,662	(19,371,505)
Cash and Cash Equivalents - Beginning	78,573,307	1,114,111	79,687,418
Cash and Cash Equivalents - Ending	\$ 58,477,140	\$ 1,838,773	\$ 60,315,913

(Continued on page 32)

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUSINESS-TYPE ACTIVITIES		
	ENTERPRISE FUNDS		
	UTILITY	SOLID WASTE	TOTAL
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 18,773,251	\$ (4,694,367)	\$ 14,078,884
Adjustments to reconcile operating income to net cash provided (used for) operating activities:			
Depreciation	13,320,347	1,429,441	14,749,788
(Increase) decrease in accounts receivable	(1,672,949)	1,981	(1,670,968)
(Increase) decrease in inventory	(1,051,825)	-	(1,051,825)
(Increase) decrease in deferred outflows	(251,895)	(51,941)	(303,836)
Increase (decrease) in vouchers and accounts payable	1,461,579	108,405	1,569,984
Increase (decrease) in accrued liabilities	(693,786)	(206,589)	(900,375)
Increase (decrease) in due to other funds	(1,083)	1,385	302
Increase (decrease) in payable to other governments	-	(12,761)	(12,761)
Increase (decrease) in compensated absences	8,113	(54,519)	(46,406)
Increase (decrease) in pollution remediation obligation/estimated closure cost-landfill	(68,789)	41,907	(26,882)
Increase (decrease) in customer deposits	147,297	1,180	148,477
Increase (decrease) in asset retirement obligation	125,299	-	125,299
Increase (decrease) in net pension liability	(1,853,468)	(463,367)	(2,316,835)
Increase (decrease) in deferred inflows	2,955,960	738,989	3,694,949
Other miscellaneous revenues	113,656	55,403	169,059
Total Adjustments	12,538,456	1,589,514	14,127,970
Net Cash Provided by (Used for) Operating Activities	\$ 31,311,707	\$ (3,104,853)	\$ 28,206,854
Schedule of Non-Cash Capital and Related Financing Activities:			
Contributions of capital assets	\$ 480,600	\$ -	\$ 480,600

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Dothan, Alabama (the City), which was founded in 1885, has a population of 71,175 living within an area of 90.4 square miles. The City is in the southeast corner of the State of Alabama.

A. Financial Reporting Entity and Basis of Presentation

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 and operating/capital grants and contributions. 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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's utility operations, which include retailing purchased electricity, as well as water and wastewater/sewer operations.

Solid Waste Fund - To account for the City's municipal solid waste collections and landfill 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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

Fund balance includes restricted assets associated with gas taxes which are restricted to street and bridge maintenance and restricted assets for education purposes.

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 the life 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 is expensed. The City had no interest cost to expense for the current year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, except for Public Safety – Fire 7k employees, who can carry over a maximum of forty-five days. 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.
- 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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.

10. Leases

Lessee: The City is a lessee for a noncancellable lease of equipment. The City recognizes a lease liability and intangible right-to-use lease asset in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the City determines; (1) the discount rate it uses to discount the expected lease payments to present Value; (2) lease term; and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with capital assets and lease liabilities are reported with non-current liabilities on the statement of net position.

Lessor: The City is a lessor for noncancellable leases of building and/or property. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

10. Leases (Continued)

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines: (1) the discount rate it uses to discount the expected lease receipts to present value; (2) lease term; and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

F. Interfund Transactions

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

G. Unbilled Utility and Solid Waste Receivables

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

H. Cash Flows Statement

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Closure and Postclosure Care Cost

State and federal laws and regulations require the City 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 \$7,773,488 reported as landfill closure and postclosure care liability at September 30, 2022, represents the cumulative amount reported to date based on the use of 65.46 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$4,102,312 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2022. The City completed an expansion of the landfill in 2020 and estimates the remaining life of the landfill to be approximately twenty-four (24) years. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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

J. Pensions

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

1. Budgetary Accounting

All funds are maintained as budgetary funds. The City adopts a biennium 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 \$49,685,443. The original budget of the City consists of operating expenditures and some capital projects. Additional capital projects are approved during the year resulting in the significant amount of supplemental appropriations.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

1. Budgetary Accounting (Continued)

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.

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, 2022, there were no governmental 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 (\$20,070,697) difference are as follows:

Bonds payable	(\$13,856,540)
Notes payable	(2,265,343)
Leases	(36,794)
Compensated absences	<u>(3,912,020)</u>
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net position – governmental activities</i>	<u>(\$20,070,697)</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 \$18,785,367 differences are as follows:

Capital outlay	\$ 27,429,200
Depreciation expense	(<u>8,643,833</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>\$ 18,785,367</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 decrease net position.” The details of this \$123,585 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.	\$ 226,082
Right to use leased assets increase net position in the statement of activities, but do not appear in governmental funds because they are not financial resources.	(49,630)
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>52,867</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>\$ 123,585</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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 \$1,408,325 difference are as follows:

Principal repayments:	
General obligation debt and capital leases	\$ 1,408,325
Net change in unamortized bond premium and discount costs	-
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> .	\$ 1,408,325

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 (\$7,105,220) difference are as follows:

Compensated absences	(\$ 32,248)
Accrued interest	2,961
Notes Payable	(2,265,343)
Net OPEB obligation	(1,455,379)
Pensions	(3,355,211)
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>	(\$ 7,105,220)

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

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 \$135,949,330 and the total bank balance was \$136,622,087. Of the bank balance, \$500,000 was covered by federal depository insurance. Of the remaining balance, \$136,122,087 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, 2022, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturing (years)</u>
Certificates of Deposit	\$15,000,000	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, 2022, \$136,122,087 of the government's bank balance of \$136,622,087 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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

B. Receivables

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

	<u>GENERAL FUND</u>	<u>SCHOOL FUND</u>	<u>UTILITY FUND</u>	<u>SOLID WASTE FUND</u>	<u>TOTAL</u>
Receivables:					
Taxes	\$ 13,098,328	\$ -	\$ -	\$ -	\$ 13,098,328
Accounts	4,656,562	43,855	7,839,554	231,019	12,770,990
Total	<u>\$ 17,754,890</u>	<u>\$ 43,855</u>	<u>\$ 7,839,554</u>	<u>\$ 231,019</u>	<u>\$ 25,869,318</u>

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

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Property Taxes Receivable (General Fund)	\$ 4,891,313	\$ -
Business Licenses and Certain Other Resources That Have Been Received, But Not Yet Earned	-	285,624
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 4,891,313</u>	<u>\$ 285,624</u>

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, 2022, there were property taxes receivable and deferred revenue of \$4,891,313 that does not become earned until October 1, 2022, 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.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

C. Property Tax (Continued)

Tax Abatement Agreements That Reduce the City of Dothan Tax Revenue

Disclosures made in this Annual Report are subject to GASB Statement No. 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 Authority, Industrial Development Board of the City of Dothan, and Dothan Area Chamber of Commerce. GASB Statement No. 77 requires the City to disclose the amount of the taxes abated during the fiscal year. 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 total amount of taxes abated under the reported agreements during fiscal year 2022 was \$735,073.

The Brownfields Redevelopment Tax Abatements

The "Alabama Brownfields Development Tax Abatement Act" of 2004 (Chapter 9C, Title 40, Code of Alabama 1975) defines a brownfield as any real property, the expansion, redevelopment, or reuse of which may be 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 abatement. 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 including retail, commercial, and industrial under current law. The total amount of taxes abated under the brownfield agreements during fiscal year 2022 was \$79,714.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets

Capital asset activity for the year ended September 30, 2022, was as follows:

	PRIMARY GOVERNMENT			
	BEGINNING BALANCE	INCREASES	DECREASES	
GOVERNMENTAL ACTIVITIES:				
Capital assets, not being depreciated:				
Land and easements	\$ 9,782,738	\$ 254,747	\$ (25,195)	\$ 10,012,290
Construction in progress	17,605,730	20,265,633	(729,875)	37,141,488
Total Capital Assets, not being depreciated	27,388,468	20,520,380	(755,070)	47,153,778
Capital assets, being depreciated:				
Buildings	67,394,441	23,530	-	67,417,971
Improvements other than buildings	75,972,651	1,252,286	-	77,224,937
Machinery and equipment	50,058,994	6,568,412	(1,228,781)	55,398,625
Infrastructure	456,458,374	-	(224,765)	456,233,609
Total Capital Assets, being depreciated	649,884,460	7,844,228	(1,453,546)	656,275,142
Less accumulated depreciation for:				
Buildings	36,565,946	1,534,285	-	38,100,231
Improvements other than buildings	36,922,278	3,188,062	-	40,110,340
Machinery and equipment	39,988,483	2,898,250	(1,221,656)	41,665,077
Infrastructure	449,573,702	1,023,236	(224,764)	450,372,174
Total Accumulated Depreciation	563,050,409	8,643,833	(1,446,420)	570,247,822
Total Capital Assets, being depreciated, net	86,834,051	(799,605)	(7,126)	86,027,320
Governmental Activities Capital Assets, Net	\$ 114,222,519	\$ 19,720,775	\$ (762,196)	\$ 133,181,098

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

	PRIMARY GOVERNMENT			
	BEGINNING BALANCE	INCREASES	DECREASES	
BUSINESS-TYPE ACTIVITIES:				
Capital assets, not being depreciated:				
Land and easements	\$ 8,174,562	\$ 450,600	\$ -	\$ 8,625,162
Construction in progress	16,819,902	17,424,215	(13,704,325)	20,539,792
Total Capital Assets, not being depreciated	24,994,464	17,874,815	(13,704,325)	29,164,954
Capital assets, being depreciated:				
Buildings	8,889,427	86,364	-	8,975,791
Improvements other than buildings	325,703,150	12,757,906	(462,553)	337,998,503
Machinery and equipment	29,381,879	2,585,520	(1,264,295)	30,703,104
Total Capital Assets, being depreciated	363,974,456	15,429,790	(1,726,848)	377,677,398
Less accumulated depreciation for:				
Buildings	4,795,510	237,700	-	5,033,210
Improvements other than buildings	144,368,602	11,955,398	(257,007)	156,066,993
Machinery and equipment	21,524,651	2,556,690	(1,264,296)	22,817,045
Total Accumulated Depreciation	170,688,763	14,749,788	(1,521,303)	183,917,248
Total Capital Assets, being depreciated, net	193,285,693	680,002	(205,545)	193,760,150
Business-Type Activities Capital Assets, Net	\$ 218,280,157	\$ 18,554,817	\$ (13,909,870)	\$ 222,925,104

**CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022**

IV. DETAILED NOTES ON ALL FUNDS (Continued)

D. Capital Assets (Continued)

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

GOVERNMENTAL ACTIVITIES:

General government	\$ 676,761
Public safety	2,998,618
Public works, including depreciation of general infrastructure assets	2,034,087
Planning and development	17,803
Health and welfare	373,436
Culture and recreation	2,265,827
General services	277,301
Schools	-
	<hr/>
Total Depreciation Expense – Governmental Activities	\$ 8,643,833
	<hr/> <hr/>

BUSINESS-TYPE ACITIVITES:

Electric	\$ 3,488,301
Water	2,596,329
Wastewater/sewer	7,185,238
Combined utilities	50,479
Solid waste collections	717,089
Solid waste landfill	712,352
	<hr/>
Total Depreciation Expense – Business-Type Activities	\$ 14,749,788
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THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

E. Interfund Receivables, Payables, and Transfers

The interfund transfers were as follows:

	Transfer in:					TOTAL
	GENERAL FUND	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	NON-MAJOR GOVERNMENTAL FUNDS	SOLID WASTE FUND	
Transfer out:						
General Fund	\$ (6,352,683)	\$ 1,789,552	\$ -	\$ -	\$ 4,563,131	\$ -
Utility Fund	21,531,752	-	-	4,006,153	4,222	25,542,127
Total	<u>\$ 15,179,069</u>	<u>\$ 1,789,552</u>	<u>\$ -</u>	<u>\$ 4,006,153</u>	<u>\$ 4,567,353</u>	<u>\$ 25,542,127</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 THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

F. Net Position (Continued)

ANALYSIS OF NET INVESTMENT IN CAPITAL ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

ISSUE	AMOUNT OUTSTANDING	UNSPENT PROCEEDS	NET	
2017 G/O Series	\$ 13,517,723	\$ -	\$ 13,517,723	
Leases	36,794	-	36,794	
Total Other Capital Assets - Governmental	<u>13,554,517</u>	<u>-</u>	<u>13,554,517</u>	
Total Governmental Debt				\$ 13,554,517
Total Capital Assets			703,428,920	
Accumulated Depreciation			<u>(570,247,822)</u>	
Net Capital Assets				<u>133,181,098</u>
Net Investment in Capital Assets				<u><u>\$ 119,626,581</u></u>
Infrastructure - Proprietary				
2014 G/O Series - CWSRF-DL	\$ 12,570,000	\$ -	\$ 12,570,000	
2016 G/O Series - Sewer Warrant	4,960,000	-	4,960,000	
2016 G/O Series - CWSRF-DL Sewer Warrant	30,595,000	-	30,595,000	
2019 G/O Series - Refunding	2,390,000	-	2,390,000	
2021 G/O Series - Refunding	17,250,000	-	17,250,000	
Total Infrastructure - Proprietary	<u>67,765,000</u>	<u>-</u>	<u>67,765,000</u>	
Total Proprietary Debt				\$ 67,765,000
Total Capital Assets			406,842,352	
Accumulated Depreciation			<u>(183,917,248)</u>	
Net Capital Assets				<u>222,925,104</u>
Net Investment in Capital Assets				<u><u>\$ 155,160,104</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

G. Leases

1. Lease receivable

During the current fiscal year, the City began leasing Grandview Elementary School property to a third party. The lease is for one year with a renewable option of five years and the City will receive monthly payments of \$300. The City recognized \$968 in lease revenue and \$231.95 in interest revenue during the current fiscal year related to this lease. As of September 30, 2022, the City's receivables for lease payments was \$86,927. Also, the City has deferred inflows of resources associated with leases that will be recognized as revenues over the lease terms. As of September 30, 2022, the balance of deferred inflows of resources for leases was \$249,612.

2. Lease payable

During the current fiscal year, the City entered into a two-year lease agreement as lessee for the acquisition and use of license plate reader equipment. An initial lease liability was recorded in the amount of \$49,630 during the current fiscal year. As of September 30, 2022, the value of the lease liability was \$36,794. The City is required to make annual principal and interest payments of \$25,000. The value of the right-to-use asset as of the end of the current fiscal year was \$49,630 and had accumulated amortization of \$6,204.

The future principal and interest lease payments as of September 30, 2022, were as follows:

FISCAL YEAR ENDING SEPTEMBER 30,	GOVERNMENTAL ACTIVITIES
2023	\$ 25,000
2024	12,000
Totals	\$ 37,000

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

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%	\$ 13,856,540
Business-type activities	2.20 – 2.25%	43,165,000
Business-type activities – refunding	1.24 – 2.38%	<u>24,600,000</u>
		<u>\$ 81,621,540</u>

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>
2023	\$ 1,089,581	\$ 343,383	\$ 6,645,000	\$ 1,283,028
2024	769,952	319,422	6,760,000	1,166,500
2025	789,632	299,741	6,875,000	1,047,978
2026	809,816	279,558	7,005,000	927,258
2027	830,516	258,858	5,865,000	807,952
2028-2030	2,621,107	647,014	14,465,000	1,814,534
2031-2035	4,834,644	612,225	17,640,000	1,214,936
2036-2037	<u>2,111,292</u>	<u>67,456</u>	<u>2,510,000</u>	<u>27,610</u>
TOTAL	<u>\$ 13,856,540</u>	<u>\$ 2,827,657</u>	<u>\$ 67,765,000</u>	<u>\$ 8,289,796</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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, 2022, was as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>ENDING BALANCE</u>	<u>DUE WITHIN ONE YEAR</u>
GOVERNMENTAL ACTIVITIES:					
Bonds payable:					
General obligation bonds	\$ 15,252,029	\$ -	\$ (1,395,489)	\$ 13,856,540	\$ 1,089,580
Plus: Unamortized bond premium	-	-	-	-	-
Total Bonds Payable	15,252,029	-	(1,395,489)	13,856,540	1,089,580
Leases	-	49,630	(12,836)	36,794	25,000
Notes payable	-	2,265,343	-	2,265,343	2,265,343
Compensated absences	3,879,775	333,114	(300,869)	3,912,020	3,782,552
Governmental Activity					
Long-Term Liabilities	<u>\$ 19,131,804</u>	<u>\$ 2,648,087</u>	<u>\$ (1,709,194)</u>	<u>\$ 20,070,697</u>	<u>\$ 7,162,475</u>
BUSINESS-TYPE ACTIVITIES:					
Bonds payable:					
General obligation bonds	\$ 75,305,850	\$ 20,245,000	\$ (27,785,850)	\$ 67,765,000	\$ 6,645,000
Total Bonds Payable	75,305,850	20,245,000	(27,785,850)	67,765,000	6,645,000
Estimated cost of closure and postclosure	7,731,581	41,907	-	7,773,488	-
Compensated absences	1,162,363	54,563	(100,969)	1,115,957	998,975
Pollution remediation obligation	120,000	-	(68,789)	51,211	51,211
Business-Type Activity					
Long-Term Liabilities	<u>\$ 84,319,794</u>	<u>\$ 20,341,470</u>	<u>\$ (27,955,608)</u>	<u>\$ 76,705,656</u>	<u>\$ 7,695,186</u>

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

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. On August 15, 2022, the final payment was made on this debt.
- 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. On October 19, 2021, the City refunded Series 2011-CWSRF-DL in the amount of \$2,120,000, by issuing the 2021 Series general obligation warrants in the amount of \$20,245,000.
- 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. On October 19, 2021, the City refunded Series 2011-CWSRF-DL in the amount of \$4,450,000, by issuing the 2021 Series general obligation warrants in the amount of \$20,245,000.
- 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. On October 19, 2021, the City refunded the 2009 Series in the amount of \$13,420,850, by issuing the 2021 Series general obligation warrants in the amount of \$20,245,000.
- 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. The full amount of \$19,245,000 has been drawn down to date.
- 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 \$1,193,921.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. DETAILED NOTES ON ALL FUNDS (Continued)

H. Long-Term Debt (Continued)

- 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. The full amount of \$41,085,000 has been drawn down to date.
- 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.
- 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 an economic gain of \$134,875 and a savings of \$43,995 in future debt service payments.
- 12) On October 19, 2021, the City issued general obligation warrants Series 2021 refunding warrants in the amount of \$20,245,000. The purpose of the new bond issuance was to refund the Series 2011-CWSRF-DL , the Series 2011-CWSRF-DL and the Series 2009 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 savings of \$1,299,147 in future debt service payments.
- 13) On September 30, 2022, the City recorded a liability for a potential repayment of sales tax to medical facilities in the amount of \$2,265,343 for the purchase of durable medical equipment that was exempt from sales tax as stated in Alabama Code Section 40-9-60.

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 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, Utility, and Solid Waste Funds by direct expenditures and employee withholdings. Blue Cross and Blue Shield, Inc. bills the City for claims that are due and then the City wires the funds to Blue Cross and Blue Shield, Inc. The risk of insurance coverage is now on the City. Blue Cross and Blue Shield, Inc. only administers the plan. They provide co-pay amounts for employees and they set fee limits for the medical charges, but the City is liable for all of the medical bills. The City pays Blue Cross and Blue Shield, Inc. an administrative fee which is charged to the appropriate fund. 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 \$300,000 per covered person plus an aggregating specific deductible of \$145,000 for the policy year. As of September 30, 2022, the City accrued \$1,209,199 in accrued liabilities, which is based on Blue Cross and Blue Shield's estimate of benefits payable.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

A. Risk Management (Continued)

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, 2022, the City accrued the actuarially determined undiscounted amount of \$2,210,000 which represents estimated liabilities for claims and includes a provision for incurred but not reported claims (IBNR). Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City is also self-insured for workers' compensation claims. An excess coverage insurance policy covers individual claims in excess of \$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, 2022, the City accrued the actuarially determined undiscounted amount of \$3,079,000 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 four 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 2022 and 2021:

	YEAR ENDED SEPTEMBER 30,	
	2022	2021
Liability beginning balance	\$ 5,011,699	\$ 5,202,183
Claims and changes in estimates	12,722,230	11,284,129
Claim payments	(11,235,730)	(11,474,613)
Liability ending balance	\$ 6,498,199	\$ 5,011,699
 Due in one year or less	 \$ 6,498,199	 \$ 5,011,699

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

B. Contingent Liabilities

There are various lawsuits pending against the City. As more fully described in note V. A. Risk Management, 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.

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, 2022, there are approximately 350 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.

On March 17, 2020, the City entered into an Economic Development Agreement with Commercial Consulting Corporation of Dothan, an Alabama corporation (“the Developer”) to induce the Developer to reconstruct and renovate the old Carmike Cinema building into a commercial building to be leased to Hangar 38 Dothan, LLC, an Alabama limited liability company (“Hangar 38”), as a family entertainment facility providing multiple entertainment alternatives and food service (the “Project”) at Circle West Shopping Center located at 3114 Ross Clark Circle, Dothan, Alabama 36303 (the “Project site”), said Economic Development Agreement to be dated the date of delivery to the Developer, pursuant to Amendment No. 772 to the Constitution of Alabama 1901, as amended (“Amendment 772”), as a limited obligation of the City to provide for annual payments by the City of up to a maximum principal amount of \$750,000, payable solely from two percent (2.0%)(the “Pledged Revenues”) of the four percent (4.0%) sales tax revenue levied, collected, and received by the City on retail sales derived solely from the operation of Hangar 38 and/or any other commercial tenants who may lease the Project Site from time to time from the Developer. The City issued its 2020 Limited Obligation Revenue Warrant on November 16, 2020, evidencing the City’s limited obligation to pay up to \$750,000 to the Developer. This limited obligation warrant matures on November 1, 2030.

On October 19, 2021, the City entered into an Economic Development Agreement with Watwood Investments, LLC, an Alabama limited liability company (“the Developer”) to induce the Developer to construct a new commercial building to be leased to 10 Below, LLC, an Alabama limited liability company d/b/a Simply 10 (“Simply 10”), as a retail clothing store (the “Project”) on an outparcel in the old southside Kmart Shopping Center in the 2200 block of Ross Clark Circle, Dothan, Alabama 36301 (the “Project site”), said Economic Development Agreement to be dated the date of delivery to the Developer, pursuant to Amendment No. 772 to the Constitution of Alabama 1901, as amended (“Amendment 772”), as a limited obligation of the City to provide for annual payments by the City of up to a maximum principal amount of \$250,000, payable solely from two percent (2.0%)(the “Pledged Revenues”) of the four percent (4.0%) sales tax revenue levied, collected, and received by the City on retail sales derived solely from the operation of Simply 10 and/or any other commercial tenants who may lease the Project Site from time to time from the Developer. The City issued its 2021 Limited Obligation Revenue Warrant on October 19, 2021, evidencing the City’s limited obligation to pay up to \$250,000 to the Developer. This limited obligation warrant matures on November 1, 2031.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

B. Contingent Liabilities (Continued)

On September 6, 2022, the City entered into an Economic Development Agreement with Park West, LLC an Alabama limited liability company (“the Developer”) to induce the Developer to construct a new commercial building with multiple tenant spaces with the primary tenant space to be leased to Burlington, a retail department store (“Burlington”) (the “Project”), on parcels of property located at the corner of West Main Street and the Ross Clark Circle adjacent to Circle West Shopping Center, Dothan, AL 36301 (the “Project Site”), said Economic Development Agreement to be dated the date of delivery to the Developer, pursuant to Amendment No. 772 to the Constitution of Alabama 1901, as amended (“Amendment 772”), as a limited obligation of the City to provide for annual payments by the City of up to a maximum principal amount of \$2,000,000, payable solely from two percent (2.0%)(the “Pledged Revenues”) of the four percent (4.0%) sales tax revenue levied, collected, and received by the City on retail sales derived solely from the operation of Burlington and/or any other commercial tenants who may lease the Project Site from time to time from the Developer. The City issued its 2022 Limited Obligation Revenue Warrant on December 6, 2022, evidencing the City’s limited obligation to pay up to \$2,000,000 to the Developer. This limited obligation warrant matures on November 1, 2032.

On December 6, 2022, the City entered into an Economic Development Agreement with FB1907, LLC an Alabama limited liability company (“the Developer”) to induce the Developer to renovate, reconstruct, rehabilitate and equip an old commercial building with a new retail restaurant to be named “Toro Tapas & Wine” (the “Project”), located at 164 South Foster Street, Dothan, AL 36301 (the “Project Site”), said Economic Development Agreement to be dated the date of delivery to the Developer, pursuant to Amendment No. 772 to the Constitution of Alabama 1901, as amended (“Amendment 772”), as a limited obligation of the City to provide for annual payments by the City of up to a maximum principal amount of \$190,000, payable solely from two percent (2.0%)(the “Pledged Revenues”) of the four percent (4.0%) sales tax revenue levied, collected, and received by the City on retail sales derived solely from the operation of Toro Tapas & Wine and/or any other commercial tenants who may lease the Project Site from time to time from the Developer. The City issued its 2022 Limited Obligation Revenue Warrant on December 6, 2022, evidencing the City’s limited obligation to pay up to \$190,000 to the Developer. This limited obligation warrant matures on November 1, 2032.

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. During 2021, the Federal EPA determined the City has met all the terms of the AOC, (area of concern) and has terminated the AOC.

The City has recorded a liability, which totals \$51,211 at September 30, 2022, 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 OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. 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. The general fund is used to pay all postemployment health care liabilities. 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.

Eligibility for Allowance: An Employee is considered to be a retired employee of the Retirement Systems of Alabama under the following tiers:

Tier I (for those hired before 01/01/2013):

- Retiree has 25 years of credible service, regardless of age, or
- Retiree has 10 years of service and is 60 years old or is disabled by the Social Security Administration or the Retirement Systems of Alabama's Medical Board.

Tier II (for those hired on or after 01/01/2013):

- 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.

The City has elected Act 2019-132. Tier II employees must retire under the same eligibility requirements as Tier I employees to receive OPEB benefits.

Amount of Allowance: Retirees are offered coverage through the City of Dothan Healthcare Plan. Retirees that are eligible to participate and are hired prior to January 1, 2009, may choose to continue their health coverage by contributing 62% of the premium for single coverage until the retiree is eligible for Medicare.

Employees hired on or after January 1, 2009, may continue coverage as a retiree, but the full premium for coverage is the responsibility of the retiree.

Other Post-Employment Benefits: Medical and drug benefits are available for Pre-Medicare retirees.

Dental and vision insurance is also available for Pre-Medicare eligible retirees, but is paid entirely by the retiree. Additionally, life insurance in the amount of \$5,000 is offered to Pre-Medicare eligible retirees, but the full premium for coverage is the responsibility of the retiree.

Dependent Coverage: Retirees may elect to continue dependent coverage at the time of retirement. Insurance is offered to dependents of retirees until the dependent is eligible for Medicare. The City will contribute 42% of the premium for dependents of employees hired prior to January 1, 2009.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. Postemployment Healthcare Plan (Continued)

Retiree Premium Contributions. Retirees are required to pay the following premiums as of September 30, 2022:

	Monthly Retiree Premium*	Monthly City Portion	Monthly Total Premium
Retiree Only	\$ 258	\$ 156	\$ 414
Retiree's Spouse Only	258	156	414
Retiree + 1 Dependent	638	470	1,108
Retiree + 2 + (Full Family)	782	557	1,339
Retiree Dental Single	26		26
Retiree Dental Family	60		60
Retiree Vision Single	7/10		7/10
Retiree Vision Family	15/23.60		15/23.60

*Only for employees hired before 01/01/2009. Those hired after are responsible for the monthly total premium.

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 OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. Postemployment Healthcare Plan (Continued)

Total OPEB Liability (TOL).

The City's Total OPEB Liability of \$50,867,657 was measured as of September 30, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

Valuation Date (VD):	September 30, 2020
Prior Measurement Date:	September 30, 2020
Measurement Date (MD):	September 30, 2021
Reporting Date (RD):	September 30, 2022

Membership Data as of September 30, 2020:

Inactive Members or Beneficiaries Currently Receiving Benefits	262
Inactive Members Entitled to But Not Yet Receiving Benefits	0
Active Members	<u>1,021</u>
Total Membership	1,283

Discount Rate:

Municipal Bond Index Rate of Prior Measurement Date	2.21%
Municipal Bond Index Rate at Measurement Date	2.26%

Total OPEB Liability as of Measurement Date	\$ 50,867,657
OPEB Expense	\$ 4,175,569

Delivered I/O Balances as of the Measurement Date*

Deferred Inflow of Resources	\$ (8,958,328)
Deferred Outflow of Resources	\$ 15,064,904

The Total OPEB Liability (TOL) was determined based on an actual valuation as of September 30, 2020, using the following key actuarial assumptions and other inputs:

Inflation	2.50%
Real Wage Growth	0.25%
Wage Inflation	2.75%
Salary Increases, including Wage Inflation	3.25% - 6.00%
Municipal Bond Index Rate	
Prior Measurement Date	2.21%
Measurement Date	2.26%
Health Care Cost Rates	
Pre-Medicare	7.00% for 2020 decreasing to an ultimate rate of 4.50% by 2030

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. Postemployment Healthcare Plan (Continued)

Actuarial Methods and Assumptions (Continued)

The City selected a Municipal Bond Index Rate equal to the Bond Buyer 20-year General Obligation Bond Index published at the last Thursday of September by The Bond Buyer, and the Municipal Bond Index Rate as of the measurement date as the discount rate used to measure the TOL.

Mortality rates were based on the Pub-2010 Public Mortality Plans Mortality Tables, with adjustments for AL ERS experience and generational mortality improvements using Scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

The demographic actuarial assumptions for retirement, disability incident, withdrawal, and salary increases used in the September 30, 2020, valuation were based on the actuarial experience study for the period October 1, 2015 - September 30, 2020, and were submitted to and adopted by the Board of the Employees' Retirement System of Alabama on September 14, 2021.

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, 2020, valuation were based on a review of recent plan experience performed concurrently with the September 30, 2020, valuation.

Sensitivity of the Total OPEB Liability (TOL) to Health Care Cost Trend Rates

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

Health Care Cost Trend Rate Sensitivity

	1% Decrease	Current	1% Increase
Total OPEB Liability	\$ 45,518,251	\$ 50,867,657	\$ 57,090,635

Sensitivity of the Total OPEB Liability (TOL) to Discount Rates

The following presents the TOL of the Plan, calculated using the discount rate of 2.26%, as well as what the Plan's TOL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

Discount Rate Sensitivity

	1% Decrease (1.26%)	Current Discount Rate (2.26%)	1% Increase (3.26%)
Total OPEB Liability	\$ 55,453,446	\$ 50,867,657	\$ 46,726,063

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. Postemployment Healthcare Plan (Continued)

Change in Total OPEB Liability (TOL)

The following table shows the development of the TOL from the prior measurement date to the current measurement date:

Changes in the TOL

Total OPEB Liability as of September 30, 2020	\$	52,182,722
Changes for the Year:		
Service cost at the end of the year*		1,300,237
Interest on TOL and Cash Flows		1,130,289
Change in Benefit Terms		736,024
Difference between Expected and Actual Experience		349,305
Changes of Assumptions or Other Inputs		(2,742,679)
Net Benefit Payments		(2,088,241)
Other		-
		(1,315,065)
Total OPEB Liability as of September 30, 2021	\$	50,867,657

*The service cost includes interest for the year.

Changes to benefit terms:

- The City has elected ACT 2019-132. Tier 2 employees must retire under the same eligibility requirements as Tier 1 employees to receive OPEB benefits.

Changes to assumptions or other inputs:

- The decremental and salary increase assumptions have been updated based on the most recent AL ERS experience analysis.
- Change in discount rate.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. Postemployment Healthcare Plan (Continued)

OPEB Expense

The calculation of the OPEB expense for the year ended September 30, 2022, is shown in the following table:

OPEB Expense	
For Fiscal Year Ending September 30, 2022	
Service Cost *	\$ 1,300,237
Interest on the Total OPEB Liability	1,130,289
Current-Period Benefit Changes	736,024
Expensed portion of current-period difference between expected and actual experience in the Total OPEB Liability	43,993
Expensed portion of current-period changes of assumptions or other inputs	(345,426)
Administrative Costs	-
Recognition of beginning Deferred Outflows of Resources as OPEB Expense	2,575,215
Recognition of beginning Deferred Inflows of Resources as OPEB	<u>(1,264,763)</u>
OPEB Expense	<u>\$ 4,175,569</u>

*The service cost includes interest for the year.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

C. 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, 2021, are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experiences	\$ 5,608,488	\$ 5,798,102
Changes of Assumptions or Other Inputs	6,736,226	3,160,226
Contribution Paid Subsequent to the Measurement Date	2,720,190	-
Total	\$ 15,064,904	\$ 8,958,328

Schedule of the Recognition of Deferred Outflows and (Inflows) of Resources in OPEB Expense

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

Measurement Period Ending September 30	
2022	\$ 1,009,019
2023	\$ 1,009,019
2024	\$ 1,075,595
2025	\$ 1,275,328
2026	\$ 57,598
Thereafter	\$ (1,040,173)

D. Retirement Plan

Summary of Significant Accounting Policies

Pensions. The Employees' Retirement System of Alabama (the Plan or ERS) 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 Annual Comprehensive Financial Report.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

D. Retirement Plan (Continued)

General Information about the Pension Plan

Plan description. The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide 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 15 trustees. Act 390 of the Legislature of 2021 created two additional representatives to the ERS Board of Control Effective October 1, 2021. The Plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 36, Chapter 27* grants the authority to establish and amend the benefit terms to the ERS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

The ERS Board of control consists of 15 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) Eight 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. One vested active employee of a municipality or city participating in ERS pursuant to *Code of Alabama 1975, Section 36-27-6*.
 - d. One vested active employee of a county participating in ERS pursuant to *Code of Alabama 1975, Section 36-27-6*.
 - e. One vested active employee or retired member of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
 - f. One vested active employee of an employer other than a municipality, city, or county participating in ERS pursuant to the *Code of Alabama 1975, Section 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 the 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 an annual retirement benefit, 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. State Police are allowed 2.875% for each year of State Police service in computing the formula method.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

D. 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending September 30 are paid to the beneficiary.

Act 132 of the Legislature of 2019 allowed employers who participate in the ERS pursuant to Code of Alabama 1975, Section 36-7-6 to provide Tier 1 retirement benefits to their Tier 2 members. Tier 2 members of employers adopting Act 2019-132 will contribute 7.5% of earnable compensation for regular employees and 8.5% for firefighters and law enforcement officers. A total of 590 employers adopted Act 2019-132.

The ERS serves approximately 879 local participating employers. The ERS membership includes approximately 104,510 participants. As of September 30, 2021, membership consisted of:

Retirees and beneficiaries currently receiving benefits	29,727
Terminated employees entitled to but not yet receiving benefits	2,130
Terminated employees not entitled to a benefit	16,415
Active members	56,184
Post-DROP participants who are still in active service	<u>54</u>
Total	<u><u>104,510</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 CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

D. Retirement Plan (Continued)

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, 2022, the City's average contribution rate to fund the normal and accrued liability costs was 20.31% of pensionable payroll.

The City's contractually required contribution rate for the year ended September 30, 2022, was 20.98% of pensionable pay for Tier 1 employees and 21.45% of pensionable pay for Tier 2 employees. These required contribution rates are based upon the actuarial valuation as of September 30, 2019, 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 City were \$12,793,152 for the year ended September 30, 2022. The general, utility, and solid waste funds are used to pay pension liabilities.

Net Pension Liability. The City's net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as September 30, 2020, rolled forward to September 30, 2021, using standard roll-forward techniques as shown in the following table:

	Roll-Forward of the Total Pension Liability			
	<u>Expected</u>	<u>Actual Before Act 2019-132</u>	<u>Actual After Act 2019-132</u>	<u>Actual After 2020 Experience Study</u>
(a) Total Pension Liability (TPL) as of September 30, 2020	\$ 309,509,110	\$ 306,786,863	\$ 309,166,558	\$ 319,484,872
(b) Discount Rate	7.70%	7.70%	7.70%	7.45%
(c) Entry Age Normal Cost for the period October 1, 2020 – September 30, 2021	4,413,893	4,413,893	4,851,961	5,360,148
(d) Transfers Among Employers	-	(600,670)	(600,670)	(600,670)
(e) Actual Benefit Payments and Refunds for the period October 1, 2020 – September 30, 2021	<u>(19,107,323)</u>	<u>(19,107,323)</u>	<u>(19,107,323)</u>	<u>(19,107,323)</u>
(f) TPL as of September 30, 2021 = [(a) x (1+b)] + (c)+(b) - [(e) x (1+.05*b)]	<u>\$ 317,912,250</u>	<u>\$ 314,379,719</u>	<u>\$ 317,380,719</u>	<u>\$ 328,226,902</u>
(g) Difference Between Expected and Actual		\$ (3,532,531)		
(h) Less Liability Transferred for Immediate Recognition		<u>(600,670)</u>		
(i) Difference Between Expected and Actual – Experience (Gain)/Loss		<u>\$ (2,931,861)</u>		
(j) Difference Between Actual TPL Before and After Act 2019-132 – Benefit Change (Gain)/Loss			\$ 3,001,000	
(k) Difference between Actual TPL Before and After 2020 Experience Study – Assumption Change (Gain/Loss)				\$ 10,846,183

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

D. Retirement Plan (Continued)

Actuarial assumptions. The total pension liability as of September 30, 2021, was determined based on the annual actuarial funding valuation report prepared as of September 30, 2020. The key actuarial assumptions are summarized below:

Inflation	2.50%
Projected Salary Increases	3.25% - 6.00% for State and Local Employees and
Investment Rate of Return*	7.45%, including inflation

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non-FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/ State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

D. Retirement Plan (Continued)

The actuarial assumption used in the September 30, 2020, valuation were based on the results of an actuarial experience study for the period October 15, 2015 – September 30, 2020.

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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash Equivalents	5.0%	1.5%
Total	100%	
*Includes assumed rate of inflation of 2.00%.		

Discount rate. The discount rate used to measure the total pension liability was the long-term rate of return, 7.45%. 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.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

D. Retirement Plan (Continued)

Changes in Net Pension Liability

Schedule of Changes in Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balances at September 30, 2020	\$ 309,509,110	\$ 145,851,113	\$ 163,657,997
Changes for the Year:			
Service Cost	4,413,893	-	4,413,893
Interest	23,096,570	-	23,096,570
Changes of Benefit Terms	3,001,000	-	3,001,000
Changes of Assumptions	10,846,183	-	10,846,183
Difference between Expected and Actual Experience	(2,931,861)	-	(2,931,861)
Contributions – Employer	-	11,372,647	(11,372,647)
Contributions – Employee	-	4,254,967	(4,254,967)
Net Investment Income	-	32,065,513	(32,065,513)
Benefit Payments, Including Refunds of Employee Contributions	(19,107,323)	(19,107,323)	-
Administrative Expense	-	-	-
Transfers Among Employers	(600,670)	(600,670)	-
Net Changes	<u>18,717,792</u>	<u>27,985,134</u>	<u>(9,267,342)</u>
Balances at September 30, 2021	<u>\$ 328,226,902</u>	<u>\$ 173,836,247</u>	<u>\$ 154,390,655</u>

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 7.45%, 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 (6.45%) or 1-percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
Plan's Net Pension Liability (Asset)	\$ 191,453,885	\$ 154,390,655	\$ 123,031,366

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

IV. OTHER INFORMATION (Continued)

D. Retirement Plan (Continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report 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 <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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

For the year ended September 30, 2022, the City recognized pension expense of \$17,168,542. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions of the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experiences	\$ 9,617,875	\$ 3,041,338
Changes of Assumptions	9,702,657	-
Net Difference between Projected and Actual Earnings on Plan Investments	-	12,697,554
Employer Contributions Subsequent to the Measurement Date	12,793,123	-
Total	\$ 32,113,655	\$ 15,738,892

Fiscal year 2022 Employer Contributions subsequent to the measurement date in the amount of \$12,793,123 reported as deferred outflows of resources related to pensions resulting from System contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2023.

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

Schedule of Amortization of Deferred Inflows and Outflows of Resources	
Measurement Period Ending September 30	
2023	\$ 1,858,321
2024	\$ 2,073,193
2025	\$ (7,999)
2026	\$ (1,189,840)
2027	\$ 847,967
Thereafter	-

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

E. Asset Retirement Obligation

The City accounts for certain costs associated with the future dismantling and removal of three sewage treatment plants in accordance with GASB Statement No. 83. The act of placing the plant into operation required the City to recognize a liability and corresponding deferred outflow of resources equal to the estimated current cost of activities that state law requires the City to perform upon future retirement of the plant. The plants currently have an estimated remaining life ranging from 30 to 46 years.

The \$3,257,779 reported as a liability and deferred outflow of resources at September 30, 2022, was determined based on engineering estimates of what it would cost to perform all dismantling and removal tasks. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

F. Commitments and Contingencies

- On October 4, 2022, the City awarded a bid and entered into a contract with Lewis Construction, LLC for the Westgate BMX Concessions and Restrooms Project for the sum of \$1,111,400.
- On October 18, 2022, the City entered into an agreement with Barge Design Solutions to perform program support and engineering services in association with the Capacity, Management, Operation, and Maintenance Program and the Dothan Clean Waters Program for a one year period for \$300,000.
- On November 1, 2022, the City appropriated \$900,000 to the Industrial Development Board of the City of Dothan for economic development assistance to support the infrastructure improvements to the Napier Field Industrial Park. The \$900,000 commitment was paid March 9, 2023.
- On November 1, 2022, the City entered into a sales contract and accepted a warranty deed to purchase a parcel of property at 1514 Oak Drive for the price of \$180,000.
- On November 1, 2022, the City submitted an application to ALDOT to participate in the John D. Odom/Hwy. 84 West (W. Main Street) Intersection Improvement Project, through the Alabama Transportation Rehabilitation and Improvement Program-II, which said project is estimated to cost \$3,348,878, with the City's share of cost estimated to be \$1,348,878.
- On December 6, 2022, the City entered into an Economic Development Agreement with FB1907, LLC to provide financial assistance for certain capital improvements to the commercial building located at 164 South Foster Street, at an amount not to exceed \$190,000, over a period of 10 years based on sales tax generated on retail sales derived solely from the operation of Toro Tapas & Wine and/or other commercial tenants.
- On December 6, 2022, the City authorized the issuance of the City's 2022 Limited Obligation Revenue Warrant, in the amount of \$190,000, in regards to the participation with the Economic Development Agreement by and between the City of Dothan and FB1907, LLC.
- On December 6, 2022, the City awarded a bid and entered into an agreement and issued a Notice to Proceed to Sports Turf Company, Inc. for the Grandview Elementary Multi-Purpose Athletic Field in the amount of \$876,800.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

F. Commitments and Contingencies (Continued)

- On December 6, 2022, the City entered into an Inducement Agreement with HudsonAlpha Institute for Biotechnology for the HudsonAlpha Institute for Biotechnology Wiregrass. The project will focus on education, agricultural research, and economic development. As an inducement for HudsonAlpha locating a facility in Dothan, the City committed to contribute the aggregate sum of \$20,600,000 to be paid quarterly over the next five years.
- On December 6, 2022, the City appropriated \$975,000 to SpectraCare for assistance in opening a Crisis Diversion Center. The appropriation will be paid in three annual installments of \$325,000.
- On December 20, 2022, the City entered in an agreement with the State of Alabama for construction improvements for the Pedestrian Improvements along East Main Street Project, which said project is estimated at \$1,165,863 with the City's share of the cost estimated at \$365,863.
- On January 17, 2023, the City entered into a sales contract and accepted a warranty deed to purchase a parcel of property located at 1504 Tacoma Street for the price of \$405,000.
- On January 17, 2023, the City entered into a sales contract and accepted a warranty deed to purchase a parcel of property located at 1502 Tacoma Street for the price of \$310,500.
- On January 17, 2023, the City authorized the creation of the Public Building Authority of the City of Dothan. The Code Alabama empowers each incorporated city and town in the state to authorize the incorporation of one or more corporations as political subdivisions of the state for the purpose of providing buildings and facilities for lease to and use by the municipality.
- On February 7, 2023, the City submitted an application for Flynn Road Resurfacing to ALDOT to participate in a construction project through the Rebuild Alabama Act of 2019. The grant program funding ,if approved, is available up to \$250,000, with the City's share of estimated cost to be \$957,755.
- On February 21, 2023, the City entered into an agreement with Saliba Construction Co, Inc. for the Strip Mall Classroom Project at the Wiregrass Public Safety Center in the amount of \$855,700.
- On March 7, 2023, the City entered into an agreement with Stone and Sons Electrical Contractors, Inc. for a traffic signal at John D. Odom Road and Publix/Bagley Boulevard in the amount of \$329,907.
- On March 7, 2023, the City entered into an agreement with Donald Smith Company, Inc. to refurbish Water Wells 19, 26, and 28 for the sum of \$668,540.
- On March 7, 2023, the City issued a memorandum of understanding with Wiregrass Pet Rescue and Adoption Center to build and construct an animal shelter and pet adoption facility, to be known as the Wiregrass Pet Rescue and Adoption Center. The City will contribute up to \$5,000,000 for the project.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2022

V. OTHER INFORMATION (Continued)

G. Related Organization Transactions

The City of Dothan works closely with the Dothan Downtown Redevelopment Authority (DDRA) to create a vibrant, diverse, and economically sustainable downtown district. On January 3, 2023, the City appropriated \$210,800 to the Dothan Downtown Redevelopment Authority for assistance in funding the revitalization of downtown.

H. Subsequent Events

The City did not have any other subsequent events requiring disclosures or recording in these financial statements through March 10, 2023, which is the date these financial statements were available to be issued.

I. 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, 2022, certain amounts which were previously restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

Encumbrances Included in:

	<u>Restricted Fund Balance</u>	<u>Committed Fund Balance</u>	<u>Assigned Fund Balance</u>
General Fund	\$ 740,646	\$ 19,588,370	\$ 43,693,926

REQUIRED SUPPLEMENTARY INFORMATION

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE
	ORIGINAL	FINAL		(NEGATIVE)
REVENUES:				
Taxes	\$ 86,410,000	\$ 87,042,287	\$ 103,106,349	\$ 16,064,062
Licenses and permits	4,111,900	4,111,900	4,544,388	432,488
Intergovernmental	3,004,000	7,104,123	7,995,882	891,759
Charges for services	2,654,300	3,129,066	3,801,847	672,781
Fines and forfeitures	1,168,000	1,293,387	1,350,585	57,198
Interest	204,100	204,100	174,354	(29,746)
Miscellaneous	1,591,756	3,525,910	4,653,415	1,127,505
Total Revenues	<u>99,144,056</u>	<u>106,410,773</u>	<u>125,626,820</u>	<u>19,216,047</u>
EXPENDITURES:				
Current:				
General government:				
General administrative	6,261,681	10,597,160	6,081,216	4,515,944
Information system/technology	5,577,850	6,125,118	5,188,957	936,161
Budget and finance	1,559,632	1,556,966	1,412,348	144,618
Personnel services	2,980,587	2,983,132	2,807,075	176,057
Judicial department	1,456,167	1,456,167	1,381,212	74,955
Public safety:				
Fire department	18,745,244	19,003,975	18,261,042	742,933
Police department	24,291,799	26,463,057	24,450,573	2,012,484
Public works:				
Street department	11,688,785	11,730,750	6,721,390	5,009,360
Engineering department	3,794,194	3,997,595	3,384,386	613,209
Environmental services	179,956	-	-	-
Planning and development	4,087,902	4,960,973	3,812,192	1,148,781
Health and welfare	4,363,540	4,912,079	4,741,289	170,790
Culture and recreation:				
Recreation	12,022,713	13,832,240	12,404,203	1,428,037
Culture	2,306,245	2,305,029	2,341,262	(36,233)
General services:				
Administration	670,284	649,030	585,481	63,549
Facility	1,636,028	1,921,834	1,768,607	153,227
Fleet	2,871,860	3,041,869	2,831,911	209,958
Insurance department	2,584,074	3,729,145	2,616,416	1,112,729
Capital outlay	44,372,883	54,803,278	27,429,200	27,374,078
Total Expenditures	<u>151,451,424</u>	<u>174,069,397</u>	<u>128,218,760</u>	<u>45,850,637</u>
Excess (deficiency) of Revenues over Expenditures	<u>\$ (52,307,368)</u>	<u>\$ (67,658,624)</u>	<u>\$ (2,591,940)</u>	<u>\$ 65,066,684</u>

(Continued on page 80)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	\$ 15,543,896	\$ 15,204,886	\$ 15,179,069	\$ (25,817)
Leases (as lessee)	-	-	49,630	49,630
Total Other Financing Sources (Uses)	<u>15,543,896</u>	<u>15,204,886</u>	<u>15,228,699</u>	<u>23,813</u>
Net Change in Fund Balances	(36,763,472)	(52,453,738)	12,636,759	65,090,497
Fund Balances - Beginning	<u>36,763,472</u>	<u>52,453,738</u>	<u>72,412,219</u>	<u>109,715,171</u>
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,048,978</u>	<u>\$ 174,805,668</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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 **</u>
TOTAL PENSION LIABILITY:								
Service cost	\$ 4,413,893	\$ 4,521,112	\$ 4,200,116	\$ 4,092,424	\$ 3,943,866	\$ 3,920,097	\$ 3,817,644	\$ 3,688,399
Interest	23,096,570	21,523,061	20,950,220	20,148,245	19,569,649	18,782,327	18,187,261	17,601,231
Changes of benefit terms	3,001,000	-	-	-	-	-	-	-
Difference between expected and actual experience	(2,931,861)	12,990,330	(805,762)	3,397,865	(1,189,079)	489,648	132,752	-
Changes of assumptions	10,846,183	-	-	1,415,630	-	9,484,262	-	-
Benefit payments, including refunds of employee contributions	(19,107,323)	(17,968,085)	(16,669,097)	(15,671,233)	(15,153,706)	(14,951,110)	(14,447,566)	(13,480,931)
Transfers among employers	(600,670)	(61,626)	413,508	(780,564)	553,788	108,582	-	-
Net Change in Total Pension Liability	<u>18,717,792</u>	<u>21,004,792</u>	<u>8,088,985</u>	<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>
Total Pension Liability - Beginning	<u>309,509,110</u>	<u>288,504,318</u>	<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>	<u>226,755,852</u>
Total Pension Liability - Ending (a)	<u>\$ 328,226,902</u>	<u>\$ 309,509,110</u>	<u>\$ 288,504,318</u>	<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>
PLAN FIDUCIARY NET POSITION:								
Contributions - employer	\$ 11,372,647	\$ 11,278,528	\$ 11,449,276	\$ 9,708,209	\$ 9,721,334	\$ 9,561,337	\$ 10,148,294	\$ 9,879,917
Contributions - member	4,254,967	4,136,031	4,172,130	3,770,078	3,646,353	3,507,389	3,512,701	3,479,758
Net investment income	32,065,513	7,951,366	3,525,759	11,783,703	14,691,147	10,743,967	1,253,364	11,378,472
Benefit payments, including refunds of employee contributions	(19,107,323)	(17,968,085)	(16,669,097)	(15,671,233)	(15,153,706)	(14,951,110)	(14,447,566)	(13,480,931)
Transfers among employers	(600,670)	(61,626)	413,508	(780,564)	553,788	108,582	(245,363)	26,249
Net Change in Plan Fiduciary Net Position	<u>27,985,134</u>	<u>5,336,214</u>	<u>2,891,576</u>	<u>8,810,193</u>	<u>13,458,916</u>	<u>8,970,165</u>	<u>221,430</u>	<u>11,283,466</u>
Plan Net Position - Beginning	<u>145,851,113</u>	<u>140,514,899</u>	<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>	<u>94,879,153</u>
Plan Net Position - Ending (b)	<u>\$ 173,836,247</u>	<u>\$ 145,851,113</u>	<u>\$ 140,514,899</u>	<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>
Net Pension Liability (Asset) - Ending (a) - (b)	<u>\$ 154,390,655</u>	<u>\$ 163,657,997</u>	<u>\$ 147,989,419</u>	<u>\$ 142,792,010</u>	<u>\$ 138,999,836</u>	<u>\$ 144,734,234</u>	<u>\$ 135,870,593</u>	<u>\$ 128,401,932</u>
Plan fiduciary net position as a percentage of the total pension liability	52.96%	47.12%	48.70%	49.08%	48.10%	44.35%	43.91%	45.26%
Covered-payroll*	\$ 55,638,619	\$ 53,700,940	\$ 52,556,662	\$ 48,816,195	\$ 47,219,580	\$ 45,464,517	\$ 44,671,105	\$ 43,373,860
Net pension liability (asset) as a percentage of covered payroll	277.00%	305.00%	282.00%	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 2022 the measurement period is October 1, 2020 - September 30, 2021.

** 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'S CONTRIBUTIONS
LAST 10 FISCAL YEARS ENDING SEPTEMBER 30

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015 ***</u>
Actuarially determined contribution*	\$ 12,793,152	\$ 11,470,842	\$ 11,218,422	\$ 11,000,559	\$ 9,707,432	\$ 9,721,334	\$ 9,554,816	\$ 10,148,530
Contributions in relation to the actuarially determined contributio	<u>12,793,152</u>	<u>11,470,842</u>	<u>11,218,422</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-payroll**	\$ 61,525,555	\$ 55,638,620	\$ 53,700,940	\$ 52,556,662	\$ 48,816,195	\$ 47,219,580	\$ 45,464,517	\$ 44,671,105
Contributions as a percentage of covered-payroll	20.79%	20.62%	20.89%	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 2022 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, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2022 were based on the September 30, 2019, actuarial valuation.

Methods and assumptions used to determine contributions rates for the period October 1, 2021 to September 30, 2022:

Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	23.6
Asset valuation method	Five year smoothed market
Inflation	2.75%
Salary increases	3.25 - 5.00%, including inflation
Investment rate of return	7.70%, 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

	2021	2020	2019	2018	2017 **
Total OPEB Liability*					
Service cost at end of year	\$ 1,300,237	\$ 1,566,864	\$ 1,100,661	\$ 924,527	\$ 1,026,908
Interest	1,130,289	1,449,179	1,939,403	1,246,307	1,085,659
Changes in benefit terms	736,024	-	-	-	-
Difference between expected and actual experience	349,305	(7,050,699)	(823,594)	10,403,990	86,297
Changes of assumptions or other inputs	(2,742,679)	2,571,271	7,078,511	692,467	(2,150,193)
Benefit payments	(2,088,241)	(1,657,739)	(768,786)	(2,776,083)	(1,619,166)
Other	-	-	-	-	-
Net Change in Total OPEB Liability	<u>(1,315,065)</u>	<u>(3,121,124)</u>	<u>8,526,195</u>	<u>10,491,208</u>	<u>(1,570,495)</u>
Total OPEB Liability - Beginning	<u>52,182,722</u>	<u>55,303,846</u>	<u>46,777,651</u>	<u>36,286,443</u>	<u>37,856,938</u>
Total OPEB Liability - Ending	<u>\$ 50,867,657</u>	<u>\$ 52,182,722</u>	<u>\$ 55,303,846</u>	<u>\$ 46,777,651</u>	<u>\$ 36,286,443</u>
Covered-employee payroll	\$ 55,638,620	\$ 53,700,940	\$ 52,556,662	\$ 48,816,195	\$ 47,219,580
Net OPEB Liability as a percentage of covered-employee payroll	91.43%	97.17%	100.05%	95.82%	76.85%

There are no assets accumulated in a trust.

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

Total OPEB Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017 **</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution*	-	-	-	-	-
Contribution Deficiency (Excess)	<u>\$ -</u>				
Covered-employee payroll	\$ 55,638,620	\$ 53,700,940	\$ 52,556,662	\$ 48,816,195	\$ 47,219,580
Contribution as a percentage of covered-payroll	0.00%	0.00%	0.00%	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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Special assessments	\$ -	\$ -	\$ -	\$ -
Interest from funds invested and special assessments	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
General administrative	-	-	-	-
Principal retirement	1,408,326	1,408,326	1,408,325	1
Interest	368,227	381,228	381,227	1
Total Expenditures	<u>1,776,553</u>	<u>1,789,554</u>	<u>1,789,552</u>	<u>2</u>
Excess (deficiency) of Revenues over Expenditures	<u>(1,776,553)</u>	<u>(1,789,554)</u>	<u>(1,789,552)</u>	<u>2</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,776,553	1,789,554	1,789,552	(2)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,776,553</u>	<u>1,789,554</u>	<u>1,789,552</u>	<u>(2)</u>
Net Change in Fund Balance	-	-	-	-
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<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, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest from funds invested	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances - Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
BUDGETARY COMPARISON SCHEDULE
SCHOOL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS)	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
REVENUES:				
Taxes	\$ 200,000	\$ 200,000	\$ 195,750	\$ (4,250)
Interest earned	-	-	841	841
Miscellaneous	312,218	312,218	132,620	(179,598)
Total Revenues	<u>512,218</u>	<u>512,218</u>	<u>329,211</u>	<u>(183,007)</u>
EXPENDITURES:				
Intergovernmental:				
Subsidies to agencies	3,738,286	3,738,286	3,738,286	-
Obligations/expenses paid for schools	33,000	33,000	31,928	1,072
Other support - schools	747,085	747,085	286,321	460,764
Total Expenditures	<u>4,518,371</u>	<u>4,518,371</u>	<u>4,056,535</u>	<u>461,836</u>
Excess (deficiency) of Revenues over Expenditures	<u>(4,006,153)</u>	<u>(4,006,153)</u>	<u>(3,727,324)</u>	<u>278,829</u>
OTHER FINANCING SOURCES (USES):				
Transfers in (out)	4,006,153	4,006,153	4,006,153	-
Net Change in Fund Balance	-	-	278,829	278,829
Fund Balance - Beginning	-	-	500,726	500,726
Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 779,555</u>	<u>\$ 779,555</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF OPERATIONS - BUDGET AND ACTUAL
UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	<u>BUDGET</u>	<u>BUDGETARY BASIS ACTUAL</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Electric department	\$ 93,880,043	\$ 94,897,052	\$ 1,017,009
Water department	11,223,500	11,766,711	543,211
Sewer department	21,035,000	22,560,007	1,525,007
Delinquent fees - combined utilities	950,000	890,126	(59,874)
Other revenue	50,500	113,656	63,156
Interest from funds invested	200,000	128,064	(71,936)
Total Revenues	<u>127,339,043</u>	<u>130,355,616</u>	<u>3,016,573</u>
EXPENSES:			
Electric department	85,784,227	79,351,081	6,433,146
Water department	8,043,895	6,276,023	1,767,872
Sewer department	9,676,549	8,500,641	1,175,908
Billing collection department	2,780,507	2,588,724	191,783
Meter reading department	735,136	566,219	168,917
Combined utility expense:			
Capital outlay	32,103,292	13,321,895	18,781,397
Miscellaneous expenses	988,915	737,610	251,305
Bond insurance costs	51,500	51,500	-
Interest and fiscal charges	1,717,283	1,539,978	177,305
Principal on bonds and capital leases	7,795,000	7,795,000	-
Depreciation	13,343,010	13,320,347	22,663
Total Expenses	<u>163,019,314</u>	<u>134,049,018</u>	<u>28,970,296</u>
Excess (deficiency) of Revenues over Expenses	<u>\$ (35,680,271)</u>	<u>\$ (3,693,402)</u>	<u>\$ 31,986,869</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, 2022

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OTHER FINANCING SOURCES (USES):			
Intergovernmental revenue	\$ 34,493	\$ 35,000	\$ 507
Transfers in (out)	(25,568,725)	(25,542,127)	26,598
Gain (loss) on disposition of capital assets	-	(235,471)	(235,471)
Issuance of Debt	-	254,150	254,150
Total Other Financing Sources (Uses)	(25,534,232)	(25,488,448)	45,784
Excess (deficiency) of Revenues over Expenses	(61,214,503)	(29,181,850)	32,032,653
Capital grants and contributions	6,219,318	7,487,725	1,268,407
Adjustment for capital outlay, principal payments on bonds and capital leases	20,862,745	20,862,745	-
Total Net Position - Beginning	(3,924,565)	176,883,499	180,808,064
Total Net Position - Ending	\$ (38,057,005)	\$ 176,052,119	\$ 214,109,124

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

Capital outlay expense	\$ 13,321,895
Principal payment on bonds	7,795,000
Bond proceeds	(254,150)
Total Adjustments	\$ 20,862,745

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
BUDGETARY COMPARISON SCHEDULE
SCHEDULE OF OPERATIONS-BUDGET AND ACTUAL
SOLID WASTE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2022

	BUDGET	BUDGETARY BASIS ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES:			
Charges for services	\$ 6,000,000	\$ 5,303,313	\$ (696,687)
Other revenue	7,000	55,403	48,403
Interest from funds invested	100	2,553	2,453
Total Revenues	6,007,100	5,361,269	(645,831)
EXPENSES:			
Solid waste collections	7,697,868	7,234,895	462,973
Solid waste landfill	1,186,328	1,109,662	76,666
Combined solid waste expense:			
Capital outlay	1,230,824	740,391	490,433
Miscellaneous expenses	239,408	223,682	15,726
Depreciation	1,472,752	1,429,441	43,311
Total Expenses	11,827,180	10,738,071	1,089,109
Excess (deficiency) of Revenues over Expenses	(5,820,080)	(5,376,802)	443,278
OTHER FINANCING SOURCES (USES):			
Intergovernmental revenue	98,560	98,176	(384)
Transfers in (out)	4,568,132	4,567,353	(779)
Gain (loss) on disposition of capital assets	-	-	-
Total Other Financing Sources (Uses)	4,666,692	4,665,529	(1,163)
Excess (deficiency) of Revenues over Expenses	(1,153,388)	(711,273)	442,115
Adjustment for capital outlay, principal payments on bonds and capital leases	740,391	740,391	-
Total Net Position - Beginning	5,340,211	(2,491,530)	(7,831,741)
Total Net Position - Ending	\$ 4,927,214	\$ (2,462,412)	\$ (7,389,626)

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

Capital outlay expense	\$ 740,391
Total Adjustments	\$ 740,391

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
2023-2037

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	
2023	\$ 1,432,963	\$ -	\$ 4,182,848	\$ 3,745,180	\$ 9,360,991
2024	1,089,374	-	4,179,097	3,747,403	9,015,874
2025	1,089,373	-	4,179,738	3,743,240	9,012,351
2026	1,089,374	-	4,189,565	3,742,693	9,021,632
2027	1,089,373	-	2,927,247	3,745,705	7,762,325
2028	1,089,374	-	1,679,888	3,747,165	6,516,427
2029	1,089,374	-	1,673,444	3,747,017	6,509,835
2030	1,089,374	-	1,686,645	3,745,375	6,521,394
2031	1,089,374	-	659,198	3,747,125	5,495,697
2032	1,089,374	-	666,138	3,747,212	5,502,724
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>\$ 16,684,197</u>	<u>\$ -</u>	<u>\$ 26,023,808</u>	<u>\$ 50,030,988</u>	<u>\$ 92,738,993</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2013
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

<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>	
2023	2.80%	\$ 4,770	\$ -	\$ 338,819	\$ -	\$ 343,589
		<u>\$ 4,770</u>	<u>\$ -</u>	<u>\$ 338,819</u>	<u>\$ -</u>	<u>\$ 343,589</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2014-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

<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>
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>\$ 956,756</u>	<u>\$ 956,756</u>	<u>\$ 12,570,000</u>	<u>\$ 14,483,512</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANT - SERIES 2016
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

<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>	
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>\$ 199,710</u>	<u>\$ 199,707</u>	<u>\$ 4,960,000</u>	<u>\$ 5,359,417</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2016-CWSRF-DL
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL	TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15	DUE FEBRUARY 15	
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>\$ 2,644,510</u>	<u>\$ 2,307,965</u>	<u>\$ 30,595,000</u>	<u>\$ 35,547,475</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2017
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE MARCH 1	DUE SEPTEMBER 1	DUE MARCH 1	DUE SEPTEMBER 1	
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%	121,501	116,127	423,185	428,560	1,089,373
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>\$ 1,454,090</u>	<u>\$ 1,368,796</u>	<u>\$ 6,716,213</u>	<u>\$ 6,801,507</u>	<u>\$ 16,340,606</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2019
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

<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>		
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>\$ 131,375</u>	<u>\$ 131,377</u>	<u>\$ 2,390,000</u>	<u>\$ 2,652,752</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
GENERAL OBLIGATION WARRANTS - SERIES 2021
SCHEDULE OF BONDED DEBT AND INTEREST
SEPTEMBER 30, 2022

YEAR ENDING SEPTEMBER 30	INTEREST RATE - %	INTEREST		PRINCIPAL		TOTAL DEBT SERVICE
		DUE FEBRUARY 15	DUE AUGUST 15	DUE FEBRUARY 15	DUE AUGUST 15	
2023	1.24%	\$ 106,950	\$ 97,712	\$ 1,490,000	\$ 1,495,000	\$ 3,189,662
2024	1.24%	88,443	79,050	1,515,000	1,510,000	3,192,493
2025	1.24%	69,688	60,202	1,530,000	1,530,000	3,189,890
2026	1.24%	50,716	41,137	1,545,000	1,550,000	3,186,853
2027	1.24%	31,527	25,730	935,000	935,000	1,927,257
2028	1.24%	19,933	17,980	315,000	315,000	667,913
2029	1.24%	16,027	14,043	320,000	315,000	665,070
2030	1.24%	12,090	10,075	325,000	320,000	667,165
2031	1.24%	8,091	6,107	320,000	325,000	659,198
2032	1.24%	4,092	2,046	330,000	330,000	666,138
		<u>\$ 407,557</u>	<u>\$ 354,082</u>	<u>\$ 8,625,000</u>	<u>\$ 8,625,000</u>	<u>\$ 18,011,639</u>

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
SEPTEMBER 30, 2022

CAPITAL ASSETS:

Land and easements	\$	10,012,290
Buildings		67,417,971
Improvements other than buildings		77,224,937
Machinery and equipment		55,398,625
Infrastructure		456,233,609
Construction in progress		37,141,488
		37,141,488
Total Capital Assets	\$	703,428,920
		703,428,920

INVESTMENTS IN CAPITAL ASSETS FROM:

Capital projects funds:		
General obligation bonds	\$	20,889,939
Grants		24,546,317
General fund revenues		650,724,335
Special revenue fund revenues		147,948
Gifts		7,034,677
Utility fund revenues		85,704
		85,704
Total Investments in Capital Assets	\$	703,428,920
		703,428,920

THE CITY OF DOTHAN
DOTHAN, ALABAMA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
SEPTEMBER 30, 2022

FUNCTION AND ACTIVITY	LAND	BUILDINGS	IMPROVEMENTS OTHER THAN BUILDINGS	MACHINERY AND EQUIPMENT	INFRASTRUCTURE	CONSTRUCTION IN PROGRESS	TOTAL
General Government:							
Control:							
General administrative	\$ 1,682,607	\$ 2,555,267	\$ 3,015,124	\$ 150,437	\$ -	\$ -	\$ 7,403,435
Staff Agencies:							
Information system/technology	-	215,658	1,264,806	10,826,705	-	288,351	12,595,520
Budget and finance	-	276,022	-	22,167	-	-	298,189
Personnel services	-	-	-	5,009	-	-	5,009
Total Staff Agencies	-	491,680	1,264,806	10,853,881	-	288,351	12,898,718
Total General Government	1,682,607	3,046,947	4,279,930	11,004,318	-	288,351	20,302,153
Public Safety:							
Fire department	1,517,199	6,363,962	992,165	12,397,180	-	1,615,084	22,885,590
Police department	412,378	27,028,365	11,046,963	17,196,236	-	1,539,052	57,222,994
Total Public Safety	1,929,577	33,392,327	12,039,128	29,593,416	-	3,154,136	80,108,584
Public Works:							
Street department	971,836	40,110	6,323,999	6,784,833	454,180,058	13,116,269	481,417,105
Environmental services	-	-	-	109,565	-	-	109,565
Special assessments	25,000	-	7,308,292	-	-	-	7,333,292
Health and welfare	106,381	599,781	79,110	-	-	-	785,272
Engineering department	561,941	996,500	2,299,248	2,503,251	2,053,551	513,408	8,927,899
Culture and recreation	4,601,643	21,421,843	42,114,249	3,466,157	-	19,979,367	91,583,259
General services	61,249	2,151,893	2,174,826	571,577	-	89,957	5,049,502
Equipment maintenance	-	1,292,059	606,155	1,365,508	-	-	3,263,722
Schools	72,056	4,476,511	-	-	-	-	4,548,567
Total Other	6,400,106	30,978,697	60,905,879	14,800,891	456,233,609	33,699,001	603,018,183
Total Capital Assets	\$ 10,012,290	\$ 67,417,971	\$ 77,224,937	\$ 55,398,625	\$ 456,233,609	\$ 37,141,488	\$ 703,428,920

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, 2022

<u>FUNCTION AND ACTIVITY</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS OCTOBER 1, 2021</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>GOVERNMENTAL FUNDS CAPITAL ASSETS SEPTEMBER 30, 2022</u>
General Government:				
Control:				
General administrative	\$ 7,301,188	\$ 102,247	\$ -	\$ 7,403,435
Staff Agencies:				
Information system/technology	9,870,606	2,436,563	-	12,307,169
Budget and finance	298,189	-	-	298,189
Personnel services	5,009	-	-	5,009
Total Staff Agencies	<u>10,173,804</u>	<u>2,436,563</u>	<u>-</u>	<u>12,610,367</u>
Total General Government	<u>17,474,992</u>	<u>2,538,810</u>	<u>-</u>	<u>20,013,802</u>
Public Safety:				
Fire department	20,287,348	1,202,743	(219,585)	21,270,506
Police department	54,840,292	1,267,450	(423,800)	55,683,942
Total Public Safety	<u>75,127,640</u>	<u>2,470,193</u>	<u>(643,385)</u>	<u>76,954,448</u>
Public Works:				
Street department	467,497,867	1,258,343	(455,374)	468,300,836
Environmental services	109,565	-	-	109,565
Special assessments	7,333,292	-	-	7,333,292
Health and welfare	785,272	-	-	785,272
Engineering department	8,048,518	618,332	(252,359)	8,414,491
Culture and recreation	70,679,941	1,009,388	(85,437)	71,603,892
General services	4,920,981	77,073	(38,509)	4,959,545
Equipment maintenance	3,140,563	126,836	(3,677)	3,263,722
Schools	4,548,567	-	-	4,548,567
Construction in progress	17,605,730	20,265,633	(729,875)	37,141,488
Total Other	<u>584,670,296</u>	<u>23,355,605</u>	<u>(1,565,231)</u>	<u>606,460,670</u>
Total Capital Assets	<u>\$ 677,272,928</u>	<u>\$ 28,364,608</u>	<u>\$ (2,208,616)</u>	<u>\$ 703,428,920</u>

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STATISTICAL SECTION

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

CONTENTS

SCHEDULES

Financial Trends

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

1 through 5

Revenue Capacity

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

6 through 13

Debt Capacity

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

14 through 18

Demographic and Economic Information

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

19 through 20

Operating Information

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

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

	FISCAL YEAR									
	2013	2014	2015*	2016	2017	2018*	2019	2020*	2021*	2022
Governmental activities:										
Net Investment in capital assets	\$ 60,178,207	\$ 70,247,455	\$ 78,992,990	\$ 92,093,989	\$ 99,604,482	\$ 100,928,041	\$ 99,180,158	\$ 99,913,615	\$ 99,972,749	\$ 119,626,581
Restricted	883,855	210,752	270,862	211,985	17,189,646	268,218	2,901,466	801,585	1,036,674	1,520,201
Unrestricted	23,962,712	18,504,590	(79,965,943)	(88,314,592)	(108,659,082)	(108,465,918)	(102,281,226)	(84,318,083)	(77,933,740)	(71,943,454)
Total governmental activities net position	<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>	<u>\$ 16,397,117</u>	<u>\$ 23,075,683</u>	<u>\$ 49,203,328</u>
Business-type activities:										
Net Investment in capital assets	\$ 77,161,777	\$ 72,624,231	\$ 71,457,839	\$ 75,918,727	\$ 84,196,262	\$ 83,384,524	\$ 92,604,499	\$ 128,830,146	\$ 142,974,307	\$ 155,160,104
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	34,637,039	45,345,467	14,975,261	22,314,415	28,717,501	43,196,487	54,066,771	32,823,195	31,417,662	18,429,603
Total business-type activities net position	<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>	<u>\$ 161,653,341</u>	<u>\$ 174,391,969</u>	<u>\$ 173,589,707</u>
Primary government:										
Net Investment in capital assets	\$ 137,339,984	\$ 142,871,686	\$ 150,450,829	\$ 168,012,716	\$ 183,800,744	\$ 184,312,565	\$ 191,784,657	\$ 228,743,761	\$ 242,947,056	\$ 274,786,685
Restricted	883,855	210,752	270,862	211,985	17,189,646	268,218	2,901,466	801,585	1,036,674	1,520,201
Unrestricted	58,599,751	63,850,057	(64,990,682)	(66,000,177)	(79,941,581)	(65,269,431)	(48,214,455)	(51,494,888)	(46,516,078)	(53,513,851)
Total primary government net position	<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>	<u>\$ 178,050,458</u>	<u>\$ 197,467,652</u>	<u>\$ 222,793,035</u>

* Restated

The 2021 beginning net position was restated from the 2020 ending net position on October 1, 2020, due to payroll accrual adjustments. This reduced the net position of governmental activities by (\$3,528,247) and reduced the net position of business-type activities by (\$1,335,745).

The 2020 beginning net position was restated from the 2019 ending net position on October 1, 2019, due to the transfer of the solid waste collections and landfill operations from the governmental activities created the Solid Waste Proprietary Fund. The net change reduced the business-type activities net position and increased the governmental activities net position (\$6,213,666).

The 2018 beginning net position was restated from the 2017 ending net position on October 1, 2017, 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 2015 beginning net position was restated from the 2014 ending net position on October 1, 2014, due to the implementation of GASB Statement No. 68 and the separation of the E-911 fund from the City of Dothan. GASB 68 caused a change of (\$98,817,393) in the governmental activities net position and a change of (\$23,179,389) in the business type activities net position. The separation of the E-911 fund from the City of Dothan caused a change of (\$5,006,170) in business-type 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									
	2013	2014	2015*	2016	2017	2018	2019	2020*	2021*	2022
Expenses										
Governmental activities:										
General government	\$ 11,674,501	\$ 13,421,727	\$ 11,678,627	\$ 14,050,159	\$ 16,157,747	\$ 13,162,945	\$ 16,827,227	\$ 18,916,568	\$ 19,624,240	\$ 24,627,873
Public safety	33,322,634	34,017,891	33,872,304	34,233,915	35,592,823	36,681,330	38,937,890	40,908,709	41,619,188	45,793,981
General services	4,160,935	4,189,632	4,752,498	4,581,959	4,631,761	4,926,254	5,014,839	5,202,640	4,974,145	5,446,054
Planning and development	1,898,944	2,155,072	2,354,316	2,141,697	2,416,951	2,787,596	2,771,676	2,792,329	3,140,192	3,829,683
Other public works	17,717,453	19,033,466	19,706,992	19,667,075	20,418,742	20,260,537	21,944,769	12,182,223	11,506,480	12,107,927
Insurance department	1,280,974	452,688	3,696,580	3,681,005	(279,055)	216,427	467,836	5,544,053	(146,132)	2,616,416
Culture and recreation	9,742,400	9,997,179	10,360,999	11,384,383	12,091,856	13,808,637	13,994,251	13,417,984	15,747,359	17,004,915
Education	4,517,464	4,490,160	4,508,114	4,554,804	4,564,102	4,593,084	4,966,354	4,714,133	12,135,622	4,056,535
Health and welfare	4,010,247	3,973,388	4,857,758	3,594,608	3,630,737	3,599,731	4,153,672	3,597,296	4,347,387	5,114,725
Interest/fiscal charges on long-term debt	829,200	1,066,624	329,021	213,947	180,601	453,754	335,799	263,937	414,865	378,266
Total governmental activities expenses	89,154,752	92,797,827	96,117,209	98,103,552	99,406,265	100,490,295	109,414,313	107,539,872	113,363,346	120,976,375
Business-type activities:										
Solid waste collections								6,657,029	7,136,627	7,234,895
Solid waste landfill								964,713	1,081,961	1,109,662
Electric	73,712,450	80,159,130	81,718,419	74,358,920	75,616,094	77,195,434	75,186,229	66,689,186	68,779,134	79,351,081
Water	4,616,969	4,529,883	4,569,134	4,598,015	5,044,756	6,754,148	6,449,765	4,881,600	5,018,313	6,276,023
Wastewater	6,474,014	6,062,445	9,750,754	5,654,421	7,859,160	8,165,508	7,997,712	6,991,074	8,701,164	8,500,641
Billing - collection department	1,876,462	1,931,360	1,760,759	1,646,726	1,779,199	1,532,271	1,920,148	1,778,636	2,165,522	2,588,724
Meter reading department	840,669	827,914	762,080	753,346	803,913	841,044	899,997	892,397	666,409	566,219
Depreciation	6,308,984	8,030,174	8,097,997	8,276,738	8,516,129	9,290,162	9,539,856	11,134,448	12,874,867	14,749,788
Miscellaneous	753,836	758,777	-	41,378	139,446	394,383	310,965	569,272	872,158	961,292
Bond issue costs	-	-	-	55,262	-	-	-	-	-	51,500
(Loss) on disposition of capital assets	268,174	704,513	205,266	459,404	404,560	264,511	772,344	3,201,567	837,401	235,471
Interest /fiscal charges	1,942,975	1,876,246	2,163,020	2,148,332	2,779,107	2,541,858	2,423,097	2,147,371	1,960,605	1,539,978
Total business-type activities expenses	96,794,533	104,880,442	109,027,429	97,992,542	102,942,364	106,979,319	105,500,113	105,907,293	110,094,161	123,165,274
Total primary government expenses	\$ 185,949,285	\$ 197,678,269	\$ 205,144,638	\$ 196,096,094	\$ 202,348,629	\$ 207,469,614	\$ 214,914,426	\$ 213,447,165	\$ 223,457,507	\$ 244,141,649
Program Revenues (see Schedule 3)										
Governmental activities:										
Charges for services:										
Other public works	\$ 2,475,778	\$ 4,255,759	\$ 4,265,779	\$ 4,316,604	\$ 4,356,163	\$ 4,376,974	\$ 4,418,379	\$ 103,516	\$ 92,305	\$ 94,099
Culture and recreation	2,035,062	2,256,651	2,761,083	2,731,858	2,543,654	3,063,641	2,466,028	1,310,300	2,301,320	3,515,133
General government	3,481,504	3,589,525	3,680,914	3,724,842	3,901,338	3,818,479	3,882,802	3,989,171	4,400,273	4,544,388
Public safety	1,841,637	1,895,513	1,907,756	1,598,448	1,491,466	1,334,290	1,479,893	1,018,063	1,263,514	1,382,751
Planning and development	412,672	429,797	468,221	426,098	449,775	432,826	450,323	505,651	72,486	160,449
Operating grants and contributions	117,809	437,237	517,865	564,624	1,743,473	3,117,078	1,612,553	6,045,051	4,442,587	3,352,278
Capital grants and contributions	1,288,965	1,333,995	1,929,129	1,312,347	3,481,519	3,269,988	1,717,484	1,417,021	1,402,539	1,678,679
Total governmental activities program revenues	11,653,427	14,198,477	15,530,747	14,674,821	17,967,388	19,413,276	16,027,462	14,388,773	13,975,024	14,727,777
Business-type activities:										
Charges for services (Utility)										
Electric	89,675,760	93,309,401	93,112,812	90,507,271	92,899,960	95,359,786	94,910,274	92,793,913	87,956,942	94,897,052
Water	8,385,523	8,703,685	9,112,941	9,283,669	10,351,096	10,077,517	10,730,447	11,791,854	11,337,518	11,766,711
Wastewater/sewer	11,917,504	13,997,247	14,283,357	15,567,628	18,260,194	18,947,250	20,038,723	21,541,609	21,820,378	22,560,007
Combined utilities	-	-	-	1,040,333	1,041,610	949,348	916,472	931,858	885,516	890,126
E-911	1,443,736	1,744,910	-	-	-	-	-	-	-	-
Charges for services (Solid Waste)										
Collections	-	-	-	-	-	-	-	4,462,317	4,459,250	4,519,608
Landfill	-	-	-	-	-	-	-	292,499	1,704,441	781,231
Combined solid waste	-	-	-	-	-	-	-	-	578	2,474
Operating grants and contributions	-	-	-	-	-	-	-	17,393	25,000	133,176
Capital grants and contributions	385,744	-	256,000	345,131	265,000	354,000	1,784,055	4,059,080	7,256,452	7,487,725
Total business-type activities program revenues	111,808,267	117,755,243	116,765,110	116,744,032	122,817,860	125,687,901	128,379,971	135,890,523	135,446,075	143,038,110
Total primary government program revenues	\$ 123,461,694	\$ 131,953,720	\$ 132,295,857	\$ 131,418,853	\$ 140,785,248	\$ 145,101,177	\$ 144,407,433	\$ 150,279,296	\$ 149,421,099	\$ 157,765,887

Notes: In 2020, solid waste business-type activities resulted from a transfer of solid waste collections and landfill operations from other public works governmental activities.

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

*Restated

(Continued on page 105)

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

	FISCAL YEAR									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net (Expense)/Revenue										
Governmental activities	\$ (77,501,325)	\$ (78,599,350)	\$ (80,586,462)	\$ (83,428,731)	\$ (81,438,877)	\$ (81,077,019)	\$ (93,386,851)	\$ (93,151,099)	\$ (99,388,322)	\$ (106,248,598)
Business-type activities	15,013,734	12,874,801	7,737,681	18,751,490	19,875,496	18,708,582	22,879,858	29,983,230	23,659,905	19,872,836
Total primary government net expense	<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>	<u>\$ (63,167,869)</u>	<u>\$ (75,728,417)</u>	<u>\$ (86,375,762)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
General property tax	\$ 4,511,219	\$ 4,427,118	\$ 4,453,043	\$ 4,581,242	\$ 4,639,852	\$ 4,736,318	\$ 4,800,653	\$ 4,891,436	\$ 5,010,181	\$ 5,142,701
General sales and use tax	60,277,161	60,815,838	62,862,120	65,203,466	67,482,859	68,310,215	75,920,443	76,836,387	85,781,277	92,496,704
Lodging tax	1,599,957	1,683,150	1,861,592	1,953,346	2,816,800	3,127,058	4,017,771	2,791,000	3,474,408	4,007,711
Franchise tax	2,470,533	2,557,965	1,762,817	2,032,003	1,559,302	2,012,376	1,723,447	1,678,930	1,579,223	1,459,233
Cigarette tax	265,950	257,850	256,500	226,850	247,150	218,700	221,400	230,850	210,600	195,750
Unrestricted grants and contributions	2,710,406	2,208,415	2,333,515	3,520,430	1,052,227	1,006,718	2,192,970	2,761,359	2,960,172	3,191,007
Unrestricted investment earnings	137,581	137,238	110,618	95,636	118,737	419,681	813,242	393,599	57,617	175,195
Miscellaneous	2,604,485	2,442,900	3,660,608	2,427,250	923,980	1,297,966	4,499,527	3,224,797	263,212	4,733,168
Transfers	6,931,504	8,006,899	12,438,154	8,081,981	6,741,634	6,893,794	6,267,455	10,725,794	10,258,445	20,974,774
Special items	(6,000,000)	-	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>103,534,152</u>	<u>109,595,135</u>	<u>132,376,243</u>
Business-type activities:										
Unrestricted grants and contributions	74,849	142,625	-	-	-	-	-	-	-	-
Unrestricted investment earnings	119,370	98,152	68,360	114,181	227,902	806,622	1,475,915	753,622	61,921	130,617
Gain on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Miscellaneous	990,405	1,062,203	1,281,074	1,016,352	1,318,857	1,045,838	2,001,941	1,184,679	610,992	169,059
Transfers	(6,931,504)	(8,006,899)	(12,438,154)	(8,081,981)	(6,741,634)	(6,893,794)	(6,267,455)	(10,725,794)	(10,258,445)	(20,974,774)
Total business-type activities	<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>	<u>(8,787,493)</u>	<u>(9,585,532)</u>	<u>(20,675,098)</u>
Total primary government	<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>	<u>\$ 94,746,659</u>	<u>\$ 100,009,603</u>	<u>\$ 111,701,145</u>
Change in Net Position										
Governmental activities	\$ (1,992,529)	\$ 3,938,023	\$ 9,152,505	\$ 4,693,473	\$ 4,143,664	\$ 6,945,807	\$ 7,070,057	\$ 10,383,053	\$ 10,206,813	\$ 26,127,645
Business-type activities	9,266,854	6,170,882	(3,351,039)	11,800,042	14,680,621	13,667,248	20,090,259	21,195,737	14,074,373	(802,262)
Total primary government	<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>	<u>\$ 31,578,790</u>	<u>\$ 24,281,186</u>	<u>\$ 25,325,383</u>

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

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

	FISCAL YEAR									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function/Program										
Governmental activities:										
General government	\$ 3,573,230	\$ 3,694,613	\$ 3,817,970	\$ 3,956,986	\$ 4,994,425	\$ 5,848,879	\$ 5,202,018	\$ 9,809,138	\$ 5,515,844	\$ 5,546,302
Public safety	1,973,066	1,991,360	2,661,723	1,720,216	1,938,368	3,706,254	2,202,074	1,879,066	2,036,023	2,015,239
General services	-	-	7,500	-	3,800	-	-	-	-	-
Other public works	3,659,397	5,826,056	5,811,915	5,808,157	8,000,366	6,361,676	5,706,019	869,718	990,494	1,242,820
Planning and development	412,672	429,797	468,221	426,098	449,775	432,826	451,323	505,651	840,841	1,180,472
Culture and recreation	2,035,062	2,256,651	2,763,418	2,763,364	2,580,654	3,063,641	2,466,028	1,325,200	4,591,822	4,742,944
Subtotal governmental activities	<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>	<u>14,388,773</u>	<u>13,975,024</u>	<u>14,727,777</u>
Business-type activities (Utility):										
Electric	89,675,760	93,309,401	93,112,812	90,683,271	92,963,960	95,577,786	94,912,274	92,977,660	88,257,026	95,759,047
Water	8,692,261	8,703,685	9,112,941	9,400,169	10,528,096	10,137,517	11,590,319	14,473,383	11,769,109	13,218,144
Wastewater/sewer	11,996,510	13,997,247	14,283,357	15,620,259	18,284,194	19,023,250	20,960,906	22,747,330	28,358,431	27,769,304
Combined utilities	-	-	-	1,040,333	1,041,610	949,348	916,472	931,858	897,240	890,126
E-911	1,443,736	1,744,910	-	-	-	-	-	-	-	-
Business-type activities (Solid Waste):										
Collections	-	-	-	-	-	-	-	4,467,793	4,459,250	4,617,784
Landfill	-	-	-	-	-	-	-	292,499	1,704,441	781,231
Combined solid waste	-	-	-	-	-	-	-	-	578	2,474
Subtotal business-type activities:	<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>	<u>135,890,523</u>	<u>135,446,075</u>	<u>143,038,110</u>
Total primary government	<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>	<u>\$ 150,279,296</u>	<u>\$ 149,421,099</u>	<u>\$ 157,765,887</u>

Notes: In 2015, the E-911 fund became a separate entity.
In 2020, the business-type activities for Solid Waste were created from governmental activities included in other public works.

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

	FISCAL YEAR									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Fund										
Nonspendable	\$ 327,987	\$ 363,341	\$ 363,755	\$ 295,087	\$ 328,562	\$ 371,481	\$ 398,346	\$ 365,532	\$ 396,746	\$ 515,809
Restricted	340,115	148,063	188,753	166,769	151,573	159,431	230,703	422,558	535,948	740,646
Committed	7,769,260	12,172,432	17,105,954	10,917,679	6,682,264	12,237,784	10,344,018	7,224,578	19,863,919	19,588,370
Assigned	24,438,262	32,326,280	23,736,193	24,051,435	25,972,721	26,252,150	25,693,251	33,336,911	41,852,222	43,693,926
Unassigned	11,423,170	869,854	4,982,343	4,462,443	5,718,239	3,652,561	16,241,919	20,214,340	9,763,384	20,510,227
Total general fund	<u>\$44,298,794</u>	<u>\$45,879,970</u>	<u>\$46,376,998</u>	<u>\$39,893,413</u>	<u>\$38,853,359</u>	<u>\$42,673,407</u>	<u>\$52,908,237</u>	<u>\$61,563,919</u>	<u>\$72,412,219</u>	<u>\$ 85,048,978</u>
All Other Governmental Funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	1,897,016	62,990	82,174	45,556	17,038,311	13,747,329	2,670,763	379,027	500,726	779,555
Committed	-	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-	-
Total all other governmental funds	<u>\$ 1,897,016</u>	<u>\$ 62,990</u>	<u>\$ 82,174</u>	<u>\$ 45,556</u>	<u>\$17,038,311</u>	<u>\$13,747,329</u>	<u>\$ 2,670,763</u>	<u>\$ 379,027</u>	<u>\$ 500,726</u>	<u>\$ 779,555</u>

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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes (see Schedule 6)	\$ 69,124,820	\$ 69,741,921	\$ 71,196,072	\$ 73,996,907	\$ 76,745,963	\$ 78,404,667	\$ 86,683,714	\$ 86,428,603	\$ 96,055,688	\$ 103,302,099
Licenses, fees, and permits	3,851,016	3,936,385	4,055,125	4,101,722	4,301,634	4,173,707	4,256,649	4,449,706	4,400,273	4,544,388
Fines and penalties	1,801,446	1,860,204	1,877,466	1,564,055	1,458,198	1,308,753	1,447,728	990,633	1,230,971	1,350,587
Charges for services	4,594,191	6,630,656	7,151,162	7,132,073	6,982,564	7,543,750	6,993,048	1,486,362	2,498,654	3,801,845
Special assessments	5,503	1,338	690	440	310	312	-	-	-	-
Intergovernmental	4,031,382	3,732,007	4,741,124	5,246,980	4,191,220	7,079,501	5,287,729	10,101,897	7,900,736	7,995,882
Investment earnings	143,063	138,210	110,618	95,911	118,785	579,441	923,793	400,233	57,617	175,195
Other revenues	2,602,416	2,474,277	3,669,904	2,433,642	1,001,941	1,355,601	4,556,110	3,902,654	718,069	4,786,035
Total revenues	86,153,837	88,514,998	92,802,161	94,571,730	94,800,615	100,445,732	110,148,771	107,760,088	112,862,008	125,956,031
Expenditures										
General government	9,870,115	11,775,572	10,425,955	10,762,578	12,291,949	11,795,771	13,031,062	13,456,054	13,709,127	16,870,808
Public safety	30,344,582	31,409,731	31,886,858	32,342,515	33,565,061	34,419,271	36,452,530	38,188,965	38,717,248	42,711,615
Planning and development	1,882,260	2,136,277	2,338,467	2,117,536	2,374,656	2,750,805	2,731,282	2,725,740	3,093,378	3,812,192
General services	3,930,479	3,956,596	4,556,186	4,365,873	4,396,932	4,676,888	4,727,145	4,917,829	4,715,936	5,185,999
Other public works	13,755,233	15,092,562	15,696,716	15,388,942	15,760,076	15,463,515	17,203,975	8,941,334	9,799,023	10,105,776
Health and welfare	3,995,997	3,959,138	4,843,508	3,580,357	3,616,487	3,583,668	4,143,067	3,586,707	3,973,609	4,741,289
Culture and recreation	8,960,502	9,218,891	9,461,508	10,474,336	11,064,461	11,851,846	12,041,924	11,398,135	13,527,238	14,745,465
Insurance	1,280,974	452,688	3,696,580	3,681,005	(279,055)	216,427	467,836	5,544,053	(146,132)	2,616,416
Capital outlay	5,928,040	10,031,040	12,990,255	18,040,287	12,741,451	13,919,048	18,990,512	15,847,219	15,299,816	27,429,200
Intergovernmental	3,906,473	3,879,169	3,897,123	3,943,813	3,953,470	3,994,051	4,382,104	4,141,111	4,156,413	4,056,535
Debt service										
Interest	942,089	1,249,993	4,367,483	492,721	421,760	732,446	612,407	518,592	417,749	381,227
Principal	3,789,647	15,263,505	607,149	3,990,377	2,682,300	3,406,724	2,474,118	2,577,910	1,358,803	1,408,325
Total expenditures	88,586,391	108,425,162	104,767,788	109,180,340	102,589,548	106,810,460	117,257,962	111,843,649	108,622,208	134,064,847
Excess (deficiency) of revenues over expenditures	(2,432,554)	(19,910,164)	(11,965,627)	(14,608,610)	(7,788,933)	(6,364,728)	(7,109,191)	(4,083,561)	4,239,800	(8,108,816)
Other Financing Sources (Uses)										
Bonds issued	6,000,000	11,650,415	43,685	-	17,000,000	-	-	-	-	-
Leases	-	-	-	6,426	-	-	-	-	-	49,630
Refunding bonds issued	-	-	-	-	-	-	-	-	-	-
Payment to Dothan-Houston County Airport Authority Bond Fund	(6,000,000)	-	-	-	-	-	-	-	-	-
Transfers in (out)	6,931,504	8,006,899	12,438,154	8,081,981	6,741,634	6,893,794	6,267,455	10,725,794	10,258,445	20,974,774
Total other financing sources (uses)	6,931,504	19,657,314	12,481,839	8,088,407	23,741,634	6,893,794	6,267,455	10,725,794	10,258,445	21,024,404
Net change in fund balances	\$ 4,498,950	\$ (252,850)	\$ 516,212	\$ (6,520,203)	\$ 15,952,701	\$ 529,066	\$ (841,736)	\$ 6,642,233	\$ 14,498,245	\$ 12,915,588
Debt service as a percentage of noncapital expenditures	5.7%	16.8%	5.4%	4.9%	3.5%	4.5%	3.1%	3.2%	1.9%	1.7%

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>CIGARETTE TAX</u>	<u>TOTAL</u>
2013	\$ 3,721,013	\$ 790,206	\$ 60,277,161	\$ 1,599,957	\$ 2,470,533	\$ 265,950	\$ 69,124,820
2014	3,705,189	721,928	60,815,838	1,683,150	2,557,966	257,850	69,741,921
2015	3,746,379	706,664	62,862,120	1,861,592	1,762,817	256,500	71,196,072
2016	3,799,056	782,186	65,203,466	1,953,346	2,032,003	226,850	73,996,907
2017	3,886,902	752,950	67,482,859	2,816,800	1,559,302	247,150	76,745,963
2018	3,963,170	773,148	68,310,215	3,127,058	2,012,376	218,700	78,404,667
2019	3,999,941	800,712	75,920,443	4,017,771	1,723,447	221,400	86,683,714
2020	4,077,793	813,643	76,836,387	2,791,000	1,678,930	230,850	86,428,603
2021	4,156,046	854,134	85,781,277	3,474,408	1,579,223	210,600	96,055,688
2022	4,245,257	897,444	92,496,704	4,007,711	1,459,233	195,750	103,302,099
Change							
2013-2022	\$ 524,244	\$ 107,238	\$ 32,219,543	\$ 2,407,754	\$ (1,011,300)	\$ (70,200)	\$ 34,177,279

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>
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	14.0%
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	14.1%
2017	259,100	683,993	106,103	836,990	5.00	5,956,459	13.9%
2018	253,088	710,947	132,326	831,709	5.00	5,990,282	13.8%
2019	260,271	728,497	138,953	849,815	5.00	6,147,655	13.8%
2020	268,302	740,450	147,170	861,582	5.00	6,298,771	13.7%
2021	277,550	751,659	141,732	887,477	5.00	6,176,143	14.4%
2022	311,210	819,885	153,317	977,778	5.00	6,804,773	14.4%

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
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
2020	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2021	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50
2022	5.00				5.00	3.50	10.50	2.50	4.50	6.50	2.00	29.50

Source: Houston County Revenue Commissioner

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

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

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

TAXPAYER	2022			2013		
	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE	TAXABLE ASSESSED VALUE	RANK	PERCENTAGE OF TOTAL CITY TAXABLE ASSESSED VALUE
Triad of Alabama, LLC	\$ 10,792,880	1	1.10%	9,882,160	1	1.33%
Wayne Farms, LLC / Perdue Farms, Inc.	8,973,120	2	0.92%	3,466,120	8	0.47%
Dothan Pavilion Group, LLC	5,873,380	3	0.60%			
Centurytel of Alabama, LLC	5,646,260	4	0.58%	9,820,600	2	1.32%
CSX Transportation, Inc	5,632,180	5	0.58%	2,915,700	10	0.39%
Wiregrass Electric	5,390,680	6	0.55%			
Alabama Power Company Tax Accounting	5,217,180	7	0.53%			
WMJSHR Investments, LLC	4,862,980	8	0.50%			
Watson & Downs Investments, LLC	4,608,020	9	0.47%	5,196,120	4	0.70%
Health Center Development, LLC	4,045,160	10	0.41%			
Wiregrass Telecom, Inc.				6,224,000	3	0.84%
Inland American Dothan Pavilion, LLC				4,951,300	5	0.67%
Flowers Hospital				4,067,980	6	0.55%
PR Wiregrass Commons, LCC				3,472,640	7	0.47%
Nutcracker Brands/Flavor House Products, Inc.				3,035,960	9	0.41%
Total	<u>\$ 61,041,840</u>		<u>6.24%</u>	<u>\$ 53,032,580</u>		<u>7.15%</u>

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
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 %	2,572	4,006,900	94.42 %
2020	4,321,529	4,070,801	94.20 %	577	4,071,378	94.21 %
2021	4,438,227	4,147,969	93.46 %	1,551	4,149,520	93.49 %
2022	4,891,307	4,238,152	86.65 %	-	4,238,152	86.65 %

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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Accommodation & Food Services	\$ 300,239	\$ 312,830	\$ 482,549	\$ 516,333	\$ 497,075	\$ 383,565	\$ 334,800	\$ 316,583	\$ 226,313	\$ 332,607
Administrative & Waste Mgmt.	4,853	1,829	5,733	28,890	17,194	9,505	18,323	15,611	9,622	21,255
Agriculture, Forestry, Fishing, etc.	587	644	414	464	427	450	455	488	571	545
Arts, Entertainment & Recreation	26,255	34,848	19,283	33,982	18,246	34,884	33,448	12,225	11,594	15,294
Construction	25,163	49,213	17,548	41,704	31,930	27,569	27,755	23,127	16,324	57,421
Educational Services	1,505	4,484	1,911	2,041	1,944	1,848	2,389	2,030	2,755	2,745
Finance & Insurance	13,735	14,762	3,710	4,832	13,591	4,630	4,496	5,919	6,284	161,843
Health Care & Social Assistance	40,657	20,759	22,063	43,759	47,494	30,722	17,578	13,301	23,704	50,816
Information	27,238	23,621	48,227	41,624	34,016	31,406	29,448	27,637	25,601	34,754
Management of Companies	41	67	36	27	26	3,097	292	123	95	52
Manufacturing	106,322	122,218	108,290	111,240	67,043	70,037	78,140	74,975	90,367	457,837
Mining	23	6	90	563	892	957	1,361	1,264	1,164	429
Other Services	64,822	85,159	70,830	100,800	48,377	54,819	57,261	53,271	60,152	94,297
Professional Services	38,199	53,510	49,582	51,593	41,691	37,538	31,675	33,447	32,577	112,790
Public Administration	579	716	703	980	699	1,108	1,083	627	369	1,264
Real Estate & Rental & Leasing	9,521	13,515	7,912	9,007	48,581	14,247	7,465	7,222	6,334	91,789
Retail Trade	1,367,725	1,415,577	1,398,196	1,501,220	1,452,838	1,453,068	1,500,689	1,445,480	1,501,962	2,009,363
Transportation & Warehousing	8,006	6,436	9,787	5,651	11,170	22,551	7,493	9,871	12,616	28,551
Unidentified*	19,662	60,543	40,195	1	-	586	107,268	110,084	177,097	405,698
Utilities	70	42	29	43	81	190	186	432	25	20
Wholesale Trade	182,704	185,190	154,872	167,001	152,871	174,091	183,598	201,265	164,269	664,252
Total	\$ 2,237,906	\$ 2,405,969	\$ 2,441,960	\$ 2,661,755	\$ 2,486,186	\$ 2,356,868	\$ 2,445,203	\$ 2,354,982	\$ 2,369,795	\$ 4,543,622
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>
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%
2020	4.00%	1.00%	4.00%	9.00%
2021	4.00%	1.00%	4.00%	9.00%
2022	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>2022</u>	<u>2013</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	4
Target Corporation	5	9
Home Depot USA, Inc.	6	
Academy, LTD	7	
Winn Dixie Montgomery, LLC	8	5
Dolgencorp, LLC - Dollar General	9	
RK Holdings, LLP - Rural King	10	
Bondys Ford, Inc.		6
Toyota of Dothan		7
Mike Schmitz Automotive Group		8
Solomon Motor Company		10

Source: Avenu Insights and Analytics

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

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

FISCAL YEAR	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES			TOTAL PRIMARY GOVERNMENT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND LEASES	GENERAL OBLIGATION BONDS	NOTES PAYABLE AND LEASES	SEWER BONDS			
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	2.56%	1,600
2020	16,610,832	-	1,262,970	-	81,416,840	99,290,642	2.81%	1,440
2021	15,252,029	-	1,148,546	-	74,157,304	90,557,879	3.57%	1,274
2022	13,856,540	2,302,138	1,031,964	-	66,733,036	83,923,678	N/A	N/A

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			
2013	\$ 24,417,673	\$ 58,844,413	\$ 83,262,086	1.55%	\$ 1,236
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
2020	16,610,832	82,679,810	99,290,642	1.58%	1,397
2021	15,252,029	75,305,850	90,557,879	1.47%	1,272
2022	13,856,540	67,765,000	81,621,540	1.20%	1,147

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

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 16
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2022

	<u>DEBT OUTSTANDING</u>	<u>ESTIMATED PERCENTAGE APPLICABLE*</u>	<u>ESTIMATED SHARE OF DIRECT AND OVERLAPPING DEBT</u>
City of Dothan Direct Debt			
General Bonded Debt and Warrants	\$ 13,856,540	100.00%	\$ 13,856,540
Overlapping Debt			
Houston County	13,741,713	57.38%	7,884,995
Southeast Health	-	57.38%	<u>-</u>
Total direct and overlapping debt			<u><u>\$ 21,741,535</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Houston County Board of Equalization and Assessment. Debt outstanding data provided by Houston County Commission and the Southeast Health. Any debt outstanding for the Southeast Health would be revenue warrants and be 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									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Debt limit*	\$ 190,511,700	\$ 190,557,624	\$ 173,502,148	\$ 179,792,708	\$ 185,456,908	\$ 183,047,356	\$ 187,566,052	\$ 190,655,336	\$ 196,627,152	\$ 215,626,228
Total net debt applicable to limit	<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>	<u>14,963,574</u>	<u>14,249,769</u>	<u>15,819,859</u>
Legal debt margin	<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>	<u>\$ 175,691,762</u>	<u>\$ 182,377,383</u>	<u>\$ 199,806,369</u>
Total net debt applicable to the limit as a percentage of debt limit	3.02%	1.68%	0.81%	0.01%	9.17%	8.93%	8.35%	7.85%	7.25%	7.34%

Legal Debt Margin Calculation for Fiscal Year 2022

Assessed value	\$ 1,078,131,140
Debt limit (20% of assessed value)*	215,626,228
Debt applicable to limit:	
General obligation bonds (Includes unamortized bond premium)	83,923,678
Less: Exempt debt	68,103,819
Less: Amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>15,819,859</u>
Legal debt margin	<u>\$ 199,806,369</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 17.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE 18
PLEDGED-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	
2013	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2014														
2015														
2016														
2017														
2018														
2019														
2020														
2021														
2022														

Notes: The City does not have any pledged revenues.

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

<u>CALENDAR YEAR</u>	<u>POPULATION</u>	<u>PERSONAL INCOME</u> <i>(thousands of dollars)</i>	<u>PER CAPITA PERSONAL INCOME</u>	<u>MEDIAN AGE</u>	<u>EDUCATION LEVEL IN YEARS OF SCHOOLING</u>	<u>SCHOOL ENROLLMENT</u>	<u>UNEMPLOYMENT RATE</u>
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	68,941	2,974,322	43,143	39.0	13.0	8,976	3.20%
2020	71,072	3,229,441	45,349	37.8	13.3	8,197	5.60%
2021	71,175	3,511,988	49,343	37.8	13.3	8,206	3.10%
2022	N/A	N/A	N/A	37.8	13.3	8,655	2.70%

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 usa.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>2022</u>			<u>2013</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	2,322	1	4.99%	2,113	1	5.00%
Dothan (City) & Houston County School Systems	1,973	2	4.24%	1,973	2	4.67%
Wayne Farms (formerly Perdue Farms)	1,306	3	2.81%	800	6	1.89%
Flowers Hospital	1,100	4	2.37%	1,100	3	2.60%
Southern Nuclear (Farley)	950	5	2.04%	860	5	2.04%
City of Dothan	920	6	1.98%	944	4	2.24%
Michelin Tire	550	7	1.18%	542	7	1.28%
AAA Cooper Transportation	425	8	0.91%	425	8	1.01%
SpectraCare Health Systems	400	9	0.86%			
Houston County Government	399	10	0.86%	392	9	0.93%
Twitchell Corporation				387	10	0.92%
Total	<u>10,345</u>		<u>22.24%</u>	<u>9,536</u>		<u>22.58%</u>

*These figures are for Houston County.

Source: Dothan Area Chamber of Commerce, US Bureau of Labor and Statistics, and Alabama Department of Labor

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
<u>Function/Program</u>										
General government										
Administrative services	13	13	13	13	13	12	13	12	16	16
Information systems	16	16	14	11	14	14	14	14	17	19
City clerk	4	4	4	4	4	4	4	4	3	4
Finance	40	45	41	43	43	46	44	41	42	40
Personnel	10	10	10	10	10	10	10	10	10	12
Judicial	13	13	12	13	14	13	14	13	12	13
General services	51	51	54	53	53	57	56	55	48	44
Police										
Officers	158	171	167	164	159	157	169	164	149	174
Civilians	72	69	75	69	74	70	67	70	68	75
Fire										
Firefighters and officers	168	171	171	167	171	170	161	168	181	179
Civilians	3	3	3	3	3	3	3	3	3	3
Refuse collection	80	78	74	71	70	70	67	67	67	69
Other public works										
Engineering	15	18	19	16	16	16	17	19	15	15
Street	43	44	42	42	43	45	45	47	49	48
Traffic	13	13	12	12	12	12	12	15	15	14
Other	0	0	6	6	6	7	7	6	8	7
Planning and development	20	21	20	21	23	23	24	24	28	28
Parks and recreation	63	64	61	62	68	70	70	67	73	75
Performing arts	11	12	12	10	12	10	11	12	9	10
Electric	67	65	63	64	66	68	67	70	72	73
Water	34	36	34	37	38	37	37	40	39	40
Wastewater	50	54	52	51	54	59	60	58	64	60
Total	<u>944</u>	<u>971</u>	<u>959</u>	<u>942</u>	<u>966</u>	<u>973</u>	<u>972</u>	<u>979</u>	<u>988</u>	<u>1,018</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. This chart represent the number of filled authorized positions.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function										
General government										
Building permits issued	4,215	4,888	5,900	5,577	5,718	5,311	5,766	5,511	5,663	5,280
Building inspections conducted	7,051	6,954	6,995	7,155	7,090	7,023	7,019	7,858	8,171	8,583
Police										
Physical arrests	5,034	7,199	7,874	6,198	6,212	6,009	6,622	5,938	6,681	6,058
Parking violations	190	137	75	178	49	121	96	196	49	26
Traffic and non misdemeanor violations	9,466	12,337	12,607	17,625	19,080	18,768	21,449	20,979	15,751	16,904
Fire										
Emergency responses	11,198	11,180	12,205	12,836	13,402	13,815	15,648	15,112	16,241	15,930
Fires extinguished	371	536	396	294	364	284	382	361	309	376
Inspections	2,603	2,167	2,565	2,157	2,177	2,185	2,101	1,947	1,965	2,345
Refuse collection										
Refuse collected (tons per day)	253.82	178.20	118.27	126.89	119.92	155.38	112.36	136.33	128.15	116.54
Recyclables collected (tons per day)	4.15	4.35	5.36	5.94	6.32	9.23	4.49	4.82	7.57	7.25
Other public works										
Street resurfacing (miles)	16	15	10	13	15	11	14	13	12	13
Parks and recreation										
Athletic field permits issued	364	466	345	461	445	301	446	204	198	278
Community center admissions*	106,880	121,097	129,346	110,508	91,606	100,635	90,344	23,230	89,571	91,243
Library										
Volumes in collection - books	183,821	152,920	152,681	136,597	139,796	107,957	104,718	120,980	113,277	114,569
Volumes in collection - audio/video/electronic	8,178	8,048	8,287	15,645	17,723	18,755	19,880	14,283	19,374	21,102
Volumes borrowed	317,074	228,672	288,661	344,397	394,623	488,046	492,926	496,144	161,508	182,189
Water										
New connections	435	185	284	396	442	106	176	612	193	463
Water main breaks	180	154	179	154	167	110	143	96	65	118
Average daily consumption (thousands of gallons)	9,548	11,252	10,406	12,274	13,028	12,019	13,325	13,872	12,638	12,853
Peak daily consumption (thousands of gallons)	20,942	19,439	18,514	20,239	19,656	19,814	24,856	22,944	23,430	20,200
Wastewater										
Average daily sewage treatment (thousands of gallons)	14,437	13,619	10,551	15,475	12,635	11,509	13,223	13,296	13,497	11,160

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

*Includes 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

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Function										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	17	17	17	17	17	17	17	17	17
Fire stations	8	8	8	8	8	8	8	8	8	8
Refuse collection										
Collection trucks	51	51	51	49	49	49	52	49	48	48
Other public works										
Streets (miles)	455	455	455	455	457	457	457	459	462	463
Highways (miles)*	58	58	59	59	59	59	59	59	59	59
Street lights	15,722	15,766	15,847	16,345	17,981	18,021	18,096	18,353	18,675	19,013
Traffic signals	190	190	190	190	190	190	190	190	192	192
Parks and recreation										
Acreage	708	708	708	1,092	1,102	1,102	1,102	1,102	1,114	1,114
Playgrounds	15	15	15	15	16	16	18	18	18	18
Baseball/softball diamonds	31	31	31	31	44	44	44	44	42	42
Soccer/football fields	8	8	8	8	9	9	9	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
Swimming Pools	7	7	7	7	7	7	7	7	7	7
Dog-friendly park		1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	505	507	510	512	514	516	519	521	522	524
Fire hydrants	3,470	3,482	3,499	3,514	3,634	3,648	3,684	3,704	3,821	3,938
Storage capacity (thousands of gallons)	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Wastewater										
Sanitary sewers (miles)	505	505	506	506	510	511	512	518	521	524
Storm sewers (miles)	186	186	187	187	187	188	189	192	195	196
Treatment capacity (thousands of gallons)	22,120	22,120	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



PO Box 6356
Dothan, Alabama 36302

**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***

Independent Auditor's Report

Honorable Mayor and Board of City Commission
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, 2022, 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 10, 2023.

Report on 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) as a basis for designing 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.

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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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.

McDaniel & Associates, P.C.

MCDANIEL & ASSOCIATES, P.C.

Dothan, Alabama

March 10, 2023



PO Box 6356
Dothan, Alabama 36302

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Dothan, Alabama's compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Dothan, Alabama and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Dothan, Alabama's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Dothan, Alabama's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Dothan, Alabama's compliance based on our audit. Reasonable assurance is a high level of assurance but it is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City of Dothan, Alabama's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the City of Dothan, Alabama's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Dothan, Alabama’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City of Dothan, Alabama’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be material weaknesses.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Dothan, Alabama's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City of Dothan, Alabama's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

McDaniel & Associates, P.C.

MCDANIEL & ASSOCIATES, P.C.

Dothan, Alabama

March 10, 2023

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-21	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-22
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:							
<u>Direct Programs:</u>							
Community Development Block Grant - Entitlement	14.218	B-17-MC-01-0010	\$ 435,181	\$ 5,250	\$ 21,041	\$ 21,041	\$ -
Community Development Block Grant - Entitlement	14.218	B-18-MC-01-0010	468,832	6,903	35,000	35,000	-
Community Development Block Grant - Entitlement	14.218	B-19-MC-01-0010	670,663	750	56,279	56,279	-
Community Development Block Grant - Entitlement	14.218	B-20-MC-01-0010	1,224,430	58,991	246,147	246,147	8,399
Community Development Block Grant - Entitlement	14.218	B-21-MC-01-0010	348,942	-	428,112	428,112	68,149
Community Development Block Grant - CV Program		CV-EC-20-013	484,624	-	484,624	484,624	484,624
Total U.S. Department of Housing and Urban Development				<u>71,894</u>	<u>1,271,203</u>	<u>1,271,203</u>	<u>561,172</u>
U.S. DEPARTMENT OF JUSTICE:							
<u>Direct Programs:</u>							
Bulletproof Vest Partnership Grant	16.607	None	21,520	8,877	11,567	11,567	11,567
Community Oriented Policing Services		G02161SLEM	50,000	-	25,270	25,270	-
Edward Byrne Memorial Justice Assistance	16.738	2020-H7406-AL-DJ	42,483	-	12,434	12,434	12,434
Edward Byrne Memorial Justice Assistance	16.738	O-BJA-2021-135004	50,232	-	25,920	25,920	25,920
<u>Passed Through Alabama Law Enforcement Agency:</u>							
US Secret Service Cyber Fraud Task Force			1,000	-	1,000	1,000	-
High Intensity Drug Trafficking Area	95.001	None	16,707	2,148	12,262	12,262	3,919
Total U.S. Department of Justice				<u>11,025</u>	<u>88,453</u>	<u>88,453</u>	<u>53,840</u>
U.S. DEPARTMENT OF TRANSPORTATION:							
Local Impact	20.600	2021-FP-PT-65	-	10,700	-	-	-
Local Impact	20.616	2021-ID-M5-66	-	10,357	-	-	-
Local Impact	20.600	2022-FP-PT-65	80,588	-	80,588	80,588	22,579
Local Impact	20.600	2022-FP-OT--67	4,599	-	4,599	4,599	-
Local Impact	20.616	2022-ID-M5-66	41,613	-	41,613	41,613	17,281
<u>Passed Through State Of Alabama:</u>							
Federal Transportation Alternatives Plan-Sidewalks	20.205	TAPAA-TA21(915)	519,745	-	308,001	308,001	308,001
MPO Grant - Denton Road	20.205	STPOA-9450 (602)	629,251	110,755	223,650	223,650	-
MPO Planning Grant	20.205	None	174,908	44,803	174,908	174,908	174,908
Ross Clark Circle Phase 1	20.205	RPF-NHF-HPPF-PH1	516,600	-	44,210	44,210	44,210
Ross Clark Circle Phase 2	20.205	RPF-NHF-HPPF-PH2	4,791,778	-	65,701	65,701	65,701
Ross Clark Circle Electric Utility Relocation	20.205	RPF-NHF-HPPF	677,895	-	677,895	677,895	249,049
Total U.S. Department of Transportation				<u>\$ 176,615</u>	<u>\$ 1,621,165</u>	<u>\$ 1,621,165</u>	<u>\$ 881,729</u>

(Continued on Page 134)

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM TITLE	ASSISTANCE LISTING NUMBER	PASS-THROUGH GRANTOR'S NUMBER	PROGRAM OR AWARD AMOUNT	ACCRUED OR (DEFERRED) REVENUE AT 10-01-21	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED OR (DEFERRED) REVENUE AT 9-30-22
U.S. DEPARTMENT OF HOMELAND SECURITY:							
<u>Direct Programs:</u>							
Bomb Equipment Grant	97.067	20LET	\$ 12,712	\$ -	\$ 12,712	\$ 12,712	\$ 12,712
<u>Passed through State of Alabama:</u>							
Alabama Mutual Aid System - Houston Co EMA	97.067	20 - 21 FIL	87,930	-	17,902	17,902	17,902
Total U.S. Department of Homeland Security				-	30,614	30,614	30,614
U.S. DEPARTMENT OF AGRICULTURE:							
<u>Direct Programs:</u>							
Urban Tree Canopy Resources	10.664	20-DG-11083101.009	80,178	63,258	1,914	1,914	-
<u>Passed Through State Department of Education:</u>							
Children At Risk Feeding Child and Adult Care Program	10.558	AKZ-0000	1,193,423	202,699	1,193,423	1,193,423	28,386
Total U.S. Department of Agriculture				265,957	1,195,337	1,195,337	28,386
U.S. DEPARTMENT OF THE TREASURY:							
Coronavirus Relief Fund - American Rescue Plan	21.019	None	12,530,000	-	6,219,318	5,863,702	-
Total U.S. Department of the Treasury				-	6,219,318	5,863,702	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:							
Southern Alabama Regional Council On Aging	93.044 / 93.045	17AALT3SS	11,510	-	11,510	11,510	-
Total U.S. Department of Health and Human Services				-	11,510	11,510	-
U.S. DEPARTMENT OF ENERGY:							
<u>Passed Through State of Alabama:</u>							
Energy Efficient Retrofits of Wastewater Treatment Facilities		1SEP21 DOE18	35,000	-	35,000	35,000	35,000
Total U.S. Department of Energy				-	35,000	35,000	35,000
ENVIRONMENTAL PROTECTION AGENCY:							
<u>Passed Through State of Alabama:</u>							
2020 Brownfields Community - Wide Assessment	66.818	00D58117	297,000	8,846	58,399	58,399	-
Total Environmental Protection Agency				8,846	58,399	58,399	-
TOTAL FEDERAL AWARDS				\$ 534,337	\$ 10,530,999	\$ 10,175,383	\$ 1,590,741

THE CITY OF DOTHAN
DOTHAN, ALABAMA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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 of accounting. The Schedule of Expenditures of Federal Awards is also presented on the modified accrual basis of accounting.

2. ENTITY DEFINITION

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

3. ALLOCATION OF INDIRECT COSTS

The City has no indirect cost allocation plan for grants.

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2022

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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
10.558	U.S. Department of Agriculture
14.218	U.S. Department of Housing and Urban Development
20.205	U.S. Department of Transportation

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

Auditee qualified as low-risk auditee? Yes No

THE CITY OF DOTHAN
DOTHAN, ALABAMA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2022

SECTION II

FINANCIAL STATEMENT FINDINGS AND RESPONSES

None Reported

SECTION III

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Finding 2022-001:

Identification of the Federal Program: Assistance Listing Number 10.558—Children At Risk Feeding Child and Adult Care Program (CACFP), United States Department of Agriculture. *Pass-Through Entity:* State of Alabama Department of Education. *Award Number:* AKZ_0000. *Type of Finding:* Material Internal Control Deficiencies.

Criteria: Internal Controls are processes designed to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with laws and regulations.

Condition: In testing the meal distribution and reporting for the CACFP, it was determined that inconsistencies existed with the number of meals reported served and the documentation that was collected during the meal distribution.

Cause: The City's program manager for the CACFP was ineffective in accurately documenting the number of meals distributed. There was inadequate supervision and training of staff associated with the meal distribution procedures.

Effect: The inconsistent and insufficient records for the CACFP prevented the City from filing for reimbursement for meals served during April and May 2022. The City had to absorb expenses for the program in the amount of \$310,772.

Recommendation: The program manager should review with staff all procedures for documentation of meals distributed and ensure procedures are reviewed during the training of staff working in the program.

Views of Responsible Official: Management of the City of Dothan agrees with the finding. The City has conducted an internal review of the program and implemented new procedures to be followed by staff under the direction of the new program manager.

**THE CITY OF DOTHAN
DOTHAN, ALABAMA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2022**

RE: FEDERAL FINDINGS AND QUESTIONED COSTS
Finding 2022-001

U.S. DEPARTMENT OF AGRICULTURE:

Passed Through State Department of Education: Children At Risk Feeding Child and Adult Care Program

Assistance Listing Number: 10.558

Pass-Through Grantor's Number: AKZ-0000

While internal controls are designed to provide reasonable assurance that operations are effective and reliable, there are certain areas that require further review. It was determined that inconsistencies existed in records that were required for proper grant administration. Due to inadequate supervision of the program, inconsistent and insufficient records were used in the reimbursement filing process. The City of Dothan has implemented procedures to avoid any future issues or discrepancies with expenses and reporting for the program. The Finance Department will review any monthly reports and corresponding general ledger account numbers for accuracy and consistency with the amounts provided in the monthly filings prior to submission to the Department of Education. The new program manager has reviewed all grant requirements and relevant forms required for proper grant administration. Training has also been provided to the City's staff tasked with administering the program moving forward.