

THE CITY OF DOTHAN, ALABAMA

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ending September 30, 2022



MARK SALIBA, MAYOR

District Commissioners

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

Kevin A. Cowper, City Manager



To the Citizens of Dothan!

Understanding today's governmental financial statements can prove to be difficult. In an effort to provide our citizens with an easy to read financial report of the City of Dothan's finances, we are pleased to present the Popular Annual Financial Report (PAFR) for fiscal year ended September 30, 2022. This report represents Dothan's ongoing commitment to increase our level of operational productivity and accountability. As we strive to keep citizens informed about the City's financial position, we understand the importance of being accountable for the receipt and expenditure of public funds.

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mark Saliba".

Mark Saliba, Mayor



INTRODUCTION

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

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

Dothan currently operates under a Mayor/Commission/City Manager form of government. The Mayor is elected at-large, and the six (6) Commissioners are elected from six (6) single-member districts, for concurrent terms of four (4) years. This Board of Commissioners serves part-time and is responsible for adopting all legislative ordinances and establishing policies to guide the various City departments in providing services to citizens, including the appropriation of all monies.

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

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

There are 1,376 authorized positions (1,106 full time, 48 part time and 222 seasonal) of which 1,227 are currently filled (1,018 full time, 36 part time and 173 seasonal) and those employees staff the departments, producing high-quality and cost-effective public services.



Rip Hewes Stadium



Water World



Memorial Trail



US Highway 84 West



Dothan Fire Department

ABOUT THIS FINANCIAL REPORT

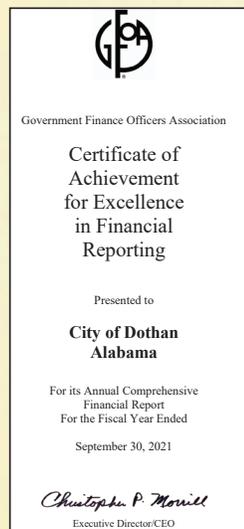
As part of our continuous effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2022 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and is drawn from information found in the Annual Comprehensive Financial Report (ACFR). The ACFR is prepared in conformance with Generally Accepted Accounting Principles (GAAP) and includes financial statements audited by McDaniel & Associates, PC.

Unlike the ACFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the ACFR includes the presentation of individual funds, as well as, full disclosure of all material events, financial and non-financial, in the notes to the financial statements. Dothan's ACFR can be viewed by the public at City Hall, at the Public Library and online at <https://www.dothan.org/DocumentCenter/View/9102>.

AWARDS

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

- Certificate of Achievement for Excellence in Financial Reporting for the ACFR for the year ended September 30, 2021 (thirty-nine consecutive years, 1983 - 2021).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the PAFR for the year ended September 30, 2021 (eighteen consecutive years, 2004 - 2021).



FINANCIAL HIGHLIGHTS

- The City's *combined* net position (difference between assets and deferred outflows and liabilities and deferred inflows in governmental and business-type activities) at September 30, 2022, totaled \$222,793,035 as follows: \$274,786,685 in net investment in capital assets (difference between the capital asset and the outstanding debt incurred to finance those capital assets), \$1,520,201 restricted (resources that are constrained by legislation to a particular purpose) and a deficit unrestricted net position of \$53,513,851.
- Total revenues for all governmental funds were \$125,956,031 and total spending was \$134,064,847. The fund balances (the excess of what is owned over what is owed ~ assets minus liabilities/debt) for these funds were \$85,828,533 in FY 2022 compared to \$72,912,945 in FY 2021.
- Total revenues for business-type activities (Utility and Solid Waste) at the end of FY 2022 were \$143,337,786 and total spending was \$123,165,274. Total net position was \$173,589,707 in FY 2022 as compared to \$174,391,969 in FY 2021.
- The City of Dothan adopts a biennium budget for its general,

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

GENERAL FINANCIAL INFORMATION

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

GOVERNMENTAL FUNDS

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

PROPRIETARY FUNDS

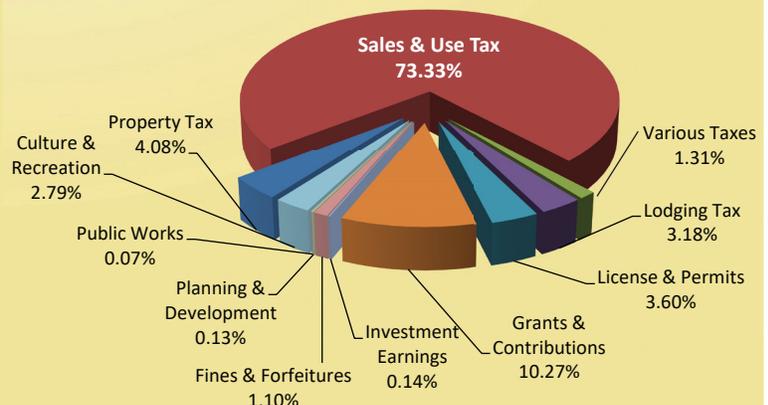
Proprietary Funds account for activities the City operates similar to private businesses. The City of Dothan has two proprietary funds: the Utility Fund (Electric, Water, Wastewater/Sewer and Combined Activities) and the Solid Waste Fund (Solid Waste Collections and Landfill Operations).

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

GOVERNMENTAL FUNDS' FINANCIAL ACTIVITIES

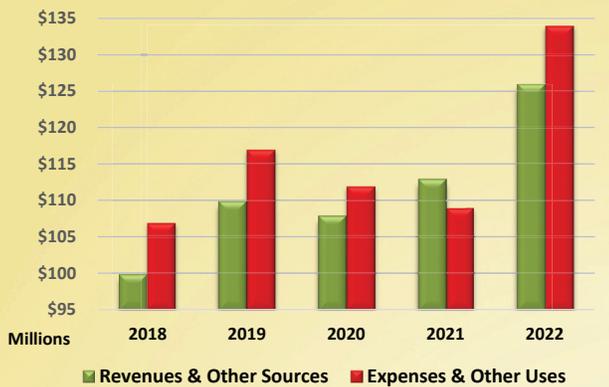
At September 30, 2022, the City's governmental funds reflected a combined fund balance of \$85,828,533, a \$12,915,588 increase from the previous year at \$72,912,945. These financial activities comprise the major changes in governmental fund balances:

FY 2022 GOVERNMENTAL REVENUES



GOVERNMENTAL REVENUES

Total revenues for the governmental funds (\$125,956,031) showed an increase of \$13,094,023 or 11.60% over the prior year (\$112,862,008).



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

- In FY 2022, sales tax collections totaled \$92,496,704 which was \$6,715,427 (7.83%) over FY 2021 amount of \$85,781,277. Dothan's metro area services an estimated 425,000 people within a 50-mile radius and is a hub for dining, shopping, recreation, industry and medical services for surrounding towns and rural areas. Various other taxes had a net increase of \$530,983.
- Total cash and investments of \$85,633,417 for FY 2022 reflected an increase of \$9,272,975 (12.14%) over \$76,360,442 in FY 2021.

CITY OF DOTHAN SALES & USE TAX



GOVERNMENTAL EXPENDITURES

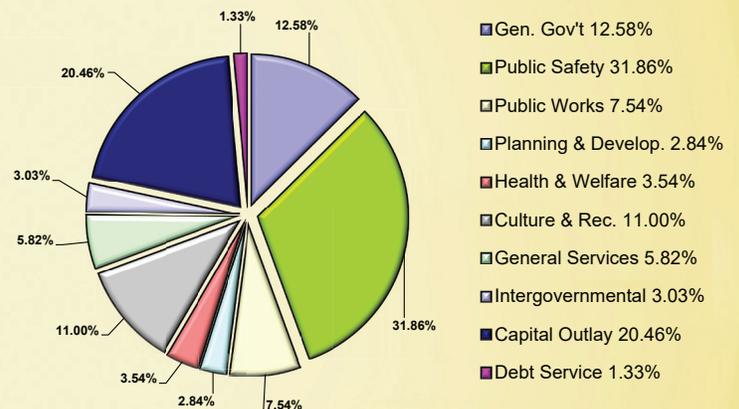
Total governmental expenditures increased by \$25,442,639 (23.42%) in FY 2022 (\$134,064,847) from FY 2021 (\$108,622,208). The major contributing factors that resulted in this net increase include:

- City departments experienced a \$12,632,453 net increase as follows: (General Admin) downtown improvements and computer equipment; (Public Safety) uniforms and equipment; (Public Works) resurfacing and storm drainage; (Planning & Development) neighborhood clean-up and Community Development Block Grant distribution; (Culture and Recreation) chemicals and items for resale; (General Services)

legal; and city-wide increase in fuel and salaries and benefits from cost of living and performance adjustments.

- Health and Welfare increased \$767,680 which was a result of a change in appropriations to various agencies.
- Intergovernmental decreased by \$99,878 due to a decrease in property insurance for Dothan City Schools and salaries for school crossing guards.
- Capital outlay increased by \$12,129,384 due to the increase in recreational facility improvements at Rip Hewes Stadium and Water World, city-wide vehicle replacement, computer software, cardiac monitors and hazmat monitoring equipment, which was offset by a decrease in roadway improvements and public safety radio communication equipment.
- Principal retirement, interest and fiscal charges on long-term debt increased \$13,000.

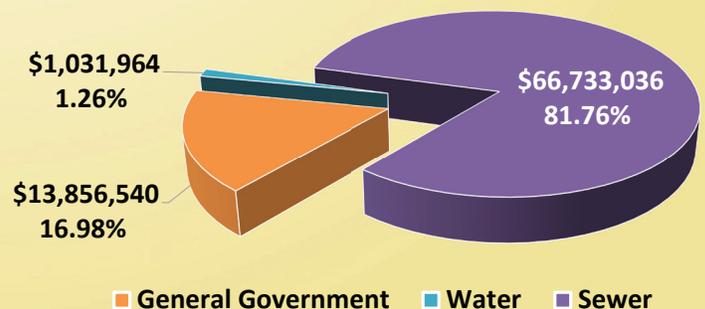
FY 2022 GOVERNMENTAL FUND EXPENDITURES



LONG-TERM DEBT

As of the fiscal year end, the City had \$81,621,540 in long-term debt outstanding compared to \$90,557,879 in 2021 (\$8,936,339 or 9.87%).

OUTSTANDING DEBT AS OF SEPTEMBER 30



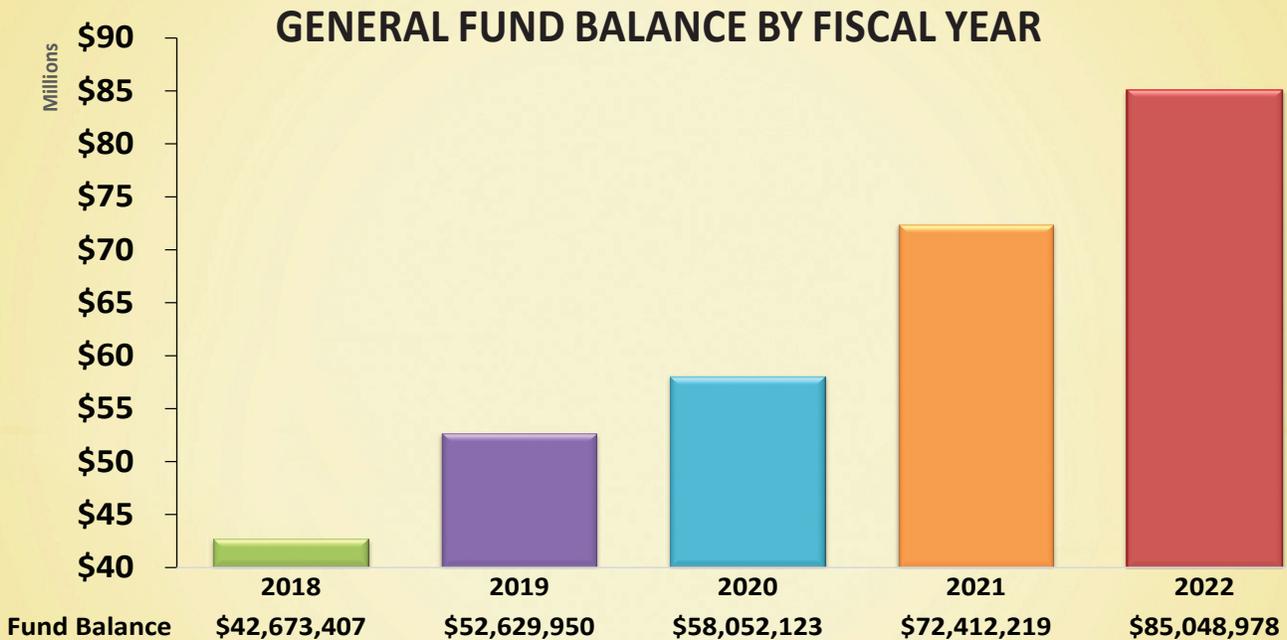
Principal payment on debt will (a) reduce current assets and reduce long-term debt and (b) reduce unrestricted net assets and increase net investment in capital assets.

GENERAL FUND

FUND BALANCE

A key measure of the City's overall financial health is fund balance. Fund balance is the difference between assets and liabilities. The General Fund reported a fund balance at September 30, 2022, of \$85,048,978, an increase of \$12,636,759 (17.45%) in comparison with the prior year which totaled \$72,412,219. Governmental Funds' combined ended fund balances were \$85,828,533 compared to 2021 at \$72,912,945 producing a \$12,915,588 (17.71%) increase. Of this fund balance, \$20,510,227 constitutes the unassigned fund balance, which is available for spending at the government's discretion (referred to as *unassigned fund balance*). 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 chart below provides fund balance comparisons:



GENERAL FUND EXPENDITURES

General Fund expenditures totaling \$128,218,760 increased \$25,596,868 (24.94%) from 2021 at \$102,621,892. The City made a conscious effort to monitor the cost of goods and supplies due to inflation and the budget was closely monitored. Filling of vacated staff positions was still approved on a case-by-case basis. The City cautiously purchased essential vehicles and equipment and addressed the most pressing building or facility maintenance/repair needs.

Increases or decreases for major functions are as follows:

MAJOR FUNCTIONS	AMOUNT	PERCENT OF TOTAL	INCREASE (DECREASE) OVER 2021
General Government	\$ 16,870,808	13.16%	\$ 3,161,681
Public Safety	42,711,615	33.31%	3,994,367
Public Works	10,105,776	7.88%	306,753
Planning & Dev.	3,812,192	2.97%	718,814
Health & Welfare	4,741,289	3.70%	767,680
Culture & Recreation	14,745,465	11.50%	1,218,227
General Services	7,802,415	6.09%	3,232,611
Capital Outlay	27,429,200	21.39%	12,196,735
TOTAL	\$128,218,760	100.00%	\$ 25,596,868

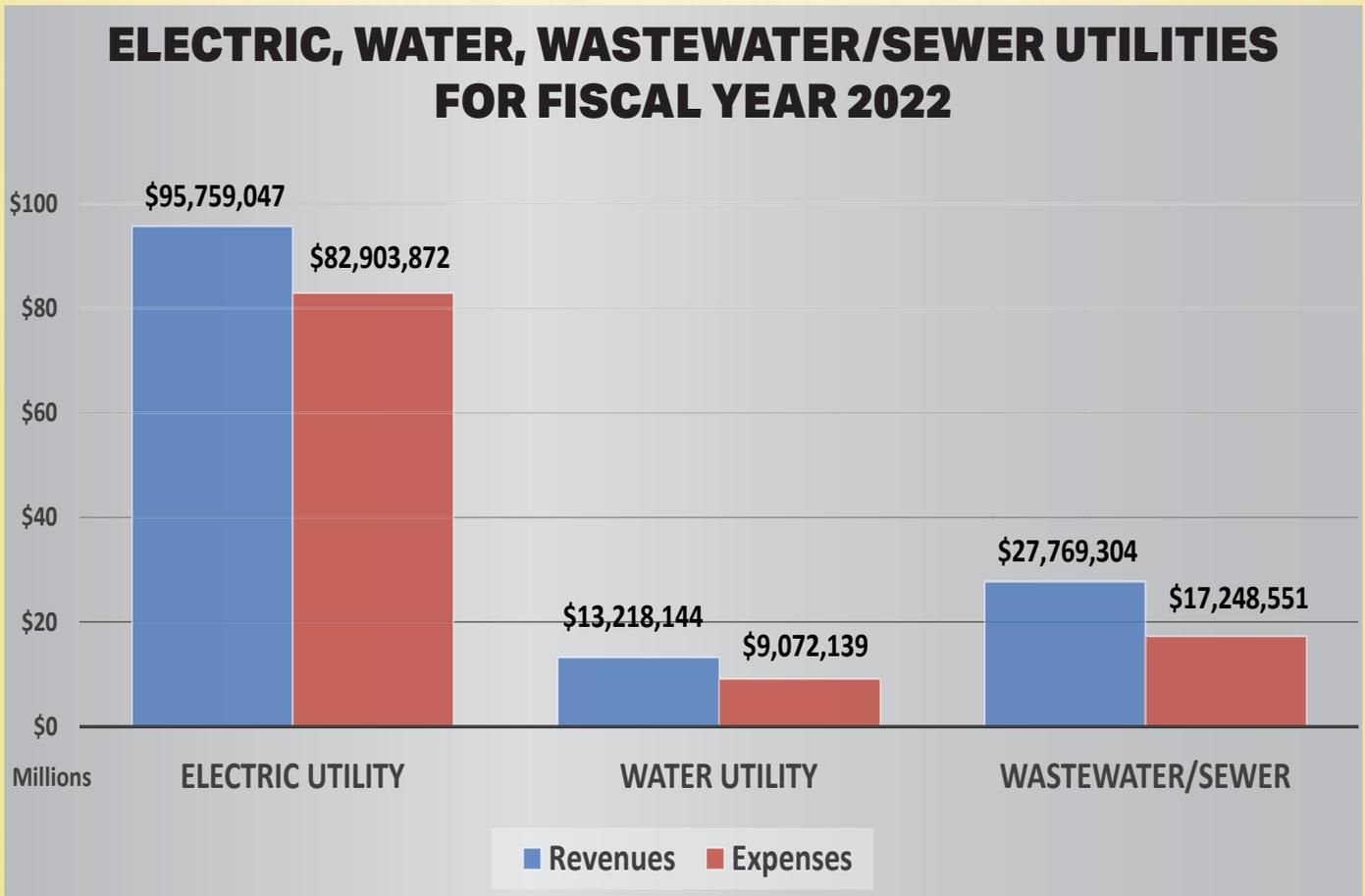
UTILITY FUND

The City's Utility Fund has a customer base of approximately 39,415 electric, water, and wastewater/sewer customers. The largest utility revenue source comes from electric power sales. The gross income on electric sales for FY 2022 totaled \$22,675,869 compared to last year's amount of \$25,064,788. FY 2022's net income from electric sales totaled \$12,855,175 (excludes capital outlay). Electric rates have remained constant since the last rate increase effective January 2016. An increase in wholesale fuel adjustments contributed to the decrease in income for FY 2022.

Each October the water rates increase 2.85%. This additional revenue over the years has allowed the City to pay the debt on wells, as well as fund upgrades on transmission lines and maintenance on the existing wells. FY 2022's net income from water sales totaled \$4,146,005 (excludes capital outlay).

In September 2009, a sewer rate increase was implemented, and rates were adjusted \$.75 per thousand gallons of metered water for five years and 2.85% thereafter. However, the additional funds from this rate increase were not sufficient to offset the cost of the debt service on required sewer improvements; therefore, in December 2015, the Commission approved a revised annual rate increase of \$.25, \$.50, \$.30, \$.35 and \$.30 for years 2016-2019 and then increase by 2.85% each October thereafter. FY 2022's net income from sewer sales totaled \$10,520,753 (excludes capital outlay).

Electric, water, and wastewater/sewer operations, excluding capital outlay, for FY 2022 are reflected as follows:



BOND RATING

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

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

In November 2022, Moody’s Investors Service affirmed the Issuer Rating of Aa2 for the City of Dothan and in June 2014, Standard and Poor’s Global Ratings Services upgraded the City of Dothan’s bond rating from AA- to AA. The increase was based on the rating agency’s view of the “city’s historically very strong budgetary flexibility and liquidity.” The bond rating can affect the cost of borrowing funds in the future.

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

Any rating below a “B” rating is extremely vulnerable and possibly in default status with little prospect for recovery and questionable ability to meet obligations.

ECONOMIC GROWTH

The City relies on taxes (sales, property, gasoline, etc.), fees (license and permits), and fines (public safety) for their governmental activities. In the business-type and certain governmental activities (electric, water, sewer, garbage, recreational programs, etc.), the user pays a related fee/charge associated with the service. Revenue sources have a direct bearing on the City’s ability to improve and expand city services, which encourages development (office, retail, residential and industrial) to choose to be located in the jurisdiction. The City’s sales tax continues to show significant growth over the previous fiscal years and the local economy continues to improve with unemployment for Dothan currently at 2.5%.

The City places significant emphasis on both economic development/recruitment and job growth. In 2022, HudsonAlpha Institute for Biotechnology Wiregrass and the City announced a public-private

partnership. The project will focus on education, agricultural research, and economic development.

Principal employers are as follows:

PRINCIPAL EMPLOYERS

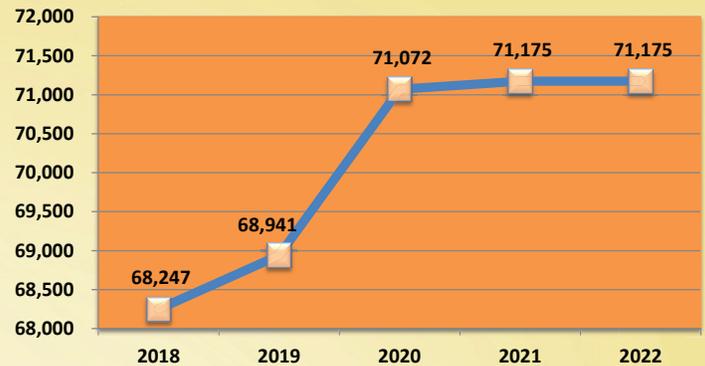
1. Southeast Health
2. Dothan (City) & Houston Co. Schools
3. Wayne Farms
4. Flowers Hospital
5. Southern Nuclear (Farley)
6. City of Dothan
7. Michelin Tire
8. AAA Cooper Transportation
9. SpectraCare Health Systems
10. Houston County Government

The Dothan City Commission and its partners are continuing their efforts to revitalize downtown. The “City Center” is a revitalization plan that reimagines the heart of downtown Dothan into a

TREND DATA

Population Trends

(Estimates Obtained from U.S. Census Bureau)



Unemployment Rate

(Obtained from AL Dept of Industrial Relations)



vibrant, mixed-use destination where residents and visitors can enjoy the arts and entertainment.

The City continues to monitor available revenue and has addressed the most pressing needs. Major design/construction projects in 2022 were as follows: Dothan’s City Center; Water World Expansion; Rip Hewes Stadium Renovations; Memorial Trail Addition; Sanitary Sewer Improvements; Water Main Replacements; and Utility Relocation for Ross Clark Circle Widening.

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

Direct any questions about this financial report to:

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