

# The City of Dothan, Alabama



## Popular Annual Financial Report

Fiscal Year Ending September 30, 2006

*To the Citizens of Dothan!*

*I am pleased to present the Popular Annual Financial Report (PAFR) for the City of Dothan. This financial report contains a brief summary and explanation of the City's receipts and expenditures, as well as, an overview of significant trends and projects throughout the City.*



*The City of Dothan is truly putting into practice the standard of accountability where we ensure what we do is visible to all our citizens. From paper clips to pumper trucks we know that every penny is of vital importance. The recent implementation of "Pennies for Progress", a branding campaign to educate residents on the benefits of the additional one-cent sales tax, is one of many ways your government is demonstrating good management of tax dollars.*

*The Dothan City Commission is proud to serve the citizens of Dothan and consider this report to be a notable achievement as we seek to increase the level of accountability offered to our taxpayers. Our Finance Department, led by Finance Director Angela Palmer, has done an admirable job in preparing a financial report designed around the needs of our citizens. By setting high standards of financial accountability through the publication of this report, we believe the financial operations of the City of Dothan will continue to support our mission.*

*I hope you will take the time to review this report. Feel free to contact me with any questions or comments at (334) 615-3111. I welcome your feedback.*

*Sincerely,*

**Pat Thomas**  
Mayor

### District Commissioners

- |                   |                    |
|-------------------|--------------------|
| 1. Larry Matthews | 4. Jason Rudd      |
| 2. Amos Newsome   | 5. Taylor Barbaree |
| 3. Paul Lee       | 6. Phillip Tidwell |

**Michael K. West, City Manager**

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### **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 single member districts, for staggered terms of four (4) years. This Board of Commissioners serve part-time and are 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.

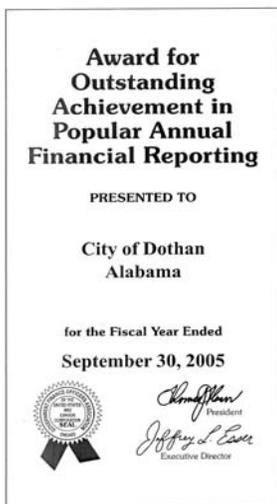
The Mayor, who is a member of the Board of Commissioners, is the City's chief executive officer. The City Manager is the administrative head of the city government and is responsible for directing and managing the daily activities of the City and implementing the policies of the Board of Commissioners. The City's departments include: General Administrative (Mayor/Commissioners, City Manager, EEO, Public Relations & Legal), Information Technology, Judicial, City Clerk, Finance (Accounting, Utility Services/Meter Reading & Utility Collections), Personnel (Human Resources), Police, Fire, Public Works (Engineering, Street & Environmental Services, Planning & Development (Permitting, Inspections and Zoning) Leisure Services, Performing Arts, General Services (Liability & Workers' Compensation Insurance, Purchasing, Internal Analyst, Facility & Fleet) and Dothan Utilities (Electric, Water & Sewer). There are 1199 authorized positions (992 full time, 54 part time and 153 seasonal) of which 1078 are currently filled (937 full time, 39 part time and 102 seasonal) and those employees staff these departments, producing high quality and cost-effective public services.

## 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 2006 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and was drawn from information found in the Comprehensive Annual Financial Report (CAFR). The CAFR was prepared in conformance with generally accepted accounting principles (GAAP) and includes financial statements audited by McClintock, Nelson & Associates, P.C.

Unlike the CAFR, the PAFR is unaudited and presented on a non-GAAP basis. The GAAP basis presentation in the CAFR includes the City's component units and the presentation of individual funds, as well as, full disclosure of all material events, financial and non-financial, in the notes to the financial statements. Dothan's CAFR can be viewed by the public at City Hall, at the Public Library and online at [www.dothan.org/depts/finance/2006CAFR.htm](http://www.dothan.org/depts/finance/2006CAFR.htm).

## 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 CAFR for the year ended September 30, 2005 (twenty-three consecutive years 1983 - 2005).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the PAFR for the year ended September 30, 2005 (two consecutive years).

## FINANCIAL HIGHLIGHTS

- The City's *combined* net assets (difference between assets and liabilities in proprietary, fiduciary & government-wide statements) at September 30, 2006 totaled \$144.6 million.
- Total revenues for all governmental funds were \$65,307,651 and total spending was \$77,741,554. The net difference was decreased by transfers from the business-type activities. Net assets for these funds were \$68,932,652 in FY 2006 and \$66,193,626 in FY 2005.
- Total revenues for business-type activities (Utility and E-911) at the end of FY 2006 were \$94,441,824 and total spending was \$84,850,825. Total net assets were \$75,670,129 as compared to \$76,077,385 in FY 2005.
- The City of Dothan adopts a biennial operating budget for its general, debt service, capital projects, school and utility funds. In addition, a capital or supplemental budget is adopted no later than March 20<sup>th</sup> 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 and Sewer) and the E-911 Fund.

### FIDUCIARY FUNDS

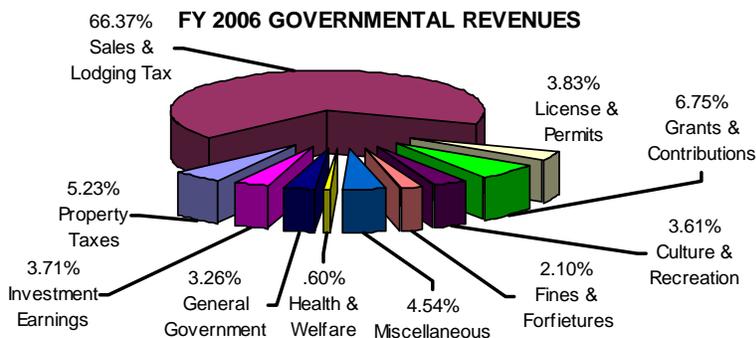
Fiduciary Funds convey information about financial relationships in which the City acts solely as a trustee for the benefit of others. The City of Dothan has one fiduciary fund: Employee Retirement Fund.

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

## GOVERNMENTAL FUNDS' FINANCIAL ACTIVITIES

At September 30, 2006 the City's governmental funds reflected a combined fund balance of \$29.4 million, a decrease from the previous year at \$31.8 million. These financial activities comprise the major changes in governmental fund balances:

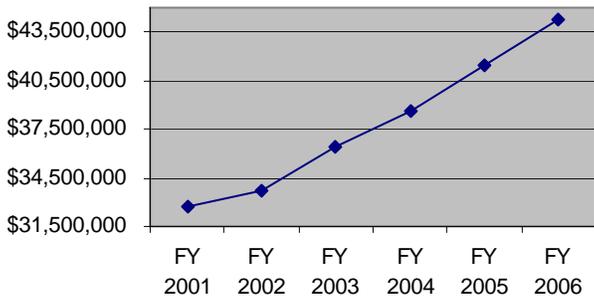
### GOVERNMENTAL REVENUES



Total revenues for the governmental funds (\$65,307,651) showed an increase of 5.33% or \$3,306,107 over the prior year. The increase was primarily due to the growth in sales tax. Dothan's metro area services an estimated 515,000 people within a 50 mile radius. The City serves as a hub for dining, shopping, recreation, industry and medical provider for surrounding towns and rural areas.

- Property taxes increased by \$248,889 (7.63%). Growth in property taxes results from expansion of the city limits through annexations, as well as, increases in property values.
- Grant revenues and contributions totaled \$2,729,560 compared to fiscal year 2005 at \$1,867,593 reflecting a \$861,967 (46.15%) increase. Dothan strives to maintain an aggressive grant application strategy.
- In fiscal year 2006, sales and lodging tax collections totaled \$44,598,594 which was \$2,992,909 (7.19%) over fiscal year 2005's amount of \$41,605,685.

**Sales Tax History**

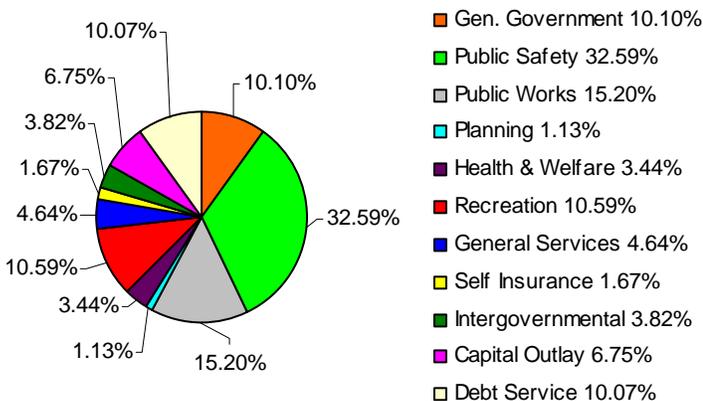


**GOVERNMENTAL EXPENDITURES**

Total governmental expenditures (\$77,741,554) increased by \$11,064,762 (16.59%) in fiscal year 2006 from 2005. The major contributing factors of the increase include:

- Additional debt service payments (\$4 million increase) made in FY 2006 due to a refunding of debt in FY 2005.
- The City expended additional sales tax revenues for rolling fleet and equipment (\$3 million increase).

**FY 2006 GOVERNMENTAL FUND EXPENDITURES**

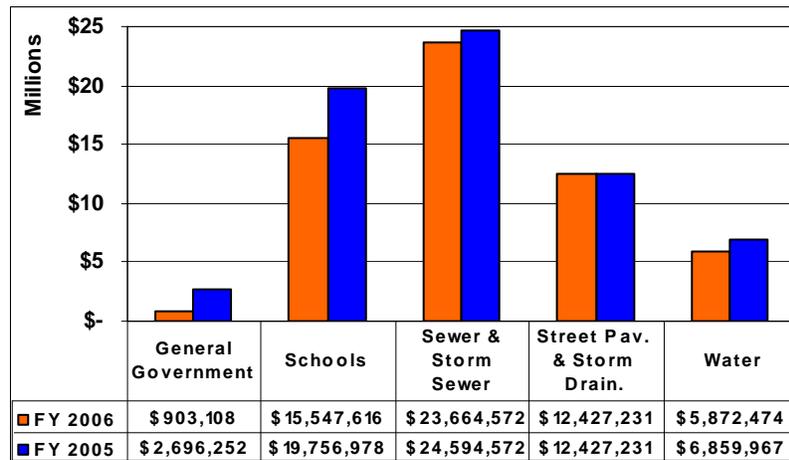


**LONG-TERM DEBT**

As of the fiscal year end the City had \$58,415,000 in long-term debt outstanding compared to \$66,335,000 last fiscal year end; thus reflecting a decrease of \$7,920,000 (11.94%) from the previous fiscal year.

**Outstanding Debt**

2006 = \$58,415,000 2005 = \$66,335,000



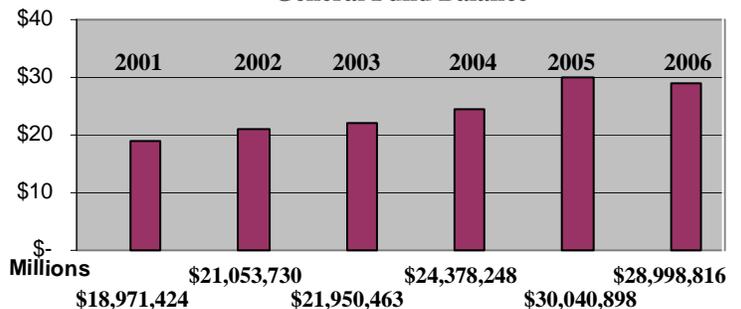
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**THE GENERAL FUND**

**FUND BALANCE**

Fund balance is the excess of what is owned (assets) over what is owed (debts or liabilities). The City Manager set a goal for maintaining the unreserved fund balance in the General Fund at not less than 8% of the budgeted expenditures. The City has consistently exceeded this goal. The General Fund reported a fund balance at September 30, 2006 of \$28,998,816 a decrease of \$1,042,082 (3.47%) in comparison with the prior year which was in the amount of \$30,040,898 (Governmental Funds' combined ending fund balances totaled \$29,433,309). The decrease in fund balance was directly related to the capital purchases the city made to automate the garbage pickup and to provide each household with a 95 gallon garbage can. Approximately \$23,526,978 of the fund balance is available for spending at the government's discretion (referred to as unreserved fund balance). The City additionally, maintains an 8% utility fund reserve to be utilized in the event of natural disaster or unexpected economic decline. The chart below provides fund balance comparisons:

**General Fund Balance**



**GENERAL FUND EXPENDITURES**

General Fund expenditures in the amount of \$66,333,509 increased 11.76% from 2005 (\$59,353,280). This increase resulted from capital purchases required to implement the automated garbage system, the cost of living adjustments for employees and purchases of much needed vehicles and equipment which had been under funded in previous years; thus, giving merit to an increase in sales tax for future equipment, resurfacing, capital improvements, etc.

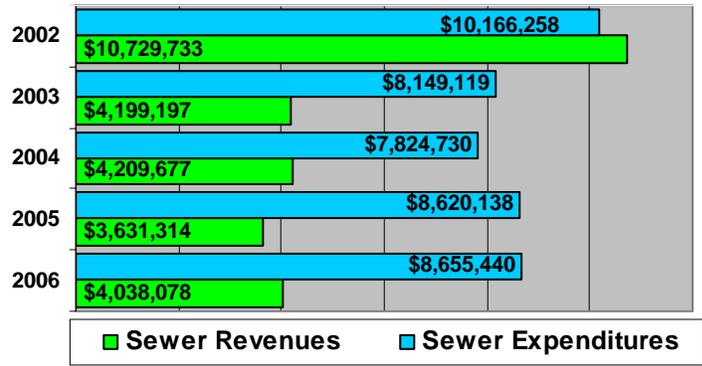
Increases or decreases for major functions are as follows:

| Major Functions      | Amount              | Percent of Total | Increase (Decrease) over 2005 |
|----------------------|---------------------|------------------|-------------------------------|
| General Government   | \$ 7,849,147        | 11.83%           | (\$1,060,845)                 |
| Public Safety        | 25,336,606          | 38.20%           | 2,129,700                     |
| Public Works         | 11,203,232          | 16.89%           | 52,510                        |
| Planning & Dev.      | 878,832             | 1.32%            | 878,832                       |
| Health & Welfare     | 2,671,928           | 4.03%            | 199,345                       |
| Culture & Recreation | 8,237,035           | 12.42%           | 804,734                       |
| General Services     | 3,611,188           | 5.44%            | 207,508                       |
| Insurance            | 1,298,190           | 1.96%            | 545,713                       |
| Capital Outlay       | 5,247,351           | 7.91%            | 3,222,732                     |
| <b>Total</b>         | <b>\$66,333,509</b> | <b>100.00%</b>   | <b>\$6,980,229</b>            |

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**THE UTILITY FUND**

The City’s Utility Fund has experienced steady growth and the customer base has grown to approximately 34,500 electric, water and sewer customers. The largest utility revenue source comes from the sale of electric power. The gross profit on electric sales for FY 2006 totaled \$16,889,262 which was \$486,131 over last year’s amount of \$16,403,131. FY 2006’s net profit from electric sales totaled \$8,860,306.



**BOND RATING**

The City maintains an “A+” rating from Standard and Poor’s and an “A1” rating from Moody’s Investors Service for general obligation debt.

**ECONOMIC GROWTH**

In October 2005, area officials from the Dothan region came together to undertake a comprehensive planning effort that allowed citizens, elected leaders and business owners to identify the key issues to address in order that continued improvements could be made in the Wiregrass area. The final result was the ENVISION Community Strategic Plan, bringing together community volunteers from the Wiregrass Foundation, Dothan Area Chamber Foundation, City of Dothan, Houston County and the Dothan Area Chamber of Commerce as significant partners. The Wiregrass Foundation, responding to a request from the Chamber Foundation, retained the services of Market Street Service Inc., a nationally recognized, Atlanta-based economic, community and workforce development firm, to conduct the Strategic Plan. The firm developed the plan through:

**Competitive Assessment** - Extensive quantitative and qualitative analyses was conducted to assess the Wiregrass region in four primary components of business climate: education and workforce development, infrastructure, business costs and quality of life. Our region was compared to three benchmark communities.

**Community Input** - Feedback was received via an online and paper survey, focus groups and interviews to identify key issues of local concern.

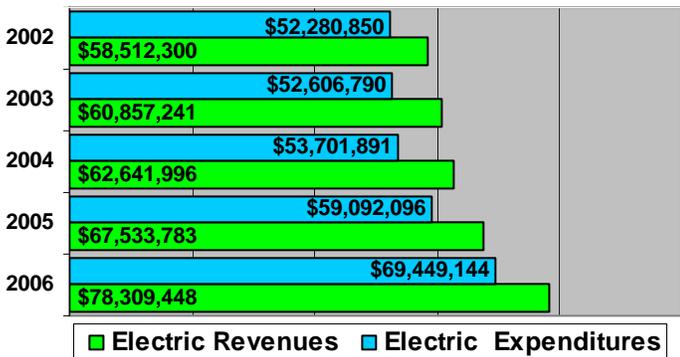
In conjunction with this planning effort the City Commission derived a strategic plan which defined many aspects for the “Pennies for Progress” campaign. Both plans identified the key issues to be addressed and outlined specific, detailed goals, objectives and action steps for the community to take in order to achieve its ideal future.

Direct any questions about this financial report to:

**Angela Palmer, Finance Director**

**P. O. Box 2128  
Dothan, Al 36302**

**Phone: (334) 615-3140  
atpalmer@dothan.org**



Water and Sewer revenues and expenditures are reflected in the following tables:

