



THE CITY OF DOTHAN, ALABAMA

POPULAR ANNUAL FINANCIAL REPORT

Fiscal Year Ending September 30, 2008

Pat Thomas, Mayor

DISTRICT COMMISSIONERS

- | | |
|-------------------|--------------------|
| 1. Larry Matthews | 4. John Craig |
| 2. Amos Newsome | 5. Taylor Barbaree |
| 3. Paul Lee | 6. Keith Seagle |

Michael K. West, City Manager

To the Citizens of Dothan!

Understanding today's financial world can prove to be a difficult task. In an effort to provide our citizens with an easy to read financial report of the City of Dothan's finances, we are pleased to present the Popular Annual Financial Report (PAFR) for fiscal year ending September 30, 2008. 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 Angela Palmer, 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,

Pat Thomas, 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 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 & Zoning), Leisure Services, Performing Arts, General Services (Liability & Workers' Compensation Insurance, Purchasing, Internal Analyst, Facility & Fleet) and Dothan Utilities (Electric, Water & Sewer). There are 1225 authorized positions (1010 full time, 54 part time and 161 seasonal) of which 1122 are currently filled (966 full time, 40 part time and 116 seasonal) and those employees staff the departments, producing high quality and cost-effective public services.

ABOUT THIS FINANCIAL REPORT

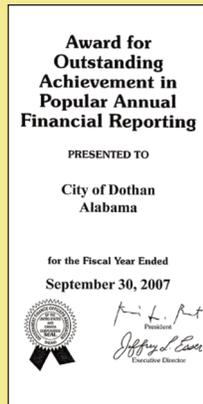
As part of our continuous effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2008 Popular Annual Financial Report (PAFR). The PAFR is a summary of the financial activities of the City's governmental funds and was drawn from information found in the Comprehensive 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 <http://www3.dothan.org/docs/PAFR2008.pdf>.

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, 2007 (twenty-five consecutive years 1983 - 2007).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the PAFR for year ended September 30, 2007 (four consecutive years).



FINANCIAL HIGHLIGHTS

- The City's *combined* net assets (difference between assets and liabilities in proprietary, fiduciary & government-wide statements) at September 30, 2008 totaled \$166,411,697 as follows: \$130,371,430 in capital assets net of debt and \$36,040,267 unrestricted.
- Total revenues for all governmental funds were \$91,949,328 and total spending was \$98,022,048. The fund balance for these funds was \$36,698,529 in FY 2008 and \$39,767,483 in FY 2007.
- Total revenues for business-type activities (Utility and E-911) at the end of FY 2008 were \$110,380,633 and total spending was \$102,257,626. Total net assets were \$75,174,923 as compared to \$70,047,307 in FY 2007.
- 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 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 and Sewer) and the E-911 Fund.

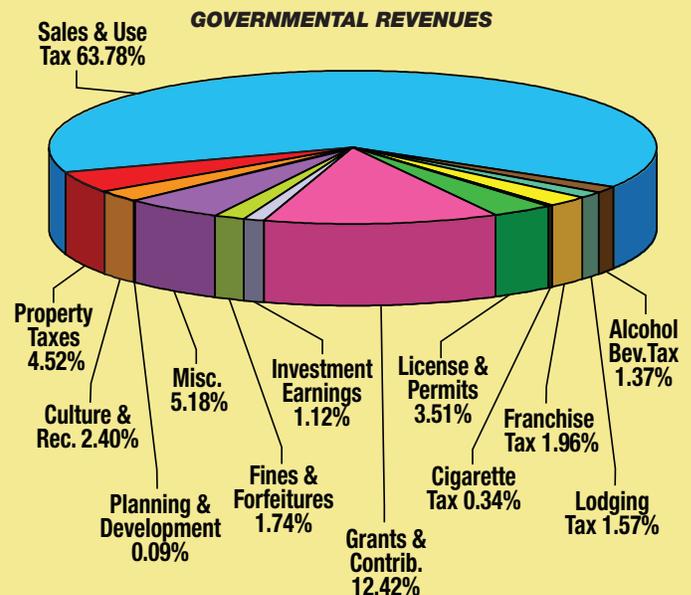
FIDUCIARY FUNDS

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, 2008 the City's governmental funds reflected a combined fund balance of \$36.7 million, a \$3.1 million decrease from the previous year at \$39.8 million. These financial activities comprise the major changes in governmental fund balances:



Total revenues for the governmental funds (\$91,949,328) showed an increase of 14.75% or \$11,820,404 over the prior year. This was mostly due to an increase in grants and contributions (primarily a \$6.2 million Metropolitan Transportation Planning Grant - MPO) for the Westgate road widening and the sales tax increase (See Chart Below).

- Property taxes in 2008 totaling \$4,147,863 increased by \$291,629 (7.56%) from 2007 at \$3,856,234.
- Grant revenues and contributions totaled \$11,380,418 compared to fiscal year 2007 at \$4,010,609 reflecting a \$7,369,809 (183.76%) increase. Dothan strives to maintain an aggressive grant application strategy.
- In fiscal year 2008, sales tax collections totaled \$58,453,155 which was \$3,828,777 (7.01%) over fiscal year 2007's amount of \$54,624,378. Dothan's metro area services an estimated 525,000 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.

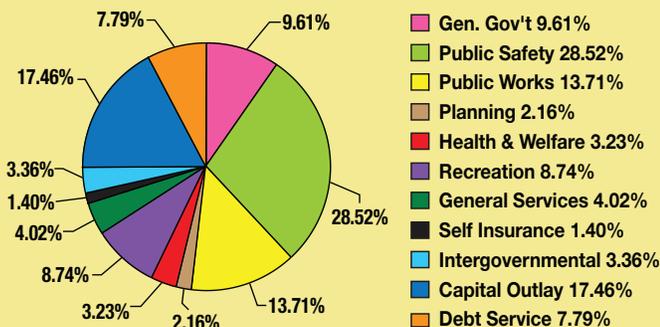


GOVERNMENTAL EXPENDITURES

Total governmental expenditures (\$98,022,048) increased by \$3,418,710 (3.61%) in fiscal year 2008 from 2007. The major contributing factors of the increase include:

- Sales tax revenues were expended for capital projects, such as rolling fleet (primarily police vehicles), equipment, bridge repair, resurfacing, and other infrastructure needs (\$3 million increase).
- The City gave general wage increases (\$1.7 million).
- Debt service payments increased (\$2 million) largely due to the following: a warrant issue for \$9.5 million to construct transmission mains & two deep wells and a \$12 million note to Motorola for a radio system.

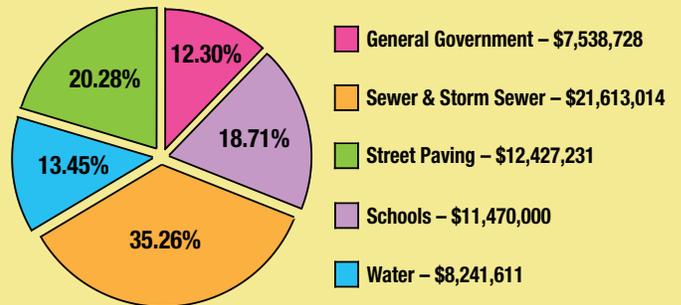
FY 2008 GOVERNMENTAL FUND EXPENDITURES



LONG-TERM DEBT

As of the fiscal year end, the City had \$61,290,584 in long-term debt outstanding compared to \$73,223,861 last fiscal year end; thus reflecting a decrease of \$11,933,277 (16.30%) from the previous fiscal year.

OUTSTANDING DEBT BY TYPE

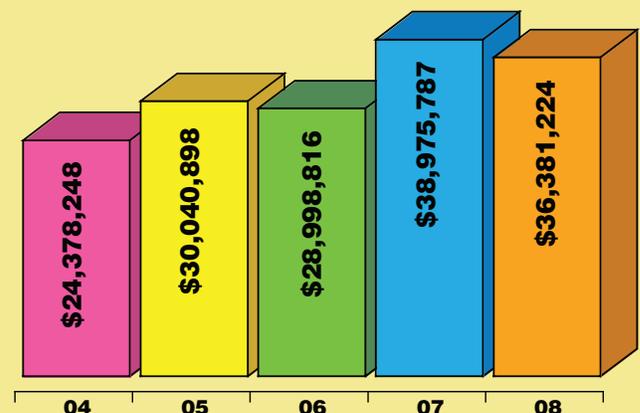


THE GENERAL FUND

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, 2008 of \$36,381,224, a decrease of \$2,594,563 (6.66%) in comparison with the prior year which totaled \$38,975,787 (Governmental Funds' combined ending fund balances were \$36,698,529). The decrease in fund balance was directly related to the increased debt service payments mentioned earlier and monies paid to the Alabama Department of Transportation (\$2.3 million) for the City's matching portion for the Westgate Widening project. Approximately \$23,575,737 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 BY FISCAL YEAR



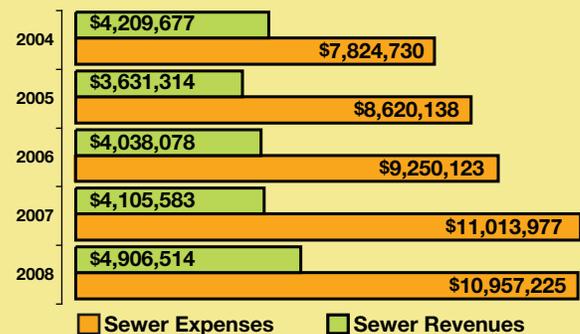
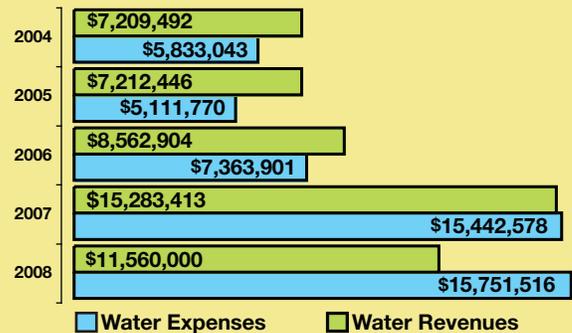
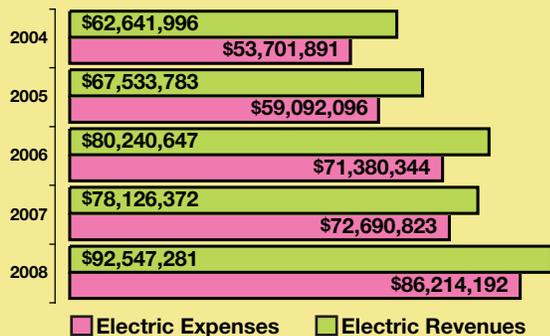
GENERAL FUND EXPENDITURES

General Fund expenditures in the amount of \$87,087,954 increased 1.27% from 2007 (\$85,997,820). This increase resulted from the cost of living adjustments for employees and purchases of much needed vehicles and equipment (primarily police) 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 2007
General Government	\$ 9,421,878	10.82%	\$ 583,666
Public Safety	27,956,960	32.10%	1,975,103
Public Works	13,439,168	15.43%	389,566
Planning & Dev.	2,113,365	2.43%	407,399
Health & Welfare	3,162,650	3.63%	434,314
Culture & Recreation	8,565,417	9.83%	595,069
General Services	3,941,340	4.53%	(99,886)
Insurance	1,372,577	1.58%	(907,618)
Capital Outlay	17,114,599	19.65%	(2,287,479)
Total	\$ 87,087,954	100.00%	\$ 1,090,134

THE UTILITY FUND

The City's Utility Fund has experienced steady growth and the customer base has grown to approximately 35,677 electric, water and sewer customers. The largest utility revenue source comes from electric power sales. The gross profit on electric sales for FY 2008 totaled \$17,889,119 over last year's amount of \$14,887,832 (\$2,001,430 - fuel adjustment passed on to the customer). FY 2008's net profit from electric sales totaled \$6,333,090. Electric, Water and Sewer operations are reflected as follows:



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

The City relies on taxes (sales, property, gasoline, franchise, etc.), fees (license, permits, etc.), and fines (public safety) for their governmental activities. In the business-type and certain governmental activities (electric, water, sewer, recreational programs, etc.) the user pays a related fee or charge associated with the service.

These revenue sources have a direct bearing on the City's ability to (a) annex additional land into its corporate limits and (b) encourage development (office, retail, residential and industrial) to choose to be located in the jurisdiction. The City places significant emphasis on encouraging both annexation and economic development.

The City Commission set downtown revitalization as one of its major priorities and reconstituted the Dothan Downtown

Development Authority (DDDA). The DDDA is already dealing with dilapidated structures on Main Street and cleaning up other areas of downtown.

Due to foresight and vision of the City Commission, they made the decision to address revenue needs by increasing sales tax. As a result, Dothan's financial climate has changed significantly. We now can address numerous issues which have gone unfunded for many years (street resurfacing, employee salaries, fleet replacement, facility maintenance, bridge and road projects, and additions to recreational facilities). The Commission worked diligently to develop a mission statement, long range goals and action items to be addressed by the City. This Strategic Plan was a positive step and provided a sense of unity, direction and vision for the City's future.

Direct any questions about this financial report to:
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 Phone: (334) 615-3140 • atpalmer@dothan.org