



CITY OF DOTHAN



The City of Dothan, Alabama

Popular Annual Financial Report

Fiscal Year Ending
September 30, 2005

*Greetings Citizens
of Dothan!*

As you know, we live in a wonderful community. Dothan is special first and foremost because of our citizens. We have genuine concern for each other, which leads to the truest sense of community. As Mayor, one of my responsibilities is to communicate financial information, as well as program information about our city.



In that effort, we proudly present to you this report, the Popular Annual Financial Report. We hope it will give you a better understanding of the services the City of Dothan provides, its operations, and its overall financial condition. On behalf of your City Commission, your management team, be assured that we are available to you and value your input into YOUR City government.

Sincerely,

*Pat Thomas
Mayor
(334) 615-3114*

District Commissioners

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

As your City Manager, I welcome your comments and suggestions to improve our service!

City Manager – Michael K. West – (334) 615-3125

INTRODUCTION

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. Over the past several years, Dothan has developed into a primary source of retail trade.

Dothan's population has grown to 57,737 per the 2000 Census. Population growth has averaged slightly more than 5% over the past ten years. As the population has grown and the economic base has diversified, the City of Dothan has responded with expanded governmental services to provide for the needs of an educated and multi-cultural citizenry.

The City of Dothan is a municipal corporation incorporated on November 10, 1885, under the Constitution and laws of the State of Alabama operating 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. With the concurrence of the Board of Commissioners, the City Manager appoints the managers of the City's departments. These managers are responsible for the operations of their respective departments. The City's departments include: General Administrative (Office of the 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) Leisure Services, Performing Arts, General Services (Liability & Workers' Compensation Insurance, Purchasing, Internal Analyst, Facility & Fleet) and Dothan Utilities (Electric, Water & Sewer). Approximately 924 regular, full time employees and 351 part time or seasonal employees staff these departments, producing high quality and cost-effective public services.

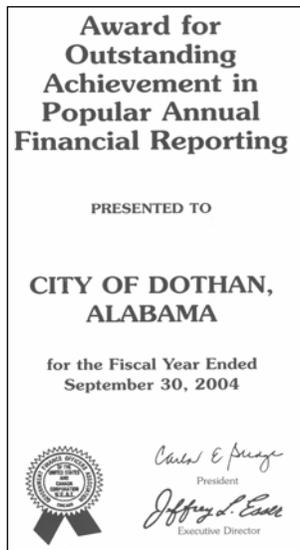
ABOUT THIS FINANCIAL REPORT

As part of our continuous effort to keep you informed of how your tax dollars are being spent, we are pleased to present the 2005 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/2005CAFR.htm.

The City's CAFR was prepared using important new accounting and financial reporting rules issued by the Governmental Accounting Standards Board (GASB). In fact, Dothan was the first City in our State to early implement GASB Statement No. 34; thus, receiving high recognition in FY 2001 for this accomplishment. The major changes resulting from the new rules included additional financial statements prepared using accounting similar to businesses providing a view of the bottom line (Unrestricted Net Asset Balance) and a new report that analyzes the most significant changes in the City's finances during the year. The objective is to enhance the understandability and usefulness of the City's financial reports to the citizenry, legislative and oversight bodies, investors and creditors.

AWARDS



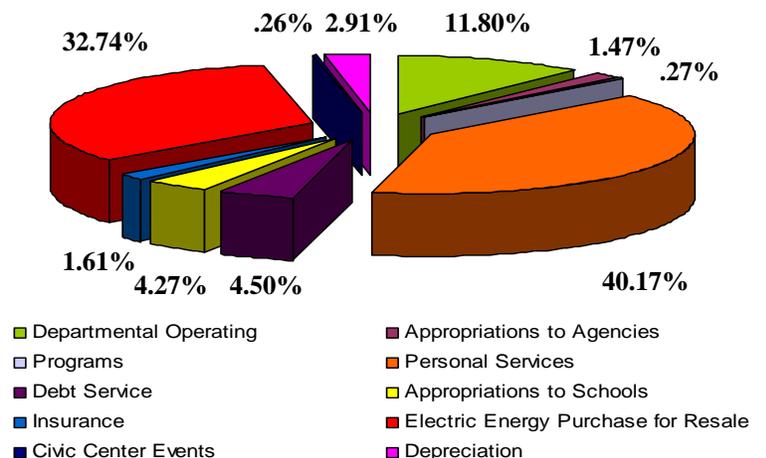
The City received the following awards (valid for one year only) from the Government Finance Officers Association (GFOA):

- Certificate of Achievement for Excellence in Financial Reporting for the CAFR for the year ended September 30, 2004 (twenty-two consecutive years 1983 - 2004).
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the PAFR for the year ended September 30, 2004.

FINANCIAL HIGHLIGHTS

- The City's combined net assets at September 30, 2005 totaled \$142,271,011. These total net assets decreased by \$3,196,690 or 2.20%. A detailed explanation of this decrease can be viewed in the CAFR in the section entitled Management Discussion and Analysis (MD&A).
- Total net assets for governmental activities decreased by \$2,332,234, thus bringing the total to \$66,193,626 for FY 2005.
- Total revenues for all governmental funds were \$62,001,544 and total spending was \$66,676,792.
- Total net assets for business-type activities at the end of FY 2005 were \$76,077,385 as compared to \$76,941,841 in FY 2004.
- The City of Dothan adopts a biennial operating budget for its general, debt service, capital projects, school and utility funds and annually adopts a capital budget.

Total 2005 Operating Budget = \$129,787,035



GENERAL FINANCIAL INFORMATION

Most City services and projects are accounted for in a general category referred to as Governmental Funds. Governmental (General, School, Capital Projects, Community Development and Debt Service), Proprietary (Utility and E911), and Fiduciary (Employee Retirement) are the three categories of fund types. 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 & schools).
- **Debt Service Fund** - Accounts for the payment of principal and interest on long-term debt. Revenues for these funds are from taxes and other revenues, some of which are pledged specifically to repay certain outstanding bond issues.
- **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 & Sewer) and the E-911 Fund.

THE GENERAL FUND

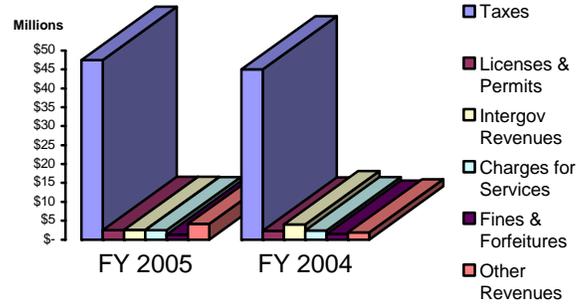
FUND BALANCE

Fund balance is the excess of what is owned (assets) over what is owed (debts or liabilities). Governmental funds reported combined ending fund balances at September 30, 2005 of \$31,868,957 an increase of \$6,994,635 in comparison with the prior year which was in the amount of \$24,874,322. Approximately \$21,449,322 of this total amount is available for spending at the government’s discretion (referred to as unreserved fund balance). The City Manager set a goal for maintaining the unreserved fund balance in the General Fund at not less than 8% of the 2005 budgeted expenditures in the amount of \$54,560,501 or 4.3 million. As you can see, the City has consistently exceeded this goal.

GENERAL FUND REVENUES

Revenues for the General Fund totaled \$60,453,111 in 2005, an increase of 5.78% or \$3,298,974 over 2004’s amount of \$57,154,137. The increase was primarily the result of the growth in sales tax. In fiscal year 2005, sales tax collections totaled \$41,500,993 which was \$2,870,098 (7.43%) over fiscal year 2004’s amount of \$38,630,895.

Provided below is breakdown of revenues:



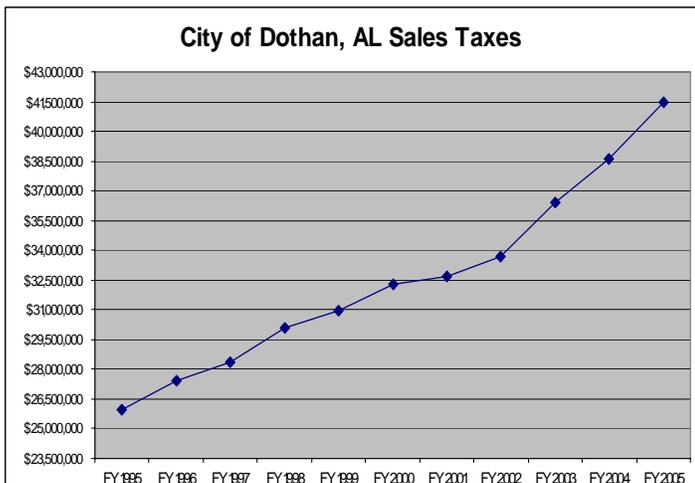
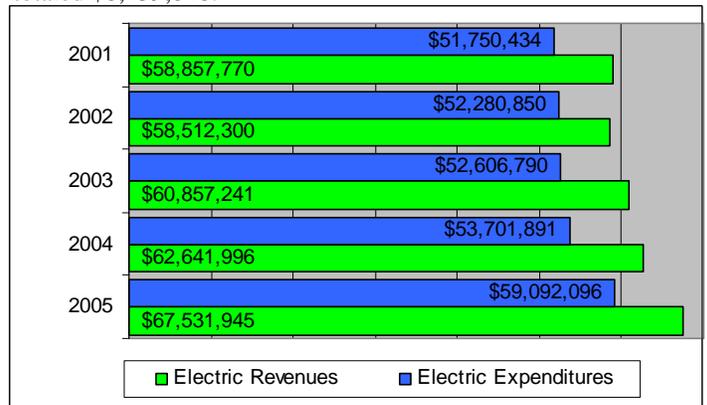
GENERAL FUND EXPENDITURES

General Fund expenditures in the amount of \$59,353,280 increased 4.67% from 2004’s amount of \$56,709,991, which basically resulted from expenditures related to the increased payment by the City for retirement contributions into the Employees’ Retirement Systems of Alabama (ERSA). Contributions per covered payroll increased from 7.5% to 20.58%. These percentages are expected to decrease over time, as the unfunded liability reduces and the estimates are confirmed actuarially. Increases or decreases for major functions are as follows:

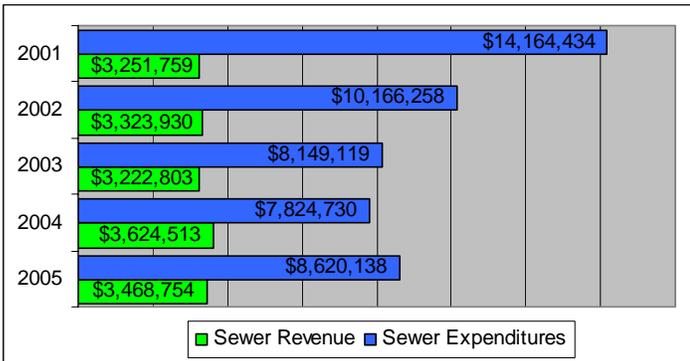
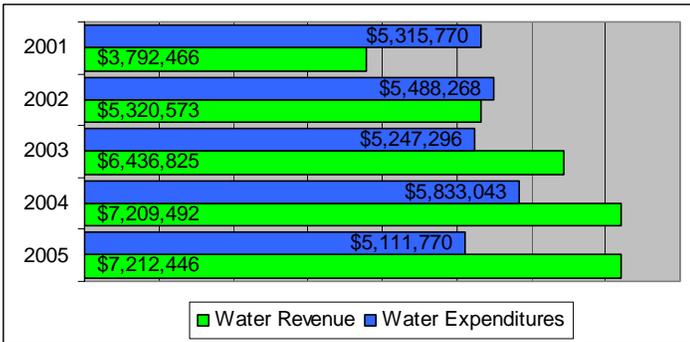
Major Functions	Amount	Percent of Total	Increase (Decrease) over 2004
General Government	\$ 8,909,992	15.01%	\$2,779,411
Public Safety	23,206,906	39.10%	1,483,624
Public Works	11,150,722	18.79%	1,152,566
Health & Welfare	2,472,583	4.17%	218,549
Culture & Recreation	7,432,301	12.52%	408,216
General Services	3,403,680	5.73%	196,539
Insurance	752,477	1.27%	(1,755,844)
Capital Outlay	2,024,619	3.41%	(1,839,772)
Total	\$59,353,280	100.00%	\$2,643,289

THE UTILITY FUND

The City’s Utility Fund has experienced steady growth and the customer base has grown to 36,640 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 2005 totaled \$16,403,131 which was \$782,235 under last year’s amount of \$17,185,366. FY 2005’s net profit from electric sales totaled \$8,439,848.



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

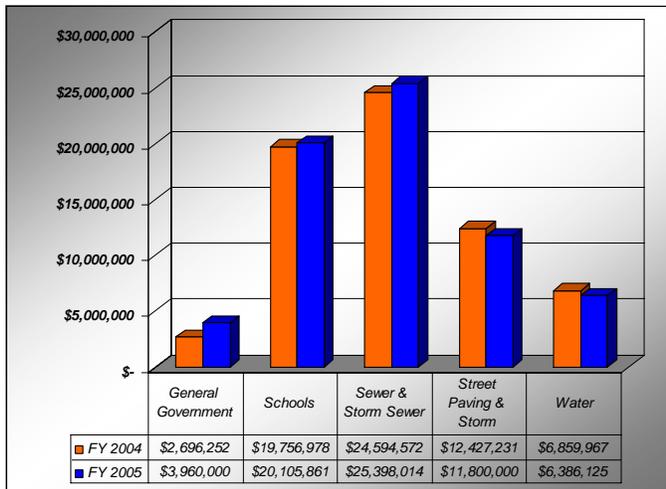


LONG-TERM DEBT & BOND RATING

As of the fiscal year end the City had \$66,335,000 in outstanding gross bonded debt compared to \$67,650,000 last fiscal year end; thus reflecting a decrease of \$1,315,000 (1.94%) from the previous fiscal year.

- The City maintains an "A+" rating from Standard and Poor's and an "A1" rating from Moody's Investors Service for general obligation debt.

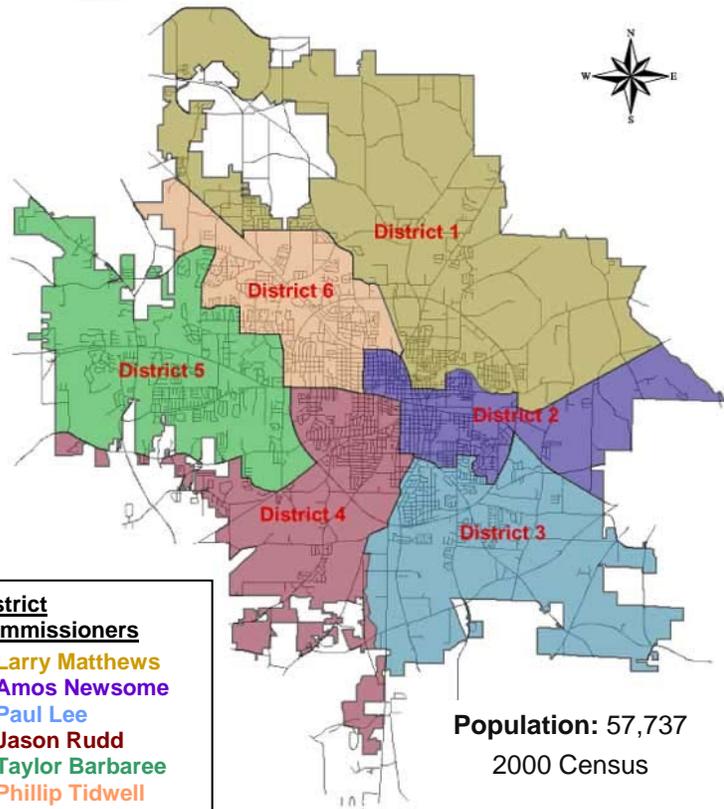
Outstanding Debt as of September 30



2004 = \$67,650,000 2005 = \$66,335,000



City of Dothan Commission Districts



District Commissioners

- Larry Matthews
- Amos Newsome
- Paul Lee
- Jason Rudd
- Taylor Barbaree
- Phillip Tidwell

Population: 57,737
2000 Census

Avg. Temp: 72.8 degrees F **Avg. Rainfall:** 63.4 inches

Alabama's first and only Mural City
Home of the "National Peanut Festival"

Direct any questions about this financial report to:

Angela Palmer, Finance Director

P. O. Box 2128

Dothan, Al 36302

Phone: (334) 615-3140

