

Dothan City Board of Education

**Financial Report
September 30, 2014**

Dothan City Board of Education

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INDEPENDENT AUDITORS' REPORT

To the Dothan City Board of Education
Dothan, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dothan City Board of Education as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Dothan City Board of Education
Dothan, Alabama

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dothan City Board of Education as of September 30, 2014, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 13 to the financial statements, during the fiscal year ended September 30, 2014, the Dothan City Board of Education adopted Governmental Accounting Standards Board (GASB) Statement Number 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-13 and 39-41 be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dothan City Board of Education's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Dothan City Board of Education
Dothan, Alabama

The 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, the schedule of expenditures of federal awards is 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 June 22, 2015, on our consideration of the Dothan City Board of Education'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 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 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 Dothan City Board of Education's internal control over financial reporting and compliance.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 22, 2015

**DOTHAN CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2014**

This section of the Dothan City Board of Education's (the Board) annual financial report presents our discussions of the Board's financial performance for the fiscal year ended September 30, 2014. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should read this in conjunction with their review of the financial statements.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A. The Board has included the information in this report.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended September 30, 2014, are as follows:

- Total net position of \$ 29,790,422.72
- Decrease in net position of \$ 4,779,573.66 during the current fiscal year
- Total fund balances of all governmental funds equaled \$ 10,064,893.59
- Unassigned general fund balance equaled \$ 4,523,232.52
- Total general fund net change in fund balance was a negative \$ 2,078,528.75

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

The government-wide financial statements are the statement of net position and statement of activities. The focus of these statements is to provide information about the activities of the Board as a whole indicating both long-term and short-term information about the Board's overall financial status.

Fund financial statements tell how the general government services were financed in the short term as well as what remains for future spending. These statements present more detail of the Board's activities than the government-wide financial statements. The fund financial statements focus more on the near term use and availability of spendable resources.

Notes to the financial statements explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements begin on page 21. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Figure A-1. Required Components of the Board’s Annual Financial Report

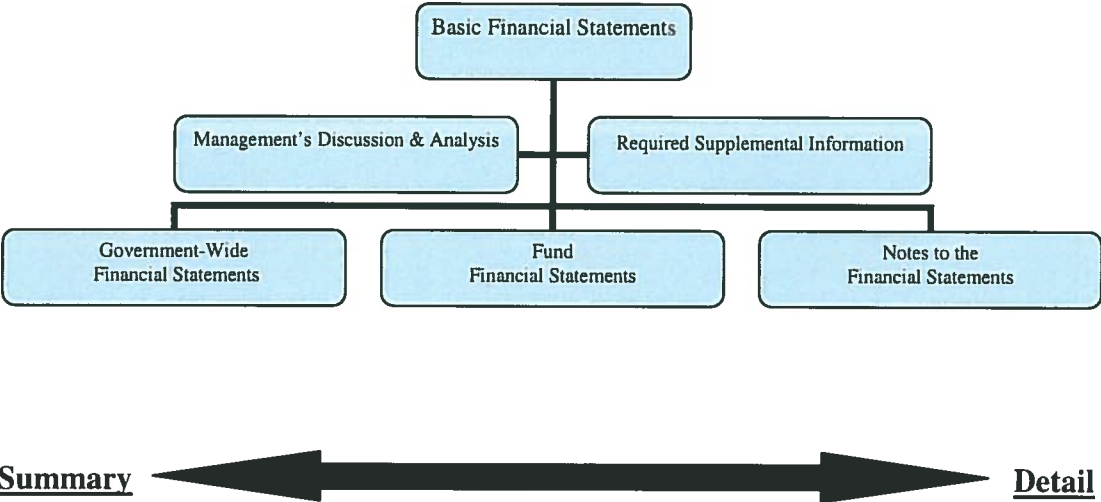


Figure A-2 summarizes the major features of the Board’s financial statements, including the portion of the Board that they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of the statements.

Figure A-2. Major Features of the Board’s Government-Wide and Fund Financial Statements

Fund Statements			
<i>Type of Statement</i>	Government-Wide	Governmental Funds	Fiduciary Funds
<i>Scope</i>	Entire Board’s government (except fiduciary funds) and the Board’s component units	The activities of the district that are not proprietary or fiduciary	Instances in which the Board is the trustee or agent for someone else’s resources
<i>Required financial statements</i>	• Statement of Net Position	• Balance Sheet	• Statement of Fiduciary Net Position
	• Statement of Activities	• Statement of Revenues, Expenditures & Changes in Fund Balances	
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
<i>Type of Accountability Information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities both short-term and long-term; the Board’s agency fund does not currently contain capital assets, although it can.
	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-Wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Board's net position and how they have changed. Net position is the difference between the Board's assets and liabilities and is one way to measure the Board's financial health or position.

- Over time, increases or decreases in the Board's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Board, the user should consider additional nonfinancial factors such as changes in the Board's tax base or student enrollment.

The government-wide financial statements of the Board are included in the category *Governmental Activities*. Most of the Board's basic services are included here, such as instruction, instructional support, extracurricular activities, curriculum and staff development, maintenance, student transportation, and general administration. State revenues, property taxes, sales taxes, and grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Board's most significant funds; not the Board as a whole. Funds are accounting devices that the Board uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Board has two kinds of funds:

- *Governmental Funds* – Most of the Board's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can be readily converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Board's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent pages, that explain the relationship (or differences) between them.
- *Fiduciary Funds* - The Board is trustee, or fiduciary, for certain activities contained within its schools such as clubs, classes, or parent organizations. All of the Board's activities in this area are reported in a separate Statement of Fiduciary Net Position. These funds are not available to finance Board operations, and are, therefore, not included in the government-wide financial statements. The board is responsible for insuring that the assets reported by these funds are used for their intended purposes.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net position – The Board’s combined net position for the year ended September 30, 2013, totaled \$ 34.570 million and \$ 29.790 million for fiscal year ended September 30, 2014, as shown below in Figure A-3.

Figure A-3
The Board's Net Position
(in millions)

	<u>Governmental Activities</u>		<u>Amount</u>
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and Other Assets	\$ 11.588	\$ 15.491	\$ (3.903)
Capital and Non-Current Assets	32.835	33.120	(0.285)
Total Assets	44.423	48.611	(4.188)
Current Liabilities	1.420	1.361	0.059
Long Term Liabilities	13.109	12.557	0.552
Total Liabilities	14.529	13.918	0.611
Deferred Inflows of Resources	0.104	0.123	(0.019)
Net Position	\$ 29.790	\$ 34.570	\$ (4.780)
Investment in Capital Assets			
net of related debt	\$ 19.726	\$ 20.563	\$ (0.837)
Restricted	2.732	4.147	(1.415)
Unrestricted	7.332	9.860	(2.528)
Total Net Position	\$ 29.790	\$ 34.570	\$ (4.780)

A portion of the net position is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net position totaled \$9.860 million for fiscal years ended September 30, 2013 and \$7.332 million for September 30, 2014. Unrestricted net position may be used to fund Board programs for the next fiscal year. However, this does not imply that the Board has significant surplus resources available to pay its bills next year. Rather, it illustrates that the Board has been efficient in managing its resources.

General revenues – Refer to *Figure A-4* when reading the following analysis. The Board’s total general revenues for fiscal years ended September 30, 2013 were \$66.275 million and \$68.433 million for September 30, 2014. For fiscal years ended September 30, 2013 and September 30, 2014 a significant portion, 66.14% and 65.86%, respectively of the Board’s general revenue derives from state aid. Also, 10.37% and 10.81% derives from local aid and 10.19% and 10.01% derives from sales taxes with 12.54% and 12.47% derives from property taxes.

**Figure A-4
Board's Sources of General Revenue
Fiscal Years 2013 & 2014**

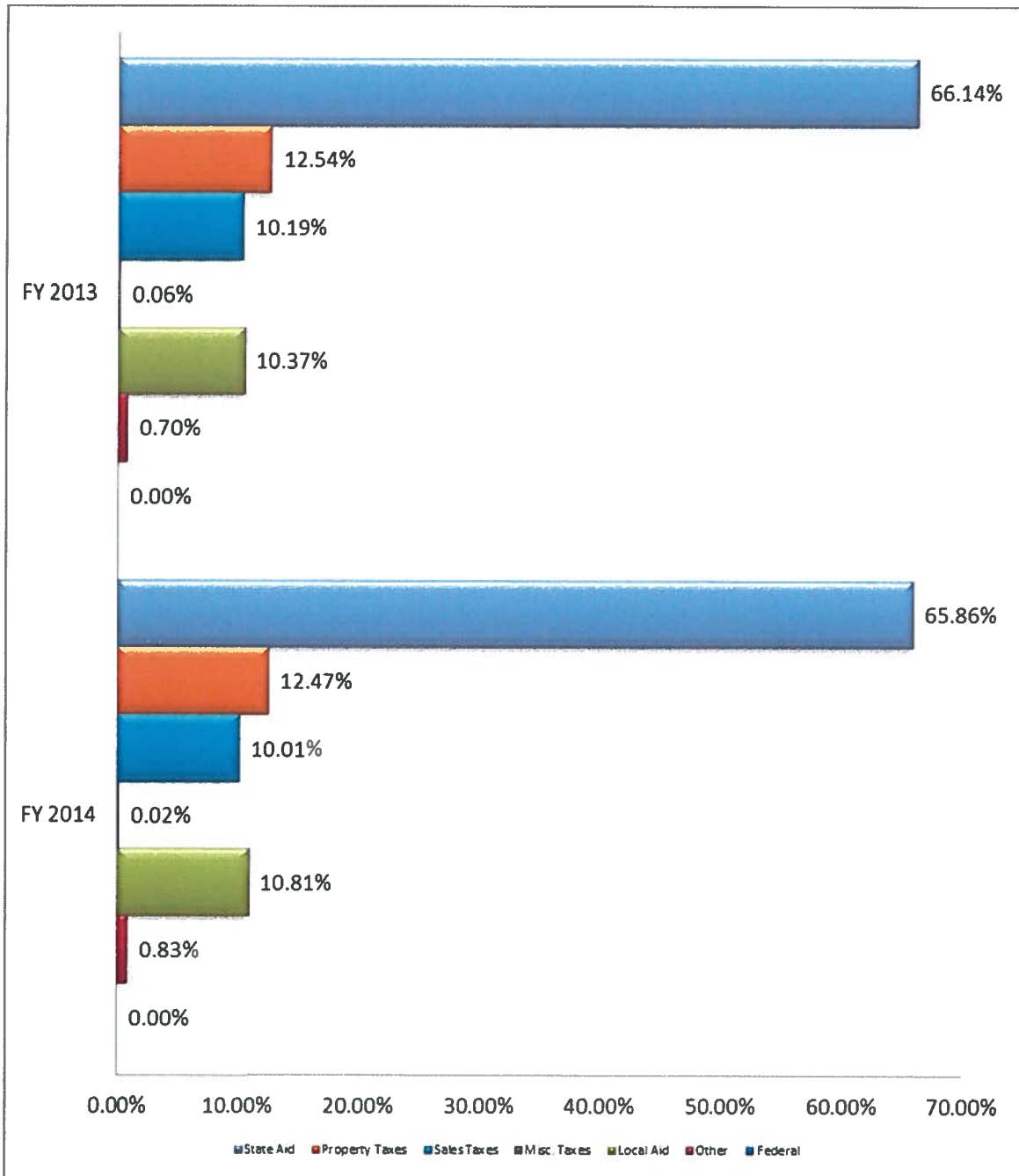


Figure A-5
Summary of Changes in Net Position from Operating Results (in millions)

	Governmental Activities		Amount Change
	2014	2013	
Revenues:			
Program Revenues:			
Charges for Services	\$ 1.701	\$ 1.089	\$ 0.612
Operating Grants and Contributions	13.603	13.223	0.380
Capital Grants and Contributions	1.996	2.508	(0.512)
General Revenues:			
Property Taxes	8.530	8.312	0.218
Local Sales Taxes	6.852	6.753	0.099
Miscellaneous Taxes	0.015	0.042	(0.027)
State Aid	45.069	43.836	1.233
Local Aid	7.400	6.870	0.530
Miscellaneous	0.567	0.462	0.105
Total Revenues	<u>85.733</u>	<u>83.095</u>	<u>2.638</u>
Expenses:			
Instructional Services	49.693	45.476	4.217
Instructional Support Services	14.249	13.164	1.085
Operations and Maintenance	7.652	6.324	1.328
Auxiliary Services	10.927	10.714	0.213
General, Administrative, Central	3.280	3.365	(0.085)
Other Expenditures	4.258	3.576	0.682
Interest on Long Term Debt	0.454	0.507	(0.053)
Total Expenses	<u>90.513</u>	<u>83.126</u>	<u>7.387</u>
Change in Net Position	(4.780)	(0.031)	(4.749)
Net Position - Beginning	<u>34.570</u>	<u>34.601</u>	<u>(0.031)</u>
Net Position - Ending	<u>\$ 29.790</u>	<u>\$ 34.570</u>	<u>\$ (4.780)</u>

The Board's net position decreased by \$ 4.780 million during the current fiscal year.

- Revenues increased \$2.638 million over the prior year. Increased revenues were in charges for services, operating grants and contributions, property taxes, local sales taxes, state aid, local aid, and miscellaneous.
- Expenses increased \$ 7.387 million over the prior year. Instructional services had the largest increase with \$ 4.217 million.

The total cost of all programs and services was \$ 90.513 million. 70.643% of these costs were for instruction and instructional support services.

FUND LEVEL FINANCIAL ANALYSIS

As noted earlier, the fund financial statements provide a detailed short-term view of the Board's government operations. Following is information on the most significant changes in the governmental fund statements:

The general fund reported an ending fund balance of \$ 4.812 million. The general fund balance decreased by \$ 2.078 million as a result of current year operations.

The food service fund which is a major fund within the special revenue funds category reported an ending fund balance of \$ 2.073 million. Current year operations resulted in a decrease in the food service fund balance of \$ 0.663 million.

The capital projects fund reported an ending fund balance of \$ 0.512 million. The capital projects fund balance decreased by \$ 1.779 million during the current fiscal year.

The local school – public fund which is a major fund within the special revenue funds category reported an ending fund balance of \$ 1.471 million. The local school – public fund balance increased by \$ 0.248 million during the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

- Over the course of the year, the Board revised its budget several times. Actual expenditures were \$ 3.765 million over final budget amounts.
- Revenues available were \$ 1.482 million over final budget amounts. This is due primarily to an increase in local revenues.
- Expenditures and Other Fund Uses were in excess of Budgeted Revenues and Other Fund Sources by \$ 1.729 million.

CAPITAL ASSETS

At September 30, 2014, the Board had invested \$ 56.239 million in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Figure A-6). This amount represents a net increase (including additions and deductions) of \$ 1.928 million or 3.549 percent over last year. The acquisitions are spread evenly across all classes of assets. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist.

Figure A-6

Board's Capital Assets
(in millions)

	Governmental Activities		Amount Change
	2014	2013	
Land	\$0.752	\$0.752	0.000
Land Improvements	1.715	1.686	0.029
Buildings	14.630	13.664	0.966
Building Improvements	28.235	27.416	0.819
Construction in Progress	0.000	0.008	(0.008)
Equipment	3.733	3.631	0.102
Vehicles	7.174	7.154	0.020
Total Historic Cost	56.239	54.311	1.928
Total Accumulated Depreciation	(23.404)	(21.191)	(2.213)
Net Capital Assets	\$32.835	\$33.120	(0.285)

LONG-TERM DEBT

The following table provides a summary of changes in the Board's long-term debt:

Figure A-7

Fiscal Year Ended September 30, 2014
(in millions)

	Beginning Balance	Net Change	Ending Balance
Capital Leases	\$ 5.020	\$ 1.008	\$ 6.028
Bond Liabilities	3.785	(0.455)	3.330
Qualified School Construction Bonds	3.752	0.000	3.752
Governmental Activities Long-Term Debt	\$ 12.557	\$ 0.553	\$ 13.110

More detailed information about the Board's long-term liabilities is presented in the notes to the basic financial statements.

ECONOMIC FACTORS AND FISCAL YEAR 2015 BUDGET

At September 30, 2014, the Board has committed to various contracts. The Board entered into a four year lease purchase with Apple, Inc. for the purchase of \$2.5 million in iPads for students and staff in grades 4 through 12. To date two payments have been paid and two payments remain on this lease. The Board completed the installation of seven cameras in each of its school buses totaling \$386,000. Also, the Board has contracted for the renovation of science classrooms at Northview High School with a total project cost including construction and equipment of \$1 million.

Local revenues in fiscal year 2015 were budgeted for an increase of 2% which reflects modest optimistic expectations of the improving economic situation. The Board will need to look at continued cost savings measures due to increased hiring that has caused a decrease of the operating reserve to less than one month's balance. Additional local revenues will be needed along with increased state revenues to offset this decrease or additional cost savings measures will be implemented.

At the time these financial statements were prepared and audited, the Board was aware that the system's ADM had increased, thus resulting in increased earned teacher units, increased state revenues, and increased state allocations for classroom instructional supply funds, increased state professional development funds and increased state technology funds.

Employer contributions to the Teachers Retirement System (TRS) changed from 11.71 percent for fiscal year 2014 to 11.94 percent in fiscal year 2015 for Tier I employees and from 10.08 percent for fiscal year 2014 to 11.05 percent in fiscal year 2015 for Tier II employees. Employee contribution for Tier I employees remained at 7.5 percent and 6.0 percent for Tier I and Tier II employees respectively. The continued effect of unfunded pension liabilities at the state level will continue to impact the system significantly.

The City of Dothan has experienced no new property tax increases. However, the school system has reflected an increase in sales tax revenues of 1.46 percent over the prior fiscal year. Unemployment in Dothan continues to improve over the past five years. Economic outlook continues to improve with numerous new or current employers increasing the number of jobs available. Tax revenue should continue to improve given these upbeat economic indicators.

CONTACTING THE GOVERNMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Board's finances and to demonstrate the Board's accountability for money it receives. If you have questions about this report or need additional financial information, contact the Board's Financial Services Department.

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 7,636,218.04
Due from Federal, State, and Local Agencies (Note 3)	3,068,620.31
Inventory, Commodities	43,128.53
Inventory, Purchased	218,822.86
Restricted Assets, Cash with Fiscal Agents	621,710.71
Capital Assets (Note 4):	
Land	752,517.00
Depreciable, Net	32,082,590.60
Total Assets	44,423,608.05
LIABILITIES	
Current Payables	703,446.22
Salaries and Benefits Payable	29,509.42
Accrued Vacation	686,682.79
Long Term Liabilities (Note 5):	
Due Within One Year	1,989,319.02
Due in More Than One Year	11,120,259.45
Total Liabilities	14,529,216.90
DEFERRED INFLOWS OF RESOURCES (Note 3)	103,968.43
NET POSITION	
Investment in Capital Assets, Net of Related Debt	19,725,529.13
Restricted for Other Government Programs	1,900,115.39
Restricted for Capital Projects	0.00
Restricted for Debt Service	621,710.71
Restricted for Other Purposes	210,803.47
Unrestricted	7,332,264.02
Total Net Position	\$ 29,790,422.72

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

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	
GOVERNMENTAL ACTIVITIES					
Instructional Services	\$ 49,692,961.13	\$ 0.00	\$ 4,415,852.27	\$ 0.00	\$ (45,277,108.86)
Instructional Support Services	14,249,397.70	0.00	1,881,724.07	0.00	(12,367,673.63)
Operations and Maintenance	7,652,244.56	0.00	22,867.89	0.00	(7,629,376.67)
Auxiliary Services	10,927,076.73	902,550.82	4,381,008.40	0.00	(5,643,517.51)
General, Administrative, and Central Support	3,279,740.89	0.00	288,704.66	0.00	(2,991,036.23)
Other Expenditures	4,257,759.24	798,638.04	2,612,613.85	1,996,095.00	1,149,587.65
Interest on Long Term Debt	453,482.60	0.00	0.00	0.00	(453,482.60)
	\$ 90,512,662.85	\$ 1,701,188.86	\$ 13,602,771.14	\$ 1,996,095.00	(73,212,607.85)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					8,530,203.53
Local Sales Tax					6,851,833.43
Miscellaneous Taxes					14,561.15
State Aid not Restricted to Specific Purposes					45,068,627.00
Local Aid not Restricted to Specific Purposes					7,399,991.69
Miscellaneous					567,817.39
					68,433,034.19
					Change in Net Position (4,779,573.66)
					Net Position - Beginning of Year 34,569,996.38
					\$ 29,790,422.72

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

**DOTHAN CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General Fund	Food Service Fund	Capital Projects Fund	Local School - Public Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 2,790,754.99	\$ 1,626,202.45	\$ 2,293,736.99	\$ 1,477,962.15	\$ (552,438.54)	\$ 7,636,218.04
Cash with Fiscal Agents	0.00	0.00	0.00	0.00	621,710.71	621,710.71
Due from Federal, State, and Local Agencies (Note 3)	1,009,816.96	772,811.52	74,801.97	24,653.50	1,186,536.36	3,068,620.31
Interfund Receivables	1,823,719.57	0.00	0.00	0.00	0.00	1,823,719.57
Inventory, Commodities	0.00	43,128.53	0.00	0.00	0.00	43,128.53
Inventory, Purchased	77,781.25	141,041.61	0.00	0.00	0.00	218,822.86
Total Assets	\$ 5,702,072.77	\$ 2,583,184.11	\$ 2,368,538.96	\$ 1,502,615.65	\$ 1,255,808.53	\$ 13,412,220.02
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
LIABILITIES						
Current Payables	\$ 180,585.03	\$ 424,525.13	\$ 33,027.00	\$ 32,084.09	\$ 33,224.97	\$ 703,446.22
Interfund Payables	0.00	0.00	1,823,719.57	0.00	0.00	1,823,719.57
Salaries and Benefits Payable	4,078.48	226.94	0.00	0.00	25,204.00	29,509.42
Accrued Vacation	686,682.79	0.00	0.00	0.00	0.00	686,682.79
Total Liabilities	871,346.30	424,752.07	1,856,746.57	32,084.09	58,428.97	3,243,358.00
DEFERRED INFLOWS OF RESOURCES (Note 3)	18,909.23	85,059.20	0.00	0.00	0.00	103,968.43
FUND BALANCES						
Nonspendable:						
Inventories	77,781.25	184,170.14	0.00	0.00	0.00	261,951.39
Restricted For:						
Child Nutrition Program	0.00	1,889,202.70	0.00	0.00	0.00	1,889,202.70
Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	621,710.71	621,710.71
Transportation Reimbursements	210,803.47	0.00	0.00	0.00	0.00	210,803.47
Other Government Programs	0.00	0.00	0.00	0.00	10,912.69	10,912.69
Committed To:						
Capital Projects	0.00	0.00	511,792.39	0.00	0.00	511,792.39
Assigned To:						
Other Purposes	0.00	0.00	0.00	1,470,531.56	564,756.16	2,035,287.72
Unassigned	4,523,232.52	0.00	0.00	0.00	0.00	4,523,232.52
Total Fund Balances	4,811,817.24	2,073,372.84	511,792.39	1,470,531.56	1,197,379.56	10,064,893.59
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,702,072.77	\$ 2,583,184.11	\$ 2,368,538.96	\$ 1,502,615.65	\$ 1,255,808.53	\$ 13,412,220.02

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

**DOTHAN CITY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

FUND BALANCE - GOVERNMENTAL FUNDS \$ 10,064,893.59

Amounts Reported For Governmental Activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds:

Cost of Capital Assets	56,238,691.87	
Accumulated Depreciation	(23,403,584.27)	32,835,107.60

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

Bond Liabilities	(3,330,000.00)	
QSCB Liability	(3,752,000.00)	
Capital Leases	(6,027,578.47)	(13,109,578.47)

NET POSITION - GOVERNMENTAL ACTIVITIES \$ 29,790,422.72

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	General Fund	Food Service Fund	Capital Projects Fund	Local School - Public Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Revenues	\$ 19,207,115.26	\$ 902,624.51	\$ 850,012.00	\$ 500.00	\$ 170,682.66	\$ 21,130,934.43
State Revenues	44,949,875.19	0.00	2,532,042.22	2,778.24	94,862.05	47,579,557.70
Federal Revenues	137,031.71	4,212,778.84	0.00	0.00	8,738,124.89	13,087,935.44
Local School Revenues	0.00	0.00	0.00	2,588,206.19	0.00	2,588,206.19
Other Revenues	212,632.35	142,909.97	0.00	0.00	183,277.34	538,819.66
Total Revenues	64,506,654.51	5,258,313.32	3,382,054.22	2,571,484.43	9,186,946.94	84,905,453.42
EXPENDITURES						
Instructional Services	41,099,132.21	0.00	3,306,057.90	1,044,786.75	4,139,971.03	49,589,947.89
Instructional Support Services	11,922,771.22	0.00	0.00	416,233.91	1,904,214.17	14,243,219.30
Operations and Maintenance	6,270,701.01	0.00	240,062.08	60,934.05	18,608.67	6,590,305.81
Auxiliary Services	3,481,748.73	6,561,059.96	0.00	76,804.25	168,116.59	10,287,729.53
General, Administrative, and Central Support	2,830,396.65	0.00	11,198.33	0.00	421,313.09	3,262,908.07
Capital Outlay	1,577,180.45	0.00	1,577,180.45	0.00	0.00	1,577,180.45
Debt Services	0.00	0.00	2,336,488.36	0.00	69,974.80	2,406,463.16
Other Expenditures	1,546,998.18	30,995.72	0.00	315,241.47	2,329,938.89	4,223,174.26
Total Expenditures	67,151,748.00	6,592,055.68	7,470,987.12	1,914,000.43	9,052,137.24	92,180,928.47
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,645,093.49)	(1,333,742.36)	(4,088,932.90)	657,484.00	134,809.70	(7,275,475.05)
OTHER FINANCING SOURCES (USES)						
Indirect Cost Revenue	798,638.04	0.00	0.00	0.00	0.00	798,638.04
Other Fund Sources	28,997.72	0.00	2,505,470.00	0.00	0.00	2,534,467.72
Other Fund Uses	0.00	0.00	0.00	0.00	0.00	0.00
Transfers In	453,695.19	670,593.23	0.00	277,381.50	195,258.55	1,596,928.47
Transfers Out	(714,766.21)	0.00	(195,258.55)	(686,903.71)	0.00	(1,596,928.47)
Total Other Financing Sources (Uses)	566,564.74	670,593.23	2,310,211.45	(409,522.21)	195,258.55	3,333,105.76
Net Change in Fund Balances	(2,078,528.75)	(663,149.13)	(1,778,721.45)	247,961.79	330,066.25	(3,942,369.29)
Fund Balances - Beginning	6,890,345.99	2,736,521.97	2,290,513.84	1,222,569.77	867,311.31	14,007,262.88
Fund Balances - Ending	4,811,817.24	2,073,372.84	511,792.39	1,470,531.56	1,197,375.56	10,064,893.59

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

**DOTHAN CITY BOARD OF EDUCATION
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, 2014**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,942,369.29)

Amounts Reported For Governmental Activities in the
Statement of Activities are Different Because:

Governmental funds report capital outlay as expenditures;
in the statement of activities, certain costs are allocated over their
estimated useful lives as depreciation:

Depreciation Expense	(2,259,465.37)
Capitalized Capital Outlay and Other Adjustments, Net	1,974,750.43
	(284,714.94)

Current year long-term debt principal payments are reported as expenditures in the governmental fund financial statements, but they are shown as reduction in long-term debt in the district-wide financial statements.	1,952,980.57
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Current year loan proceeds are reported as other financing sources in the governmental fund financial statements, The district-wide financial statements reflect these proceeds as an increase in long-term debt.	(2,505,470.00)
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (4,779,573.66)

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

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014**

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 147,572.10
Due from Federal, State, and Local Agencies	<u>18,225.53</u>
Total Assets	<u>165,797.63</u>
LIABILITIES	
Current Payables	165,797.63
Due to Local Schools	<u>0.00</u>
Total Liabilities	<u>165,797.63</u>
NET POSITION	<u><u>\$ 0.00</u></u>

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Dothan City Board of Education (the Board) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The more significant accounting policies of the Board are described below.

Reporting Entity

The Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. There are no component units which should be included as part of the financial reporting entity of the Board.

The Board is a legally separate agency of the State of Alabama.

Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Board's activities, except for fiduciary activities, with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, state foundation funds, grants, and other intergovernmental revenues. All of the Board's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The Board considers all revenues available if they are collectible within 60 days after the year end.

Those revenues susceptible to accrual are state vocational funds, federal child nutrition funds, federal grants, and others dependent upon the circumstances. Accordingly, these revenues have been recognized in the current fiscal period. All other revenue items are considered to be available only when cash is received by the Board.

Fiduciary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting.

Fund Accounting

The Board reports the following major governmental funds:

1. The General Fund – This fund is the Board’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
2. Food Services Fund – This special revenues fund is used to account for the financial resources related to the Board’s food services program.
3. Capital Projects Fund – This fund is used to account for financial resources used to acquire or construct major capital assets.
4. Local School-Public Fund – This special revenues fund is used to account for financial resources of public funds at the local school level.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the Board reports the following fund types:

Special Revenue Funds – These funds are used to account for resources restricted to, or designated for, specific purposes by the Board or a grantor in a special revenue fund.

Agency Fund – The Board accounts for resources held for others in a custodial capacity in agency funds. The Board’s agency fund is used to record transactions of student groups for school and school-related purposes.

Other Accounting Policies

Cash and Cash Equivalents

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Board.

The Dothan City Board of Education can only invest in securities of the United States Government.

Interfund Receivables and Payables

Activities between funds that are representative of lending or 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.” Interfund receivables and payables are eliminated on the government wide statement of net assets.

Inventories

Inventories are valued at cost, which approximated market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased except commodities donated by the federal government. These are expensed when consumed except for minimum core quantities of commodities inventory being reserved.

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Board as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	20-30
Furniture and Other Equipment	5-20
Buses and Other Vehicles	5-10

Compensated Absences

Professional and support personnel are provided two days of personal leave per year with pay. Professional employees are paid, at the Board's substitute rate, for up to two days of unused personal leave. Because unused personal leave cannot be carried over to succeeding years, no liability for unpaid leave is accrued in the financial statements.

Twelve month employees are allowed two weeks of vacation per year with pay. Because unused vacation leave can be carried over to succeeding years, a liability for unused vacation is accrued in the financial statements.

Professional and support employees earn non-vesting sick leave at the rate of one day per month worked. Employees may accumulate an unlimited amount of sick leave. Employees may use one day per month worked of their accrued sick leave as membership service in determining the total years of creditable service in the teachers' retirement system, with no additional cost to the Board. Because employees do not receive compensation for unused sick leave at termination, no liability is recorded in the financial statements.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. If applicable, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of any applicable bond premium or discounts. Bond issuance costs, if applicable, are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize any bond premiums and discounts, as well as any 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets

Budgets are adopted for the governmental funds using the modified accrual basis of accounting. Budget to actual comparisons of the general fund is reported as required supplementary information which follows the notes to the basic financial statements.

Net Position and Fund Balance

Government-Wide Financial Statements

When the Board incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position includes the following:

Investments in Capital Assets, Net of Related Debt – The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted – The component of net position with constraints on their use imposed by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

Unrestricted – The component of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the Board.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances under the following five categories:

Nonspendable – The portion of fund balances that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

Restricted – The portion of fund balances consisting of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Committed – The portion of fund balances that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.

Assigned – The portion of fund balances that are intended to be used for specific purposes. The Board makes the determination of the assigned amounts of fund balance. Assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.

Unassigned – The portion of fund balances that are spendable and not contained in the other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be determined that restricted net position is reduced first unless unrestricted (committed, assigned, or unassigned) amounts will have to be returned because they were not used. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the determination of the Board or its designee that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts. The Board, along with the Superintendent and Chief Financial Officer will periodically review all restricted, committed, and assigned fund balances, if any.

The State of Alabama Department of Education requires local school boards to maintain a minimum of one month's operating expenses (as defined by law) in the General Fund fund balance, or have a subsequent budget that will cause the fund balance to exceed one month's operating expense.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. They are reported as a reservation of fund balances in the governmental fund financial statements. There were no encumbrances outstanding at September 30, 2014.

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2014, the carrying amount of the Board's cash deposits was \$8,257,928.75. The Board's cash deposits at September 30, 2014 and during the entire year ended September 30, 2014 were entirely covered by FDIC insurance or by the SAFE Division – Alabama Treasurer account "SAFE Program" with the exception of the cash with fiscal agents described in the next paragraph.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 2 – CASH AND INVESTMENTS, CONTINUED

The Board has deposits totaling \$621,710.71 in the debt service fund which are shown as cash with fiscal agents on the fund financial statements and restricted assets on the government-wide financial statements. Funds are invested in short-term money market funds and amounts in excess of FDIC coverage are required by the provisions of the lease and bond covenants to be invested in federal securities. Amounts on deposit with fiscal agents are invested as shown below:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
QSCB Sinking Fund Account	\$ 621,710.71	Less than 60 days	Unrated

The negative cash balance shown on the government balance sheet for “other governmental funds” is a result of spending funds and then requesting reimbursement for these expenditures from the federal or state government. This is a normal practice to avoid the issue of having excess cash on hand from governmental sources. The reimbursement amounts due are included in the receivables balance.

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2014 for the Board’s individual major funds, the nonmajor funds, and fiduciary fund in the aggregate are as follows:

	General Fund	Food Service Fund	Capital Projects Fund	Local School - Public Fund	Non-major and Other Funds	Total
State Programs	\$ 16,402.72		\$ 74,051.97		\$ 24,887.25	\$ 115,341.94
Federal Programs		772,811.52			1,134,018.36	1,906,829.88
Local and Other	993,414.24		750.00	24,653.50	27,630.75	1,046,448.49
Total Receivables	\$1,009,816.96	\$ 772,811.52	\$ 74,801.97	\$ 24,653.50	\$1,186,536.36	\$3,068,620.31

Of the \$103,968.43 of deferred inflows of resources in the Board’s financial statements, the entire amount relates to resources that have not been received or earned. Accordingly, the revenues are deferred in both the government-wide and fund financial statements.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 4 – CAPITAL ASSET ACTIVITY

Capital asset activity for the Board for the year ended September 30, 2014 was as follows:

Governmental Activities:	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Capital Assets Not Being Depreciated:				
Land	\$ 752,517.00	\$ -	\$ -	\$ 752,517.00
Construction in Progress	7,500.00	-	7,500.00	.00
Total Capital Assets Not Being Depreciated	<u>760,017.00</u>	<u>-</u>	<u>7,500.00</u>	<u>752,517.00</u>
Capital Assets Being Depreciated:				
Land Improvements	1,685,978.82	28,755.00	-	1,714,733.82
Buildings	13,663,940.28	966,000.00	-	14,629,940.28
Building Improvements	27,415,865.84	818,593.72	-	28,234,459.56
Equipment	3,631,186.85	162,320.27	60,321.13	3,733,185.99
Vehicles	7,153,931.22	19,924.00	-	7,173,855.22
Total Capital Assets Being Depreciated	<u>53,550,903.01</u>	<u>1,995,592.99</u>	<u>60,321.13</u>	<u>55,486,174.87</u>
Less Accumulated Depreciation for:				
Land Improvements	500,521.01	75,668.69	-	576,189.70
Buildings	3,864,492.96	285,718.63	-	4,150,211.59
Building Improvements	10,205,876.22	1,180,145.96	-	11,386,022.18
Equipment	1,791,651.02	218,339.52	46,958.60	1,963,031.94
Vehicles	4,828,536.29	499,592.57	-	5,328,128.86
Total Accumulated Depreciation	<u>21,191,077.50</u>	<u>2,259,465.37</u>	<u>46,958.60</u>	<u>23,403,584.27</u>
Total Capital Assets Being Depreciated, Net	<u>32,359,825.51</u>	<u>-263,872.38</u>	<u>13,362.53</u>	<u>32,082,590.60</u>
Governmental Activities Capital Assets, Net	<u>\$ 33,119,842.51</u>	<u>\$ -263,872.38</u>	<u>\$ 20,862.53</u>	<u>\$ 32,835,107.60</u>

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 103,013.24
Instructional Support Services	6,178.40
Operations and Maintenance	1,459,508.73
Auxiliary Services	639,347.20
General, Administrative, and Central Support	16,832.82
Other Expenditures	<u>34,584.98</u>
Total Depreciation Expense	<u>\$ 2,259,465.37</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM DEBT

As of September 30, 2014, the Board was responsible for the following long-term debt and capital lease obligations:

Capital Leases

On May 26, 2005, the Dothan City Board of Education issued a purchase order in the amount of \$712,906.70 for the lease-purchase of thirteen school buses. This lease qualifies as a capital lease for accounting purposes (title transfers to the lessee at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2014:

Years Ending September 30,	Principal	Interest	Total
2015	82,459.33	3,992.48	86,451.81
2016	42,415.29	810.60	43,225.89
2017	0.00	0.00	0.00
2018	0.00	0.00	0.00
2019	0.00	0.00	0.00
Total	\$ 124,874.62	\$ 4,803.08	\$ 129,677.70

On March 28, 2008, the Dothan City Board of Education issued a purchase order in the amount of \$2,091,599.94 for the lease-purchase of thirty school buses. This lease qualifies as a capital lease for accounting purposes (title transfers to the lessee at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2014:

Years Ending September 30,	Principal	Interest	Total
2015	239,088.53	17,234.05	256,322.58
2016	246,796.49	7,526.09	254,322.58
2017	0.00	0.00	0.00
2018	0.00	0.00	0.00
2019	0.00	0.00	0.00
Total	\$ 485,885.02	\$ 24,760.14	\$ 510,645.16

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM DEBT, CONTINUED

On April 30, 2008, the Dothan City Board of Education issued a purchase order in the amount of \$2,518,030.20 for the lease-purchase of thirty-three school buses. This lease qualifies as a capital lease for accounting purposes (title transfers to the lessee at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2014:

Years Ending September 30,	Principal	Interest	Total
2015	284,048.34	31,769.70	315,818.04
2016	293,470.38	22,347.66	315,818.04
2017	303,204.98	12,613.06	315,818.04
2018	155,353.35	2,555.64	157,908.99
2019	0.00	0.00	0.00
Total	\$ 1,036,077.05	\$ 69,286.06	\$ 1,105,363.11

On October 24, 2011, the Dothan City Board of Education entered into an acquisition fund agreement with Bank of America Leasing in the amount of \$ 3,000,000.00 for the lease-purchase of equipment facilitating energy efficiency upgrades. Deutsche Bank National Trust Company serves as the fund custodian for the agreement. This lease qualifies as a capital lease for accounting purposes (title transfer to the lessee at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. Per the terms of the agreement, lease payments are not required to be made until one year after the commencement of the agreement. Interest accrued during the initial year has been capitalized into the principal of the lease-purchase agreement.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of net minimum lease payments at September 30, 2014:

Years Ending September 30,	Principal	Interest	Total
2015	284,729.10	79,437.60	364,166.70
2016	284,873.86	69,935.22	354,809.08
2017	292,174.81	60,308.81	352,483.62
2018	291,225.45	50,441.25	341,666.70
2019	205,807.47	42,109.16	247,916.63
Thereafter	1,150,241.15	135,746.35	1,285,987.50
Total	\$ 2,509,051.84	\$ 437,978.39	\$ 2,947,030.23

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM DEBT, CONTINUED

On April 14, 2014 the Dothan City Board of Education entered into a lease purchase agreement with Apple, Inc. in the amount of \$2,505,470.00 for the lease-purchase of 693 iPads for use by students and staff in grades 4 through 12. This lease qualifies as a capital lease for accounting purposes (title transfers to the lessee at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2014:

Years Ending September 30,	Principal	Interest	Total
2015	618,993.72	14,786.35	633,780.07
2016	623,883.77	9,896.30	633,780.07
2017	628,812.45	4,967.62	633,780.07
2018	0.00	0.00	0.00
2019	0.00	0.00	0.00
Total	\$ 1,871,689.94	\$ 29,650.27	\$ 1,901,340.21

Bond Liabilities

The City of Dothan issued bonds in year 2000 in the amount of \$24,000,000.00. Three new schools were built with \$16,000,000.00 of the bond proceeds. The Dothan City Board of Education is responsible for one half of the debt service on the \$16,000,000.00 with interest payments being due each March 1st and September 1st. Principal payments are due each September 1st. Interest rates for these bonds range from 4.125% to 6.000%.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2015	480,000.00	195,537.50	675,537.50
2016	507,500.00	168,657.50	676,157.50
2017	537,500.00	138,207.50	675,707.50
2018	567,500.00	106,495.00	673,995.00
2019	600,000.00	73,012.50	673,012.50
Thereafter	637,500.00	37,612.50	675,112.50
Total	\$ 3,330,000.00	\$ 719,522.50	\$ 4,049,522.50

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM DEBT, CONTINUED

Qualified School Construction Bonds (QSCB)

On January 28, 2010, the Dothan City Board of Education participated in the State of Alabama – Qualified School Construction Bond (QSCB) issue in the amount of \$3,752,000.00. Bond proceeds will be used to upgrade HVAC equipment and systems, lighting upgrades, energy efficiency system enhancements and classroom additions at three elementary schools. Interest payments are payable quarterly in March, June, September and December of each year and the interest rate is 1.865%. The Board is required to make sinking fund deposits of \$195,258.55 annually in December for 15 years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund payments are payable from and secured by a pledge of the Board’s public school outlay allocation (3 mill state property tax allocation) for public school purposes.

The following is a schedule of debt service requirements in regard to the QSCB issue:

Years Ending September 30,	Principal	Interest	Total
2015	\$ 0.00	\$ 69,974.80	\$ 69,974.80
2016	0.00	69,974.80	69,974.80
2017	0.00	69,974.80	69,974.80
2018	0.00	69,974.80	69,974.80
2019	0.00	69,974.80	69,974.80
Thereafter	3,752,000.00	437,342.50	4,189,342.50
Total	\$ 3,752,000.00	\$ 787,216.50	\$ 4,539,216.50

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2014:

	Balance 09/30/13	Additions	Retirements	Balance 09/30/14	Due Within One Year
Capital Lease - 13 Buses	\$ 204,270.29	\$ 0.00	\$ 79,395.67	\$ 124,874.62	\$ 82,459.33
Capital Lease - 30 Buses	715,644.41	0.00	229,759.39	485,885.02	239,088.53
Capital Lease - 33 Buses	1,311,005.84	0.00	274,928.79	1,036,077.05	284,048.34
Capital Lease - PACT Financing	2,789,168.48	0.00	280,116.64	2,509,051.84	284,729.10
Capital Lease – Apple iPads	0.00	2,505,470.00	633,780.06	1,871,689.94	618,993.72
Bond Liabilities	3,785,000.00	0.00	455,000.00	3,330,000.00	480,000.00
QSCB	3,752,000.00	0.00	0.00	3,752,000.00	0.00
Total Long-Term Liabilities	\$ 12,557,089.02	\$ 2,505,470.00	\$ 1,952,980.55	\$ 13,109,578.47	\$ 1,989,319.02

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 5 – LONG-TERM DEBT, CONTINUED

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending September 30,	Capital Leases		Bond Liabilities		QSCB		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
2015	1,509,319.02	147,220.18	480,000.00	195,537.50	-	69,974.80	2,402,051.50
2016	1,491,439.79	110,515.87	507,500.00	168,657.50	-	69,974.80	2,348,087.96
2017	1,224,192.24	77,889.49	537,500.00	138,207.50	-	69,974.80	2,047,764.03
2018	446,578.80	52,996.89	567,500.00	106,495.00	-	69,974.80	1,243,545.49
2019	205,807.47	42,109.16	600,000.00	73,012.50	-	69,974.80	990,903.93
2020-2024	840,149.63	120,267.12	637,500.00	37,612.50	-	349,874.00	1,985,403.25
2025-2028	310,091.52	15,479.23			3,752,000.00	87,468.50	4,165,039.25
Total	\$ 6,027,578.47	\$ 566,477.94	\$ 3,330,000.00	\$ 719,522.50	\$ 3,752,000.00	\$ 787,216.50	\$ 15,182,795.41

During the year, total interest incurred was \$ 453,482.60, all of which was charged to operations.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description

The employees of the Board are covered under a defined benefit plan, the Teachers' Retirement System of Alabama, which is administered by the Retirement Systems of Alabama. The plan is a cost-sharing multiple-employer public employer retirement system (PERS).

Participation in the TRS is mandatory for Board personnel employed in a non-temporary capacity on at least a one-half time basis. After ten or more years of creditable service, a member has vested interest (is eligible for deferred benefits) in the Teachers' Retirement System.

The provisions of Act Number 2012-377, Acts of Alabama, established a new defined benefit plan tier for employees (Tier 2). Tier 2 employees are those hired on or after January 1, 2013. Employees who were hired before January 1, 2013 are considered to be Tier 1 employees.

Vested Tier 1 employees may retire with full benefits at age 60 or after 25 years of service. Vested Tier 2 employees may retire after completing at least 10 years of service at the age of 62. Retirement benefits are calculated by two methods with the retiree receiving payments under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, and (2) Formula, of which the Formula method usually produces the highest monthly benefit. Under this method, Tier 1 retirees are allowed 2.0125% of their average final salary (best three of last ten years) for each year of service, whereas Tier 2 retirees are allowed 1.6500% of their average final salary (best five of the last ten years) for each year of service with a benefit cap of 80% of the average final salary. Retirees may also elect to receive a reduced retirement allowance (*Special Privileges at Retirement*) in order to

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

provide an allowance to a designated beneficiary after the member’s death. Disability retirement benefits are calculated in the same manner. Pre-retirement death benefits in the amount of the annual salary for the fiscal year preceding death are provided to plan members.

The Teachers’ Retirement System was established as of October 1, 1941, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions. The responsibility for general administration and operation of the Teachers’ Retirement System is vested in the Board of Control (currently 14 members). Benefit provisions are established by the *Code of Alabama 1975*, Sections 16-25-1 through 16-25-113, as amended, and Sections 36-27B-1 through 36-27B-6 as amended.

The Retirement Systems of Alabama issues a publicly available financial report that includes financial statements and required supplementary information for the Teachers’ Retirement System of Alabama. That report may be obtained by writing to The Retirement Systems of Alabama, 201 South Union Street, Montgomery, Alabama 36130-2150.

Funding Policy

Tier I Employees are required to contribute 7.5% of their salary to the Teachers’ Retirement System; Tier II contributes at 6.0%. The Board is required to contribute the remaining amounts necessary to fund the actuarially determined contributions to ensure sufficient assets will be available to pay benefits when due. Each year the Teachers’ Retirement System recommends to the Legislature the contribution rate for the following fiscal year, with the Legislature setting this rate in the annual appropriation bill. The percentages of the contributions and the amount of contributions made by the Board and the Board’s employees equal the required contributions for each year as follows:

	Fiscal Year Ended September 30,		
	2014	2013	2012
<u>Salaries:</u>			
Covered Salaries	\$ 45,088,408.03	\$ 43,662,391.28	\$ 42,647,551.94
Total Salaries	\$ 46,947,618.00	\$ 44,990,028.93	\$ 44,393,384.97
Total Percentage of Covered Payroll	19.08%	17.56%	17.25%
<u>Contributions:</u>			
Percentage Contributed by the Board	11.71%/11.08%	10.08%/9.44%	10.00%
Percentage Contributed by the Employees	7.50%/6.00%	7.50%/6.00%	7.25%
Contributed by the Board	\$ 5,262,948.35	\$ 4,398,589.30	\$ 4,264,762.26
Contributed by the Employees	3,341,371.68	3,268,612.94	3,091,952.64
Total Contributions	\$ 8,604,320.03	\$ 7,667,202.24	\$ 7,356,714.90

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 7 – RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. Insurance coverage is provided by the City of Dothan on all buildings and contents with the exception of Kelly Springs and the transportation/maintenance building on Third Avenue. The Board provides building and content coverage on those two complexes. In addition, the Board provides a general liability and errors and omissions policy and automobile coverage for its buses and other vehicles. Liability and property insurance coverage is also provided by the Board for some federally owned property that is used in the JROTC program.

Employee health insurance is provided through the Public Education Employees’ Health Insurance Program (PEEHIP), a public entity risk pool, administered by the Public Education Employees’ Health Insurance Board. The fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are set annually by the Alabama Legislature based on the amounts necessary to fund coverage. The Board contributes the specified amount monthly to the PEEHIP for each employee.

The State Board of Adjustments is a state agency with which the employees can file claims against the Board to collect reimbursement for damages when all other means have been exhausted. The Board does not have insurance coverage for job-related injuries. Claims for employee job-related injuries may be filed with the State Board of Adjustments. The Board of Adjustments determines if a claim is valid and determines the proper amount of compensation. Payments are made from state appropriated funds at no cost to the Board. No such claims or related settlements have occurred in the past three years.

NOTE 8 – INTERFUND TRANSFERS

The amounts of interfund transfers during the fiscal year ended September 30, 2014 were as follows:

	Transfers Out					Total Transfers In
	General Fund	Food Service Fund	Capital Projects Fund	Local School- Public Fund	Other Governmental Funds	
Transfers In:						
General Fund	\$ -	\$ -	\$ -	\$ 453,695.19	\$ -	\$ 453,695.19
Food Service Fund	437,384.71	-	-	233,208.52	-	670,593.23
Capital Projects Fund	-	-	-	-	-	-
Local School-Public Fund	277,381.50	-	-	-	-	277,381.50
Other Governmental Funds	-	-	195,258.55	-	-	195,258.55
Total Transfers Out	\$ 714,766.21	\$ -	\$ 195,258.55	\$ 686,903.71	\$ -	\$1,596,928.47

The Board typically used transfers to fund ongoing operations.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Board is a defendant in various lawsuits as of June 22, 2015. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Board's attorney, the outcome of these lawsuits will not have a materially adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Board expects such amounts, if any, to be immaterial. Accordingly, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 10 – PAYMENTS OR SERVICES FURNISHED BY OTHER AGENCIES

Certain payments or services are furnished by the State and the City of Dothan on behalf of the Board. Included in these items are the employer portion of fringe benefits (health insurance, retirement, unemployment compensation), textbooks, payments from bond issue proceeds (Public School and College Authority), donated fixed assets, utilities, and payment on City bond issues for school purposes. These payments or services are reflected as revenues and expenditures on the Board's financial statements in the applicable funds for which they apply. Legal title to some of the Board's land and buildings is held by the City of Dothan, and the related amounts are not reported in the accompanying financial statements. As of September 30, 2014, the Board utilized such land and buildings with aggregate costs of \$ 1,091,159.51 and \$ 42,363,359.58, respectively.

NOTE 11 – DONATED FOOD PROGRAM

The commodities received from the Federal government in connection with the donated food program are reflected in the accompanying financial statements. The total assigned value of commodities donated was \$ 318,869.92 at September 30, 2014. Commodities consumed were approximately \$ 314,981.22.

NOTE 12 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is June 22, 2015. The financial statements were available to be issued at that time.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 13 – RECLASSIFICATION

During the fiscal year ended September 30, 2014, the Board adopted GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*. This statement established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses/expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The implementation of GASB Statement Number 65 resulted in the reclassification of certain items previously reported as assets and liabilities.

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Board contributes to the Alabama Retired Education Employees’ Health Care Trust (the “Trust”), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees’ Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees’ Health Insurance Plan website, <http://www.rsa-al.gov/PEEHIP/peehip.html> under the Trust Fund Financials tab.

Funding Policy

The Public Education Employees’ Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 83-455, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust fund assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2014
Individual Coverage - Non-Medicare Eligible	\$151.00
Individual Coverage - Medicare Eligible	\$10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$391.00
Family Coverage - Non-Medicare Eligible Retired Member and Dependent Medicare Eligible	\$250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s)	\$250.00
Family Coverage - Medicare Eligible Retired Member and Dependent Medicare Eligible	\$109.00
Surviving Spouse - Non-Medicare Eligible	\$679.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$870.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	\$839.00
Surviving Spouse - Medicare Eligible	\$318.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	\$516.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	\$485.00

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees who retire on or after January 1, 2012 are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$28.00 per month for retired members that smoke.

The Board is required to contribute at a rate specified by the State for each active employee. The Board’s share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid by Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2014	\$714.00	\$220.09	30.83%	\$3,688,040.84	100%
2013	\$714.00	\$216.90	30.38%	\$3,491,438.61	100%
2012	\$714.00	\$228.85	32.05%	\$3,564,517.28	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Required Supplementary Information

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
REVENUES				
Local Revenues	\$ 18,008,274.00	\$ 18,008,274.00	\$ 19,207,115.26	\$ 1,198,841.26
State Revenues	44,735,274.00	44,901,694.25	44,949,875.19	48,180.94
Federal Revenues	114,500.00	114,500.00	137,091.71	22,531.71
Local School Revenues	0.00	0.00	0.00	0.00
Other Revenues	0.00	0.00	212,632.35	212,632.35
Total Revenues	<u>62,858,048.00</u>	<u>63,024,468.25</u>	<u>64,506,654.51</u>	<u>1,482,186.26</u>
EXPENDITURES				
Instructional Services	40,558,926.43	40,903,306.86	41,099,132.21	195,825.35
Instructional Support Services	10,533,798.25	11,526,555.69	11,922,771.22	396,215.53
Operations and Maintenance	5,326,301.91	5,090,621.62	6,270,701.01	1,180,079.39
Auxiliary Services	2,660,187.99	2,659,435.41	3,481,748.73	822,313.32
General, Administrative, and Central Support	2,174,074.10	2,182,738.76	2,830,396.65	647,657.89
Capital Outlay	0.00	1,500.00	0.00	(1,500.00)
Debt Services	0.00	0.00	0.00	0.00
Other Expenditures	951,289.98	1,022,884.38	1,546,998.18	524,113.80
Total Expenditures	<u>62,204,578.66</u>	<u>63,387,042.72</u>	<u>67,151,748.00</u>	<u>3,764,705.28</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>653,469.34</u>	<u>(362,574.47)</u>	<u>(2,645,093.49)</u>	<u>(2,282,519.02)</u>
OTHER FINANCING SOURCES (USES)				
Other Fund Sources	565,624.75	683,535.23	1,281,330.95	597,795.72
Other Fund Uses	(1,660,422.22)	(670,593.23)	(714,766.21)	(44,172.98)
Total Other Financing Sources (Uses)	<u>(1,094,797.47)</u>	<u>12,942.00</u>	<u>566,564.74</u>	<u>553,622.74</u>
Net Change in Fund Balances	<u>(441,328.13)</u>	<u>(349,632.47)</u>	<u>(2,078,528.75)</u>	<u>(1,728,896.28)</u>
Fund Balance - Beginning	<u>6,890,345.99</u>	<u>6,890,345.99</u>	<u>6,890,345.99</u>	<u>0.00</u>
Fund Balance - Ending	<u>\$ 6,449,017.86</u>	<u>\$ 6,540,713.52</u>	<u>\$ 4,811,817.24</u>	<u>\$ (1,728,896.28)</u>

Other Supplementary Information

Dothan City Schools
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures(\$)</i>
<i>Child Nutrition Cluster-Cluster</i>			
United States Department of Agriculture Pass-Through Programs Passed-through State of Alabama			
State of AlabamaNational School Lunch Program <i>Total National School Lunch Program</i>	10.555	130	\$ 3,201,614 <u>\$ 3,201,614</u>
State of AlabamaSchool Breakfast Program <i>Total School Breakfast Program</i>	10.553	130	\$ 985,097 <u>\$ 985,097</u>
<i>Total Passed-through State of Alabama</i>			<u>\$ 4,186,711</u>
<i>Total United States Department of Agriculture</i>			<u>\$ 4,186,711</u>
<i>Total Child Nutrition Cluster-Cluster</i>			<u>\$ 4,186,711</u>
<i>Special Education Cluster (IDEA)-Cluster</i>			
Department of Education Pass-Through Programs Passed-through State of Alabama			
State of AlabamaSpecial Education_Grants to States <i>Total Special Education_Grants to States</i>	84.027	130	\$ 2,328,487 <u>\$ 2,328,487</u>
State of AlabamaSpecial Education_Preschool Grants <i>Total Special Education_Preschool Grants</i>	84.173	130	\$ 91,849 <u>\$ 91,849</u>
<i>Total Passed-through State of Alabama</i>			<u>\$ 2,420,336</u>
<i>Total Department of Education</i>			<u>\$ 2,420,336</u>
<i>Total Special Education Cluster (IDEA)-Cluster</i>			<u>\$ 2,420,336</u>
<i>Other Programs</i>			
Department of Education Pass-Through Programs Passed-through State of Alabama			
State of AlabamaEducation for Homeless Children and Youth <i>Total Education for Homeless Children and Youth</i>	84.196	130	\$ 8,088 <u>\$ 8,088</u>
State of AlabamaCareer and Technical Education -- Basic Grants to States <i>Total Career and Technical Education -- Basic Grants to States</i>	84.048	130	\$ 207,450 <u>\$ 207,450</u>
State of AlabamaEnglish Language Acquisition Grants <i>Total English Language Acquisition Grants</i>	84.365	130	\$ 18,712 <u>\$ 18,712</u>
State of AlabamaImproving Teacher Quality State Grants <i>Total Improving Teacher Quality State Grants</i>	84.367	130	\$ 610,045 <u>\$ 610,045</u>
State of AlabamaTitle I Grants to Local Educational Agencies <i>Total Title I Grants to Local Educational Agencies</i>	84.010	130	\$ 3,277,828 <u>\$ 3,277,828</u>

Dothan City Schools
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

<i>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Entity Identifying Number</i>	<i>Federal Expenditures(\$)</i>
<i>Total Passed-through State of Alabama</i>			<u>\$ 4,122,123</u>
<i>Total Department of Education</i>			<u>\$ 4,122,123</u>
Department of Health and Human Services Direct Programs			
Head Start	93.600	n/a	<u>\$ 2,195,666</u>
<i>Total Department of Health and Human Services</i>			<u>\$ 2,195,666</u>
United States Department of Agriculture Pass-Through Programs			
Passed-through State of Alabama			
State of Alabama Fresh Fruit and Vegetable Program	10.582	130	<u>\$ 26,068</u>
<i>Total Fresh Fruit and Vegetable Program</i>			<u>\$ 26,068</u>
<i>Total Passed-through State of Alabama</i>			<u>\$ 26,068</u>
<i>Total United States Department of Agriculture</i>			<u>\$ 26,068</u>
<i>Total Other Programs</i>			<u>\$ 6,343,857</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 12,950,904</u>

Note: The modified accrual basis of accounting is used in the preparation of this Schedule.

Additional Information

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INDEPENDENT AUDITORS' 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

To the Dothan City Board of Education
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, each major fund, and the aggregate remaining fund information of the Dothan City Board of Education as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Dothan City Board of Education's basic financial statements, and have issued our report thereon dated June 22, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Dothan City Board of Education's internal control over financial reporting (internal control) to determine the 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 Dothan City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Dothan City Board of Education'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 may exist that have not been identified.

To the Dothan City Board of Education
Dothan, Alabama

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Dothan City Board of Education'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 determination of financial statement amounts. 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.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 22, 2015

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Dothan City Board of Education
Dothan, Alabama

Report on Compliance for Each Major Federal Program

We have audited the Dothan City Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Dothan City Board of Education's major federal programs for the year ended September 30, 2014. The Dothan City Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Dothan City Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Dothan City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Dothan City Board of Education's compliance.

To the Dothan City Board of Education
Dothan, Alabama

Opinion on Each Major Federal Program

In our opinion, the Dothan City Board of Education 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, 2014.

Report on Internal Control Over Compliance

Management of the Dothan City Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Dothan City Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Dothan City Board of Education's internal control over compliance.

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. *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 consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 22, 2015

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of opinion issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditors' report issued on compliance for major programs:	Unqualified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	No
Identification of major programs:	
CFDA – 84.010	Title I Grants to Local Educational Agencies
CFDA – 84.367	Improving Teacher Quality State Grants
CFDA – 93.600	Head Start
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 388,527
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS (GAGAS)

No matters were reportable.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reportable.