

Dothan City Board of Education

**Financial Report
September 30, 2016**

Dothan City Board of Education

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INDEPENDENT AUDITOR'S 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, 2016, 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.

Auditor's 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 auditor's 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.

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

To the Dothan City Board of Education
Dothan, Alabama

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, 2016, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the employer's proportionate share of the net pension liability, the schedule of the employer's contributions, and budgetary comparison information on pages 4-13 and 44-48 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 Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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. 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.

To the Dothan City Board of Education
Dothan, Alabama

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2017, 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 23, 2017

**DOTHAN CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2016**

This section of the Dothan City Board of Education's (the Board) annual financial report presents our discussion of the Board's financial performance for the fiscal year ended September 30, 2016. 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, 2016, are as follows:

- Total net position of (\$ 33,538,194.98)
- Increase in net position of \$ 513,383.14 during the current fiscal year
- Total fund balances of all governmental funds equaled \$ 9,389,972.77
- Unassigned general fund balance equaled \$ 2,393,221.37
- Total general fund net change in fund balance was (\$ 484,262.58)

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

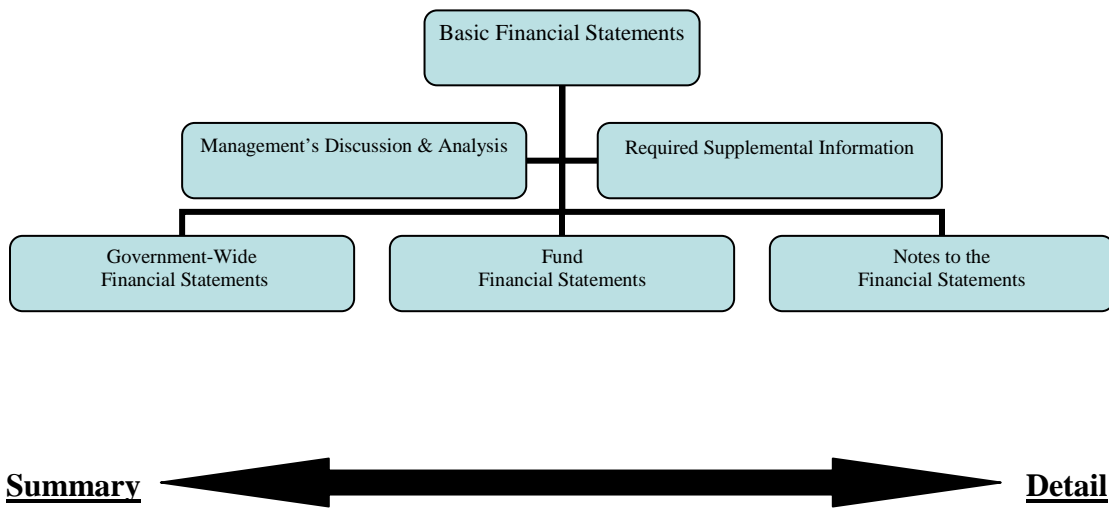


Figure A-2 summarizes the major features of the Board’s financial statements, including the portion of the Board that they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of the statements.

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, no long-term liabilities 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, 2015, totaled (\$ 34.051) million and (\$ 33.538) million for fiscal year ended September 30, 2016, 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>2016</u>	<u>2015</u>	<u>Change</u>
Current and Other Assets	\$ 10.559	\$ 8.811	\$ 1.748
Capital and Non-Current Assets	30.802	32.491	(1.689)
Total Assets	41.361	41.302	0.059
Deferred Outflows of Resources	12.440	6.398	6.042
Current Liabilities	1.169	0.563	0.606
Long Term Liabilities	85.759	76.353	9.406
Total Liabilities	86.928	76.916	10.012
Deferred Inflows of Resources	0.411	4.835	(4.424)
Net Position	\$ (33.538)	\$ (34.051)	\$ 0.513
Net Investment in Capital Assets	\$ 21.486	\$ 21.121	\$ 0.365
Restricted	3.727	2.608	1.119
Unrestricted	(58.751)	(57.780)	(0.971)
Total Net Position	\$ (33.538)	\$ (34.051)	\$ 0.513

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 (\$ 57.780) million for fiscal years ended September 30, 2015 and (\$58.751) million for September 30, 2016. Long term liabilities and net position for the year ended September 30, 2015, have been restated as described in note 14 to the financial statements.

General revenues – Refer to *Figure A-4* when reading the following analysis. The Board’s total general revenues for fiscal years ended September 30, 2015 were \$69.650 million and \$71.982 million for September 30, 2016. For fiscal years ended September 30, 2015 and September 30, 2016 a significant portion, 66.98% and 66.31%, respectively of the Board’s general revenue derived from state aid. Also, 10.09% and 9.75% derived from local aid and 10.28% and 10.47% derived from sales taxes with 12.12% and 12.00% derived from property taxes.

**Figure A-4
Board's Sources of General Revenue
Fiscal Years 2015 & 2016**

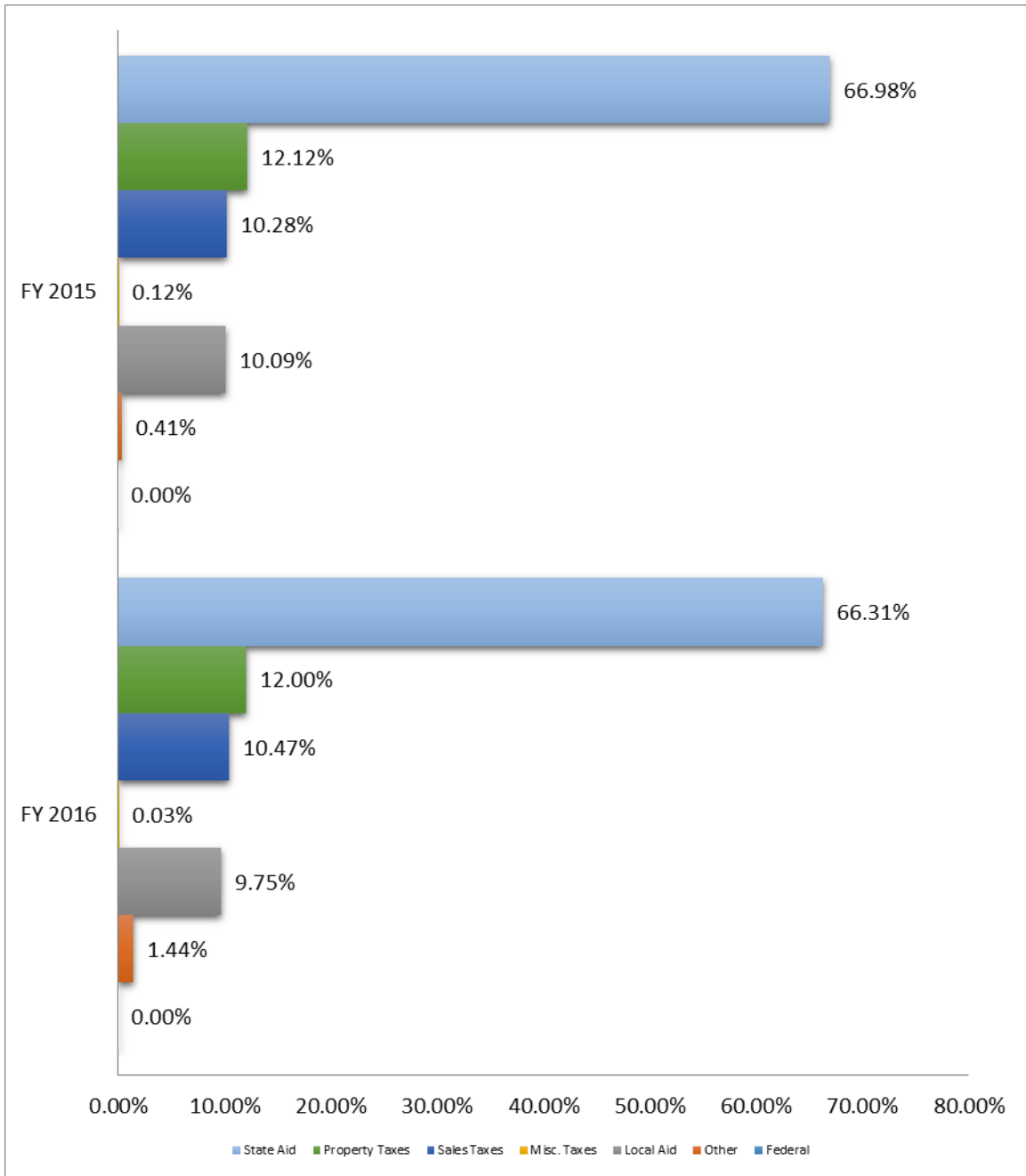


Figure A-5
Summary of Changes in Net Position from Operating Results (in millions)

	Governmental Activities		Amount Change
	2016	2015	
Revenues:			
Program Revenues:			
Charges for Services	\$ 1.358	\$ 1.711	\$ (0.353)
Operating Grants and Contributions	13.473	13.661	(0.188)
Capital Grants and Contributions	2.161	2.050	0.111
General Revenues:			
Property Taxes	8.640	8.439	0.201
Local Sales Taxes	7.537	7.163	0.374
Miscellaneous Taxes	0.022	0.086	(0.064)
State Aid	47.733	46.649	1.084
Local Aid	7.016	7.030	(0.014)
Miscellaneous	1.034	0.283	0.751
Total Revenues	<u>88.974</u>	<u>87.072</u>	<u>1.902</u>
Expenses:			
Instructional Services	48.522	48.044	0.478
Instructional Support Services	13.964	13.299	0.665
Operations and Maintenance	6.703	7.005	(0.302)
Auxiliary Services	11.094	11.543	(0.449)
General, Administrative, Central	3.482	3.262	0.220
Other Expenditures	4.343	4.222	0.121
Interest on Long Term Debt	0.353	0.418	(0.065)
Total Expenses	<u>88.461</u>	<u>87.793</u>	<u>0.668</u>
Change in Net Position	0.513	(0.721)	1.234
Net Position Restatement	-	0.043	(0.043)
Net Position - Beginning	<u>(34.051)</u>	<u>(33.373)</u>	<u>(0.678)</u>
Net Position - Ending	<u>\$ (33.538)</u>	<u>\$ (34.051)</u>	<u>\$ 0.513</u>

The Board's net position increased \$ 0.513 million during the current fiscal year

- Revenues increased \$ 1.902 million over the prior year. Increased revenues were in capital grants and contributions, property taxes, local sales taxes, state aid, and miscellaneous.

- Expenses increased \$ 0.668 million over the prior year. Instructional support services had the largest increase with \$ 0.665 million.

The total cost of all programs and services was \$ 88.461 million. 70.637% 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 \$ 2.901 million. The general fund balance decreased by \$ 0.484 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 \$ 2.410 million. Current year operations resulted in an increase in the food service fund balance of \$ 0.755 million.

The capital projects fund reported an ending fund balance of \$ 0.622 million. The capital projects fund balance increased by \$ 0.407 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 \$ 1.763 million. The local school – public fund balance increased by \$ 0.164 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 \$ 3.040 million over final budget amounts.
- Revenues available were \$ 0.131 million under final budget amounts. This is due primarily to a decrease in state revenues.
- Expenditures and Other Fund Uses were in excess of Budgeted Revenues and Other Fund Sources by \$ 2.626 million.

CAPITAL ASSETS

At September 30, 2016, the Board had invested \$ 58.192 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 \$ 0.688 million or 1.196% 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
	2016	2015	
Land	\$0.752	\$0.752	0.000
Land Improvements	1.782	1.721	0.061
Buildings	14.630	14.630	0.000
Building Improvements	29.629	29.505	0.124
Construction in Progress	0.000	0.000	0.000
Equipment	4.943	4.480	0.463
Vehicles	6.456	6.416	0.040
Total Historic Cost	58.192	57.504	0.688
Total Accumulated Depreciation	(27.389)	(25.013)	(2.376)
Net Capital Assets	\$30.803	\$32.491	(1.688)

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, 2016
(in millions)

	Beginning Balance	Net Change	Ending Balance
Capital Leases	\$ 4.768	\$ (1.546)	\$ 3.222
Bond Liabilities	2.850	(0.508)	2.342
Qualified School Construction Bonds	3.752	0.000	3.752
Governmental Activities Long-Term Debt	\$ 11.370	\$ (2.054)	\$ 9.316

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 2017 BUDGET

The Board made the final payment on the iPad lease in April, 2017, and executed a sale of the system's iPads. A decision was made by the Board to pursue the use of Chromebooks due to financial and instructional considerations. No other major contracts are in process as of this date.

Local revenues in fiscal year 2017 were budgeted for an increase of less than 1.0% which reflects a somewhat less optimistic expectation of the improving economic situation from 2016. The Board will again approve certain reductions in personnel and non-personnel expenditures to allow it to reach at least a one month operating reserve balance within three fiscal years. The Board will need to continue looking at cost savings measures due to past hiring decisions that have caused a decrease in the operating reserve to less than a one month balance. Additional local revenues will be needed along with increased state revenues to offset this decrease or additional cost savings measures will be implemented. State foundation revenue was budgeted with a \$2.4 million dollar increase primarily due to a 4% salary increase mandated by the Alabama legislature.

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

Employer contributions to the Teachers Retirement System (TRS) changed from 11.94% for fiscal year 2016 to 12.01% for fiscal year 2017 for Tier I employees and from 10.84% for fiscal year 2016 to 10.82% in fiscal year 2017 for Tier 2 employees. Employee contributions for Tier 1 employees remained at 7.5% and 6.0% for Tier 2 employees respectively. The 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 5.22% from 2015 to 2016. Unemployment in Dothan continues to improve over the past 5 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 positive 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, 2016**

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 6,382,772.19
Due from Federal, State, and Local Agencies (Note 3)	2,839,919.63
Inventory, Commodities	55,161.54
Inventory, Purchased	208,204.07
Restricted Assets, Cash with Fiscal Agents	1,072,723.38
Capital Assets (Note 4):	
Land	752,517.00
Depreciable, Net	30,050,019.03
Total Assets	41,361,316.84
DEFERRED OUTFLOWS OF RESOURCES	
Employer Pension Contribution	12,439,811.19
LIABILITIES	
Current Payables	773,399.62
Salaries and Benefits Payable	16,491.30
Unearned Revenue	213,530.11
Accrued Vacation, Current Portion	165,387.01
Long Term Liabilities:	
Debt Due Within One Year (Note 5)	1,858,411.45
Debt Due in More Than One Year (Note 5)	7,457,942.51
Accrued Vacation, Long Term Portion	496,161.01
Net Pension Liability	75,947,000.00
Total Liabilities	86,928,323.01
DEFERRED INFLOWS OF RESOURCES	
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	411,000.00
NET POSITION	
Net Investment in Capital Assets	21,486,182.07
Restricted for Other Government Programs	2,201,221.34
Restricted for Capital Projects	0.00
Restricted for Debt Service	1,072,723.38
Restricted for Other Purposes	453,365.33
Unrestricted	(58,751,687.10)
Total Net Position	\$ (33,538,194.98)

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, 2016**

	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	\$ 48,522,237.07	\$ 0.00	\$ 4,041,826.19	\$ 0.00	\$ (44,480,410.88)
Instructional Support Services	13,963,650.43	0.00	1,750,199.95	0.00	(12,213,450.48)
Operations and Maintenance	6,703,263.10	0.00	0.00	0.00	(6,703,263.10)
Auxiliary Services	11,093,792.54	880,451.58	4,580,198.14	0.00	(5,633,142.82)
General, Administrative, and Central Support	3,482,108.93	0.00	205,290.96	0.00	(3,276,817.97)
Other Expenditures	4,343,068.41	477,536.35	2,895,563.04	2,161,216.00	1,191,246.98
Interest on Long Term Debt	353,127.61	0.00	0.00	0.00	(353,127.61)
	\$ 88,461,248.09	\$ 1,357,987.93	\$ 13,473,078.28	\$ 2,161,216.00	(71,468,965.88)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					8,639,607.42
Local Sales Tax					7,537,051.96
Miscellaneous Taxes					21,644.48
State Aid not Restricted to Specific Purposes					47,733,049.15
Local Aid not Restricted to Specific Purposes					7,016,363.37
Miscellaneous					1,034,632.64
				Total General Revenues	71,982,349.02
				Change in Net Position	513,383.14
				Net Position - Beginning of Year, as Restated (Note 14)	(34,051,578.12)
				Net Position - End of Year	\$ (33,538,194.98)

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

**DOTHAN CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	General Fund	Food Service Fund	Capital Projects Fund	Local School - Public Fund	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	\$ 717,702.88	\$ 1,347,260.36	\$ 2,792,215.08	\$ 1,774,818.10	\$ (249,224.23)	\$ 6,382,772.19
Cash with Fiscal Agents	0.00	0.00	0.00	0.00	1,072,723.38	1,072,723.38
Due from Federal, State, and Local Agencies (Note 3)	951,727.33	946,015.81	3,451.18	0.00	938,725.31	2,839,919.63
Interfund Receivables	1,823,719.57	0.00	0.00	0.00	0.00	1,823,719.57
Inventory, Commodities	0.00	55,161.54	0.00	0.00	0.00	55,161.54
Inventory, Purchased	54,737.45	153,466.62	0.00	0.00	0.00	208,204.07
Total Assets	<u>\$ 3,547,887.23</u>	<u>\$ 2,501,904.33</u>	<u>\$ 2,795,666.26</u>	<u>\$ 1,774,818.10</u>	<u>\$ 1,762,224.46</u>	<u>\$ 12,382,500.38</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Current Payables	\$ 387,954.11	\$ 11,687.84	\$ 349,883.65	\$ 11,769.19	\$ 12,104.83	\$ 773,399.62
Interfund Payables	0.00	0.00	1,823,719.57	0.00	0.00	1,823,719.57
Salaries and Benefits Payable	2,394.42	220.41	0.00	0.00	13,876.47	16,491.30
Unearned Revenue	90,827.54	80,146.58	0.00	0.00	42,555.99	213,530.11
Accrued Vacation	165,387.01	0.00	0.00	0.00	0.00	165,387.01
Total Liabilities	<u>646,563.08</u>	<u>92,054.83</u>	<u>2,173,603.22</u>	<u>11,769.19</u>	<u>68,537.29</u>	<u>2,992,527.61</u>
FUND BALANCES						
Nonspendable:						
Inventories	54,737.45	208,628.16	0.00	0.00	0.00	263,365.61
Restricted For:						
Child Nutrition Program	0.00	2,201,221.34	0.00	0.00	0.00	2,201,221.34
Capital Projects	0.00	0.00	0.00	0.00	0.00	0.00
Debt Service	0.00	0.00	0.00	0.00	1,072,723.38	1,072,723.38
Transportation Reimbursements	453,365.33	0.00	0.00	0.00	0.00	453,365.33
Other Government Programs	0.00	0.00	0.00	0.00	0.00	0.00
Committed To:						
Capital Projects	0.00	0.00	622,063.04	0.00	0.00	622,063.04
Assigned To:						
Other Purposes	0.00	0.00	0.00	1,763,048.91	620,963.79	2,384,012.70
Unassigned	2,393,221.37	0.00	0.00	0.00	0.00	2,393,221.37
Total Fund Balances	<u>2,901,324.15</u>	<u>2,409,849.50</u>	<u>622,063.04</u>	<u>1,763,048.91</u>	<u>1,693,687.17</u>	<u>9,389,972.77</u>
Total Liabilities and Fund Balances	<u>\$ 3,547,887.23</u>	<u>\$ 2,501,904.33</u>	<u>\$ 2,795,666.26</u>	<u>\$ 1,774,818.10</u>	<u>\$ 1,762,224.46</u>	<u>\$ 12,382,500.38</u>

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, 2016**

FUND BALANCE - GOVERNMENTAL FUNDS \$ 9,389,972.77

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	\$ 58,191,513.60	
Accumulated Depreciation	<u>(27,388,977.57)</u>	
		30,802,536.03

Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		12,028,811.19
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Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds.

Bond Liabilities	(2,342,500.00)	
QSCB Liability	(3,752,000.00)	
Capital Leases	(3,221,853.96)	
Accrued Vacation, Long Term Portion	(496,161.01)	
Net Pension Liability	<u>(75,947,000.00)</u>	
		<u>(85,759,514.97)</u>

NET POSITION - GOVERNMENTAL ACTIVITIES \$ (33,538,194.98)

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

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Food Service Fund	Capital Projects Fund	Local School - Public Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Local Revenues	\$ 19,759,273.73	\$ 881,406.33	\$ 802,198.00	\$ 164.00	\$ 50,564.83	\$ 21,493,606.89
State Revenues	47,707,822.96	0.00	2,576,301.20	0.00	69,974.80	50,354,098.96
Federal Revenues	133,781.59	4,573,853.46	0.00	0.00	8,305,609.42	13,013,244.47
Local School Revenues	0.00	0.00	0.00	2,601,511.92	0.00	2,601,511.92
Other Revenues	144,847.69	192,372.28	0.00	0.00	66,470.93	403,690.90
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	67,745,725.97	5,647,632.07	3,378,499.20	2,601,675.92	8,492,619.98	87,866,153.14
EXPENDITURES						
Instructional Services	42,368,137.98	0.00	415,363.08	1,108,964.20	3,851,162.71	47,743,627.97
Instructional Support Services	11,514,717.48	0.00	0.00	508,898.44	1,749,099.95	13,772,715.87
Operations and Maintenance	5,725,024.73	0.00	24,435.00	66,084.15	0.00	5,815,543.88
Auxiliary Services	3,629,445.40	6,680,748.55	0.00	89,413.27	5,978.95	10,405,586.17
General, Administrative, and Central Support	3,222,131.76	0.00	0.00	0.00	209,041.89	3,431,173.65
Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00
Debt Services						
Principal Retirement	0.00	0.00	2,053,673.73	0.00	0.00	2,053,673.73
Interest Expense	0.00	0.00	283,152.81	0.00	69,974.80	353,127.61
Other Expenditures	1,393,352.16	36,540.69	0.00	324,912.74	2,502,187.66	4,256,993.25
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	67,852,809.51	6,717,289.24	2,776,624.62	2,098,272.80	8,387,445.96	87,832,442.13
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,083.54)	(1,069,657.17)	601,874.58	503,403.12	105,174.02	33,711.01
OTHER FINANCING SOURCES (USES)						
Indirect Cost Revenue	477,536.35	0.00	0.00	0.00	0.00	477,536.35
Long Term Debt Proceeds	0.00	0.00	0.00	0.00	0.00	0.00
Other Fund Sources	630,941.74	0.00	0.00	0.00	0.00	630,941.74
Other Fund Uses	0.00	0.00	0.00	0.00	0.00	0.00
Transfers In	414,216.93	1,824,839.83	0.00	575,603.27	195,258.55	3,009,918.58
Transfers Out	(1,899,874.06)	0.00	(195,258.55)	(914,785.97)	0.00	(3,009,918.58)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	(377,179.04)	1,824,839.83	(195,258.55)	(339,182.70)	195,258.55	1,108,478.09
Net Change In Fund Balances	(484,262.58)	755,182.66	406,616.03	164,220.42	300,432.57	1,142,189.10
Fund Balances - Beginning of Year	3,385,586.73	1,654,666.84	215,447.01	1,598,828.49	1,393,254.60	8,247,783.67
Fund Balances - Ending	\$ 2,901,324.15	\$ 2,409,849.50	\$ 622,063.04	\$ 1,763,048.91	\$ 1,693,687.17	\$ 9,389,972.77

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, 2016**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 1,142,189.10

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	\$ (2,395,738.49)	
Capitalized Capital Outlay and Other Adjustments, Net	<u>707,375.16</u>	(1,688,363.33)

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.		2,053,673.73
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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.		0.00
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Some expenses reported in the statement of activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds:

Accrued Vacation, Current Year Increase in Noncurrent Portion	(2,502.87)	
Pension Expense, Current Year Increase	<u>(991,613.49)</u>	<u>(994,116.36)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 513,383.14

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, 2016**

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 143,663.72
Due from Federal, State, and Local Agencies	<u>10,460.53</u>
Total Assets	<u>154,124.25</u>
LIABILITIES	
Current Payables	154,124.25
Due to Local Schools	<u>0.00</u>
Total Liabilities	<u>154,124.25</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, 2016**

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, 2016**

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, 2016**

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, 2016**

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

Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

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 are deferred and amortized over the life of the debt. Bonds payable are reported net of any applicable bond premium or discounts. Bond issuance costs, if applicable, are reported as an expense in the period incurred.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

Deferred inflows of Resources

Deferred inflows of resources are reported in the government-wide financial statements. Deferred inflows of resources are defined as an acquisition of net position by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position, similar to liabilities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the Plan) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

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:

Net Investment in Capital Assets – 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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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, 2016.

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2016, the carrying amount of cash and cash equivalents was \$ 6,382,772.19. The Board participates in the Security for Alabama Funds Enhancement Program (SAFE Program). Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer's Office. The Board's cash balances not covered by the SAFE Program at financial institutions exceeded Federal Deposit Insurance Corporation (FDIC) limits during the year.

The Board has deposits totaling \$ 1,072,723.38 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. These funds are not covered by the SAFE Program. 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	\$1,702,723.38	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 in a particular fund category 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. At no time was there a bank account overdraft or checks disbursed in excess of cash in the bank. It is a representation of funding category allocations of expenditures within a bank account.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2016 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	\$ 18,285.99	\$ -	\$ 2,701.18	\$ -	\$ -	\$ 20,987.17
Federal Programs	-	946,015.81	-	-	911,294.56	1,857,310.37
Local and Other	933,441.34	-	750.00	-	27,430.75	961,622.09
Total Receivables	\$ 951,727.33	\$ 946,015.81	\$ 3,451.18	\$ -	\$ 938,725.31	\$2,839,919.63

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 4 – CAPITAL ASSET ACTIVITY

Capital asset activity for the Board for the year ended September 30, 2016 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	-	-	-	-
Total Capital Assets Not Being Depreciated	<u>752,517.00</u>	<u>-</u>	<u>-</u>	<u>752,517.00</u>
Capital Assets Being Depreciated:				
Land Improvements	1,720,184.82	61,600.00	-	1,781,784.82
Buildings	14,629,940.28	-	-	14,629,940.28
Building Improvements	29,504,624.28	124,225.82	-	29,628,850.10
Equipment	4,480,338.57	482,276.34	19,728.00	4,942,886.91
Vehicles	6,416,261.49	39,273.00	-	6,455,534.49
Total Capital Assets Being Depreciated	<u>56,751,349.44</u>	<u>707,375.16</u>	<u>19,728.00</u>	<u>57,438,996.60</u>
Less Accumulated Depreciation for:				
Land Improvements	653,296.14	79,843.68	-	733,139.82
Buildings	4,455,250.22	305,038.56	-	4,760,288.78
Building Improvements	12,603,236.63	1,227,212.65	-	13,830,449.28
Equipment	2,212,857.37	322,667.11	19,728.00	2,515,796.48
Vehicles	5,088,326.72	460,976.49	-	5,549,303.21
Total Accumulated Depreciation	<u>25,012,967.08</u>	<u>2,395,738.49</u>	<u>19,728.00</u>	<u>27,388,977.57</u>
Total Capital Assets Being Depreciated, Net	<u>31,738,382.36</u>	<u>(1,688,363.33)</u>	<u>0.00</u>	<u>30,050,019.03</u>
Governmental Activities Capital Assets, Net	<u>\$ 32,490,899.36</u>	<u>\$ (1,688,363.33)</u>	<u>\$ 0.00</u>	<u>\$ 30,802,536.03</u>

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 143,170.92
Instructional Support Services	5,450.64
Operations and Maintenance	1,569,349.61
Auxiliary Services	617,292.22
General, Administrative, and Central Support	20,718.86
Other Expenditures	<u>39,756.24</u>
Total Depreciation Expense	<u>\$ 2,395,738.49</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 – LONG-TERM DEBT

As of September 30, 2016, the Board was responsible for the following long-term debt and capital lease obligations:

Capital Leases

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, 2016:

Years Ending September 30,	Principal	Interest	Total
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
2020	0.00	0.00	0.00
Total	\$ 458,558.33	\$ 15,168.70	\$ 473,727.03

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, 2016:

Years Ending September 30,	Principal	Interest	Total
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
2020	187,401.42	35,515.25	222,916.67
2021	170,037.75	29,545.62	199,583.37
Thereafter	792,802.00	70,685.48	863,487.48
Total	\$ 1,939,448.90	\$ 288,605.57	\$ 2,228,054.47

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	628,812.45	4,967.62	633,780.07
2018	0.00	0.00	0.00
2019	0.00	0.00	0.00
2020	0.00	0.00	0.00
2021	0.00	0.00	0.00
 Total	 <u>\$ 628,812.45</u>	 <u>\$ 4,967.62</u>	 <u>\$ 633,780.07</u>

On May 23, 2014 the Dothan City Board of Education entered into a lease purchase agreement with Regions Equipment Finance Corporation in the amount of \$384,447.00 for the lease-purchase of 92 Quest GPS security cameras for use on school buses. The 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, 2016:

<u>Years Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	96,719.21	3,218.07	99,937.28
2018	98,315.07	1,622.20	99,937.27
2019	0.00	0.00	0.00
2020	0.00	0.00	0.00
2021	0.00	0.00	0.00
 Total	 <u>\$ 195,034.28</u>	 <u>\$ 4,840.27</u>	 <u>\$ 199,874.55</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 – LONG-TERM DEBT, CONTINUED

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
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
2020	637,500.00	37,612.50	675,112.50
2021	0.00	0.00	0.00
Thereafter	0.00	0.00	0.00
Total	<u>\$ 2,342,500.00</u>	<u>\$ 355,327.50</u>	<u>\$ 2,697,827.50</u>

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
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
2020	0.00	69,974.80	69,974.80
2021	0.00	69,974.80	69,974.80
Thereafter	3,752,000.00	297,392.90	4,049,392.90
Total	<u>\$ 3,752,000.00</u>	<u>\$ 647,266.90</u>	<u>\$ 4,399,266.90</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 5 – LONG-TERM DEBT, CONTINUED

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2016:

	<u>Balance 09/30/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09/30/16</u>	<u>Due Within One Year</u>
Capital Lease - 30 Buses	\$ 248,796.49	\$ 0.00	\$ 248,796.49	\$ 0.00	\$ 0.00
Capital Lease - 33 Buses	752,028.71	0.00	293,470.38	458,558.33	303,204.98
Capital Lease - PACT Financing	2,224,322.75	0.00	284,873.85	1,939,448.90	292,174.81
Capital Lease – Apple iPads	1,252,696.22	0.00	623,883.77	628,812.45	628,812.45
Capital Lease –GPS Cameras	290,183.52	0.00	95,149.24	195,034.28	96,719.21
Bond Liabilities	2,850,000.00	0.00	507,500.00	2,342,500.00	537,500.00
QSCB	3,752,000.00	0.00	0.00	3,752,000.00	0.00
Total Long-Term Liabilities	<u>\$ 11,370,027.69</u>	<u>\$ 0.00</u>	<u>\$ 2,053,673.73</u>	<u>\$ 9,316,353.96</u>	<u>\$ 1,858,411.45</u>

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

Fiscal Year Ending September 30,	Lease Contracts		Bond Liabilities		QSCB		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
2017	\$ 1,320,911.45	\$ 81,107.56	\$ 537,500.00	\$ 138,207.50	\$ -	\$ 69,974.80	\$ 2,147,701.31
2018	544,893.87	54,619.09	567,500.00	106,495.00	-	69,974.80	1,343,482.76
2019	205,807.47	42,109.16	600,000.00	73,012.50	-	69,974.80	990,903.93
2020	187,401.42	35,515.25	637,500.00	37,612.50	-	69,974.80	968,003.97
2021	170,037.75	29,545.62	-	-	-	69,974.80	269,558.17
2022-2026	684,828.70	68,891.82	-	-	3,752,000.00	297,392.90	4,803,113.42
2027-2031	107,973.30	1,793.66	-	-	-	-	109,766.96
Total	<u>\$ 3,221,853.96</u>	<u>\$ 313,582.16</u>	<u>\$ 2,342,500.00</u>	<u>\$ 355,327.50</u>	<u>\$ 3,752,000.00</u>	<u>\$ 647,266.90</u>	<u>\$ 10,632,530.52</u>

During the year, total interest incurred was \$ 353,127.61, all of which was charged to operations.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). Title 16, Chapter 25, of the *Code of Alabama 1975* grants the authority to establish and amend the benefit terms to the TRS Board of Control. The plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6.00% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6.00% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7.00% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2016 was 11.94% of annual pay for Tier 1 members and 10.84% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$5,420,811.19 for the year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2016 the Board reported a liability of \$75,947,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2014. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2015 the Board's proportion was 0.725674%, which was an increase of 0.015786% from its proportion measured as of September 30, 2014.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

For the year ended September 30, 2016, the Board recognized pension expense of \$6,412,424.68. At September 30, 2016 the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 411,000.00
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	4,972,000.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,047,000.00	-
Employer contributions subsequent to the measurement date	5,420,811.19	-
Total	<u>\$ 12,439,811.19</u>	<u>\$ 411,000.00</u>

The \$5,420,811.19 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,

2017	\$	1,375,000.00
2018	\$	1,375,000.00
2019	\$	1,375,000.00
2020	\$	2,443,000.00
2021	\$	40,000.00
Thereafter	\$	-

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Investment Rate of Return*	8.00%
Projected Salary Increases	3.5% - 8.25%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2014, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U. S. Large Stocks	34.00%	9.00%
U. S. Mid Stocks	8.00%	12.00%
U. S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan’s fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board’s proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage point higher (9%) than the current rate:

	1% Decrease (7.00%)	Current Rate (8.00%)	1% Increase (9.00%)
Board's proportionate share of collective net pension liability	\$ 100,472	\$ 75,947	\$ 55,146

(Dollar amounts in thousands)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2015. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2015. The auditor’s report dated October 17, 2016, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2015, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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, 2016 were as follows:

	<u>Transfers Out</u>					Total Transfers In
	General Fund	Food Service Fund	Capital Projects Fund	Local School- Public Fund	Other Governmental Funds	
<u>Transfers In:</u>						
General Fund	\$ -	\$ -	\$ -	\$ 414,216.93	\$ -	\$ 414,216.93
Food Service Fund	1,324,270.79	-	-	500,569.04	-	1, 824,839.83
Capital Projects Fund	-	-	-	-	-	-
Local School-Public Fund	575,603.27	-	-	-	-	575,603.27
Other Governmental Funds	-	-	195,258.55	-	-	195,258.55
Total Transfers Out	\$ 1,899,874.06	\$ -	\$ 195,258.55	\$ 914,785.97	\$ -	\$ 3,009,918.58

The Board typically used transfers to fund ongoing operations.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Board is a defendant in various lawsuits as of June 23, 2017. 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, 2016, 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 \$ 357,539.75 at September 30, 2016. Commodities consumed were approximately \$ 346,104.64.

NOTE 12 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is June 23, 2017. 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, 2016**

NOTE 13 – 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> under the Employers’ Financial Reports section.

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 2016
Individual Coverage - Non-Medicare Eligible	\$151.00
Individual Coverage - Medicare Eligible	\$10.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	\$391.00
Family Coverage - Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$260.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$416.00
Family Coverage - Non-Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible	\$250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - No Spouse	\$250.00
Family Coverage - Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) - with Non-Medicare Eligible Spouse	\$275.00
Family Coverage - Medicare Eligible Retired Member and Non-spousal Dependent Medicare Eligible	\$109.00
Family Coverage - Medicare Eligible Retired Member and Spousal Dependent Medicare Eligible	\$119.00
Surviving Spouse - Non-Medicare Eligible	\$740.00
Surviving Spouse - Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$987.00
Surviving Spouse - Non-Medicare Eligible and Dependent Medicare Eligible	\$1,033.00
Surviving Spouse - Medicare Eligible	\$425.00
Surviving Spouse - Medicare Eligible and Dependent Non-Medicare Eligible	\$679.00
Surviving Spouse - Medicare Eligible and Dependent Medicare Eligible	\$725.00

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 13 – 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 \$50.00 per month for retired members that use tobacco.

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
2016	\$780.00	\$211.21	27.08%	\$3,618,213.37	100%
2015	\$780.00	\$180.76	23.17%	\$3,010,423.61	100%
2014	\$714.00	\$220.09	30.83%	\$3,688,040.84	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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Net position at the beginning of the fiscal year has been adjusted to correct an error made in a prior year. The balance due on a long term capital lease was overstated due to a payment made prior to the due date in the initial year of the lease term. The amortization schedule was followed in subsequent years to record the amount due although the payments were always one payment ahead. The error had no effect on net income for the year ended September 30, 2015. Effect of prior period adjustment is:

Net Position, September 30, 2015, as Previously Reported	\$ (34,093,993.40)
Prior Period Adjustment - Decrease Debt Due Within One Year	<u>42,415.28</u>
Net Position, September 30, 2015, Restated	<u><u>\$ (34,051,578.12)</u></u>
Liabilities - Debt Due Within One Year, September 30, 2015, as Previously Reported	\$ 2,096,089.03
Prior Period Adjustment - Decrease Debt Due Within One Year	<u>(42,415.28)</u>
Liabilities - Debt Due Within One Year, September 30, 2015, Restated	<u><u>\$ 2,053,673.75</u></u>

Required Supplementary Information

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	2016	2015
Employer's proportion of the collective net pension liability	0.725674%	0.709888%
Employer's proportionate share of the collective net pension liability	\$ 75,947,000	\$ 64,490,000
Employer's covered payroll during the measurement period (*)	\$ 46,016,183	\$ 45,088,408
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	165.04%	143.03%
Plan fiduciary net position as a percentage of the total collective pension liability	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total payroll paid to covered employees (not just pensionable payroll). For fiscal year 2016, the measurement period is October 1, 2014 - September 30, 2015.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**DOTHAN CITY BOARD OF EDUCATION
 SCHEDULE OF THE EMPLOYER'S CONTRIBUTIONS
 TEACHERS' RETIREMENT PLAN OF ALABAMA
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 5,420,811	\$ 5,356,425
Contributions in relation to the contractually required contribution	<u>\$ 5,420,811</u>	<u>\$ 5,356,425</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>
Board's covered-employee payroll	\$ 45,966,039	\$ 46,016,183
Contributions as a percentage of covered-employee payroll	11.79%	11.64%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

**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, 2016**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	OVER (UNDER) FINAL BUDGET
REVENUES				
Local Revenues	\$ 19,574,286.00	\$ 19,574,286.00	\$ 19,759,273.73	\$ 184,987.73
State Revenues	47,744,996.88	47,918,605.88	47,707,822.96	(210,782.92)
Federal Revenues	134,000.00	134,000.00	133,781.59	(218.41)
Local School Revenues	0.00	0.00	0.00	0.00
Other Revenues	250,000.00	250,000.00	144,847.69	(105,152.31)
	<u>67,703,282.88</u>	<u>67,876,891.88</u>	<u>67,745,725.97</u>	<u>(131,165.91)</u>
Total Revenues				
EXPENDITURES				
Instructional Services	42,122,355.94	42,150,151.88	42,368,137.98	217,986.10
Instructional Support Services	10,974,147.52	10,972,196.60	11,514,717.48	542,520.88
Operations and Maintenance	4,905,623.31	4,919,423.31	5,725,024.73	805,601.42
Auxiliary Services	6,531,746.96	3,391,932.57	3,629,445.40	237,512.83
General, Administrative, and Central Support	2,508,071.94	2,512,052.92	3,222,131.76	710,078.84
Capital Outlay	500.00	500.00	0.00	(500.00)
Debt Services	0.00	0.00	0.00	0.00
Other Expenditures	826,321.97	866,735.58	1,393,352.16	526,616.58
	<u>67,868,767.64</u>	<u>64,812,992.86</u>	<u>67,852,809.51</u>	<u>3,039,816.65</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(165,484.76)</u>	<u>3,063,899.02</u>	<u>(107,083.54)</u>	<u>(3,170,982.56)</u>
OTHER FINANCING SOURCES (USES)				
Other Fund Sources	881,788.67	917,712.74	1,522,695.02	604,982.28
Other Fund Uses	(1,839,839.83)	(1,839,839.83)	(1,899,874.06)	(60,034.23)
	<u>(958,051.16)</u>	<u>(922,127.09)</u>	<u>(377,179.04)</u>	<u>544,948.05</u>
Total Other Financing Sources (Uses)				
Net Change In Fund Balances	(1,123,535.92)	2,141,771.93	(484,262.58)	(2,626,034.51)
Fund Balance - Beginning	3,385,586.73	3,385,586.73	3,385,586.73	0.00
Fund Balance - Ending	<u>\$ 2,262,050.81</u>	<u>\$ 5,527,358.66</u>	<u>\$ 2,901,324.15</u>	<u>\$ (2,626,034.51)</u>

DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

BUDGETS AND BUDGETARY ACCOUNTING

The Board budgets on the modified accrual basis of accounting. On or before October 1st of each year, the Board is required to prepare and submit to the State Superintendent of Education the annual budget to be adopted by the Board. The City Superintendent of Education or Board cannot approve any budget for operations of the school system for any fiscal year which shows expenditures in excess of income estimated to be available plus any balances on hand. The Superintendent, with the approval of the Board, has the authority to make changes within the approved budget provided that a deficit is not incurred by such changes. The Superintendent may approve amendments to program budgets without Board approval.

Other Supplementary Information

Dothan City Schools
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Total Federal Expenditures(\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
School Breakfast Program			
Cash Assistance	10.553	Alabama Dept. of Education, n/a	1,091,493
Total School Breakfast Program			<u>1,091,493</u>
National School Lunch Program			
Cash Assistance	10.555	Alabama Dept. of Education, n/a	5,268,256
Non-Cash Assistance	10.555	Alabama Dept. of Education, n/a	357,540
Total National School Lunch Program			<u>5,625,796</u>
<i>Total United States Department of Agriculture</i>			<u>6,717,289</u>
Total Child Nutrition Cluster-Cluster			<u>6,717,289</u>
Special Education Cluster (IDEA)-Cluster			
Department of Education			
Special Education_Grants to States			
Special Education_Grants to States	84.027	Alabama Dept. of Education, n/a	2,029,174
Total Special Education_Grants to States			<u>2,029,174</u>
Special Education_Preschool Grants			
Special Education_Preschool Grants	84.173	Alabama Dept. of Education, n/a	118,910
Total Special Education_Preschool Grants			<u>118,910</u>
<i>Total Department of Education</i>			<u>2,148,084</u>
Total Special Education Cluster (IDEA)-Cluster			<u>2,148,084</u>
Other Programs			
Department of Education			
Title I Grants to Local Educational Agencies			
Title I Grants to Local Educational Agencies	84.010	Alabama Dept. of Education, n/a	3,065,224
Total Title I Grants to Local Educational Agencies (M)			<u>3,065,224</u>
Career and Technical Education -- Basic Grants to States			
Career and Technical Education -- Basic Grants to States	84.048	Alabama Dept. of Education, n/a	173,437
Total Career and Technical Education -- Basic Grants to States			<u>173,437</u>
Education for Homeless Children and Youth			
Education for Homeless Children and Youth	84.196	Alabama Dept. of Education, n/a	10,109
Total Education for Homeless Children and Youth			<u>10,109</u>
English Language Acquisition Grants			
English Language Acquisition Grants	84.365	Alabama Dept. of Education, n/a	33,658
Total English Language Acquisition Grants			<u>33,658</u>
Improving Teacher Quality State Grants			
Improving Teacher Quality State Grants	84.367	Alabama Dept. of Education, n/a	548,988
Total Improving Teacher Quality State Grants (M)			<u>548,988</u>
<i>Total Department of Education</i>			<u>3,831,416</u>

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule .

Dothan City Schools
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Total Federal Expenditures(\$)</i>
<hr/>			
Department of Health and Human Services			
Head Start			
Head Start	93.600	Direct, n/a	2,326,109
Total Head Start			<u>2,326,109</u>
<i>Total Department of Health and Human Services</i>			<u>2,326,109</u>
Total Other Programs			<u>6,157,525</u>
Total Expenditures of Federal Awards			<u><u>\$ 15,022,898</u></u>

(M) - Major program

n/a - Not available or not applicable

Assistance period: October 1, 2015 - September 30, 2016

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the Dothan City Board of Education and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Dothan City Board of Education, it is not intended to and does not present the financial position or changes in net position of the Dothan City Board of Education.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Dothan City Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

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INDEPENDENT AUDITOR’S 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, 2016, 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 23, 2017.

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 23, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2016. The Dothan City Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's 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 the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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. However, 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 23, 2017

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

SECTION I - SUMMARY OF AUDITOR'S 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 auditor's 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 2 CFR 200.51(a) of the <i>Uniform Guidance</i> ?	No

Identification of major programs:

CFDA – 84.010	Title I Grants to Local Educational Agencies
CFDA – 84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
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.