

Dothan City Board of Education

**Financial Report
September 30, 2020**

Dothan City Board of Education

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ParsonsGroup, LLC

110 Medical Drive
Dothan, Alabama 36303

Post Office Box 490
Dothan, Alabama 36302

phone: 334.793.3122
fax: 334.793.2960

web: www.parsonsgroupllc.com
email: inquiry@parsonsgroupllc.com



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, 2020, 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, 2020, and the respective changes in financial position 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 (MD&A), the Schedule of the Employer's Proportionate Share of the Net Collective Pension Liability, the Schedule of the Employer's Contributions - Pensions, the Schedule of the Employer's Proportionate Share of the Collective Net OPEB Liability, the Schedule of the Employer's Contributions – OPEB, and budgetary comparison information on pages 4-13 and 48-55 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.

To the Dothan City Board of Education
Dothan, Alabama

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2021, 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 solely 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 the effectiveness of the Dothan City Board of Education's 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 24, 2021

**DOTHAN CITY BOARD OF EDUCATION
MANAGEMENT’S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2020**

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, 2020. 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, 2020, are as follows:

- Total net position of (\$ 95,122,011.44)
- Increase in net position of \$ 10,606,168.05 during the current fiscal year
- Total fund balances of all governmental funds equaled \$ 19,232,850.08
- Unassigned general fund balance equaled \$ 10,653,343.04
- Total general fund net change in fund balance was \$ 3,434,218.69

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

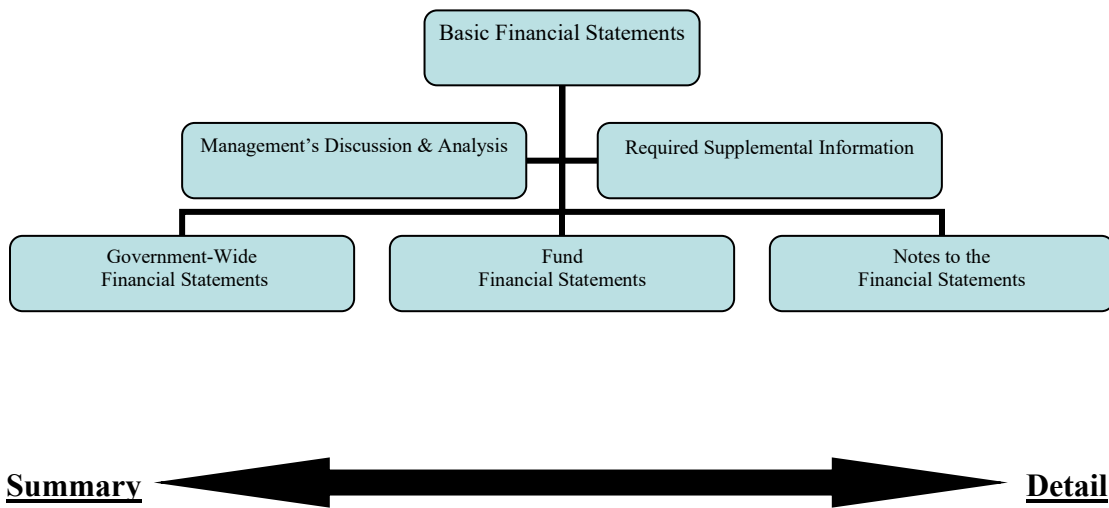


Figure A-2 summarizes the major features of the Board’s financial statements, including the portion of the Board that they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of the statements.

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, 2019, totaled (\$ 105.728) million and (\$ 95.122) million for fiscal year ended September 30, 2020, 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>2020</u>	<u>2019</u>	<u>Change</u>
Current and Other Assets	\$ 21.657	\$ 26.906	\$ (5.249)
Capital and Non-Current Assets	61.434	37.259	24.175
Total Assets	83.091	64.165	18.926
Deferred Outflows of Resources	19.167	17.578	1.589
Current Liabilities	2.424	4.208	(1.784)
Long Term Liabilities	145.127	167.187	(22.060)
Total Liabilities	147.551	171.395	(23.844)
Deferred Inflows of Resources	49.829	16.076	33.753
Net Position	\$ (95.122)	\$ (105.728)	\$ 10.606
Net Investment in Capital Assets	\$ 26.996	\$ 15.900	\$ 11.096
Restricted	6.408	9.979	(3.571)
Unrestricted	(128.526)	(131.607)	3.081
Total Net Position	\$ (95.122)	\$ (105.728)	\$ 10.606

The accompanying Notes to the Financial Statements are an integral part of the above statement.

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 (\$ 131.607) million for fiscal years ended September 30, 2019 and (\$ 128.526) million for September 30, 2020.

General revenues – Refer to *Figure A-4* when reading the following analysis. The Board’s total general revenues for fiscal years ended September 30, 2019 were \$76.701 million and \$77.897 million for September 30, 2020. For fiscal years ended September 30, 2019 and September 30, 2020 a significant portion, 65.25% and 67.75%, respectively of the Board’s general revenue derived from state aid. Also, 9.21% and 8.11% derived from local aid and 11.08% and 10.71% derived from sales taxes with 12.52% and 12.60% derived from property taxes.

Figure A-4
Board's Sources of General Revenue
Fiscal Years 2019 & 2020

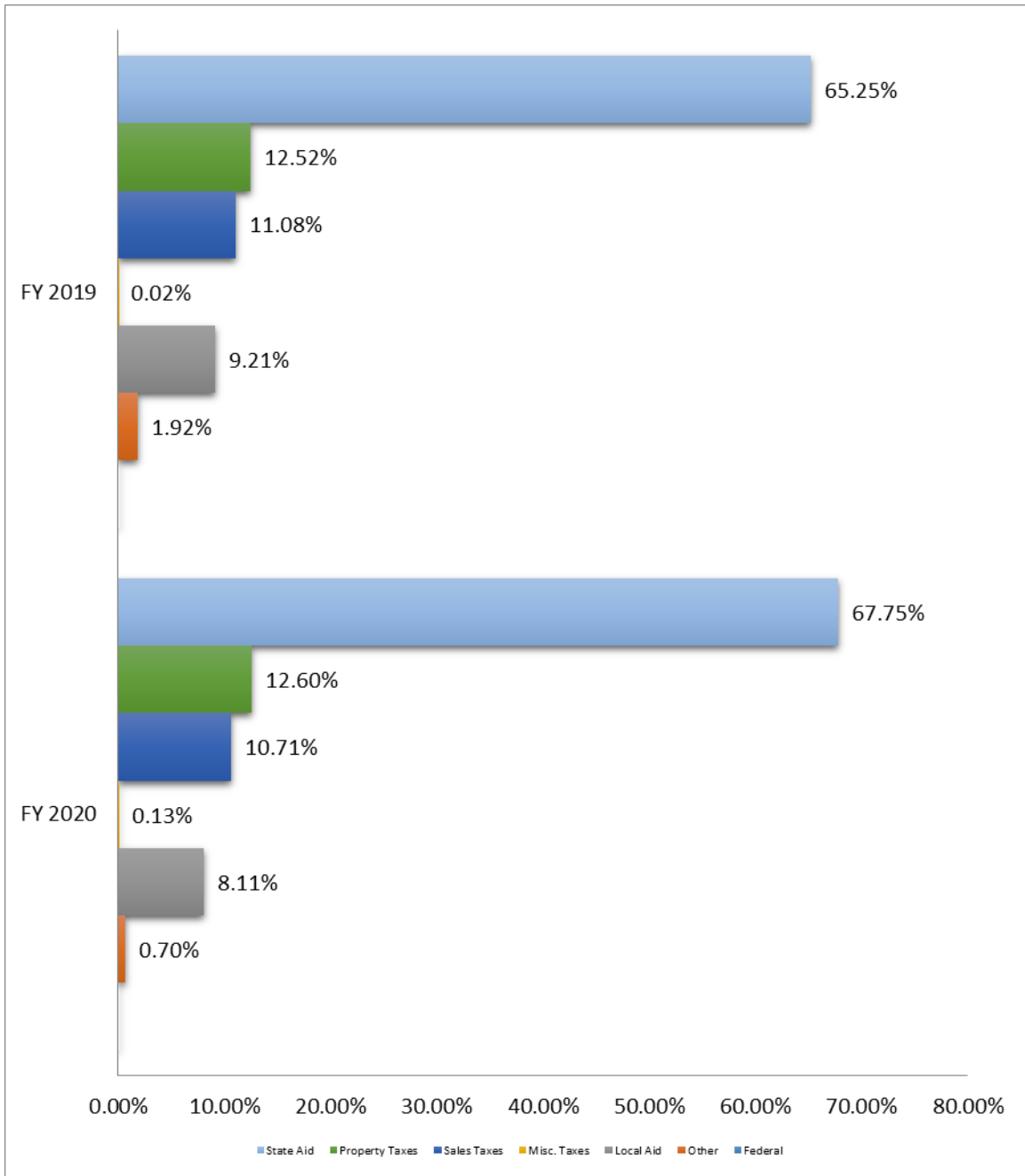


Figure A-5
Summary of Changes in Net Position from Operating Results (*in millions*)

	Governmental Activities		Amount Change
	2020	2019	
Revenues:			
Program Revenues:			
Charges for Services	\$ 1.095	\$ 1.550	\$ (0.455)
Operating Grants and Contributions	17.438	18.453	(1.015)
Capital Grants and Contributions	2.357	2.216	0.141
General Revenues:			
Property Taxes	9.812	9.605	0.207
Local Sales Taxes	8.344	8.496	(0.152)
Miscellaneous Taxes	0.102	0.016	0.086
State Aid	52.771	50.049	2.722
Local Aid	6.320	7.064	(0.744)
Miscellaneous	0.547	1.471	(0.924)
Total Revenues	<u>98.786</u>	<u>98.920</u>	<u>(0.134)</u>
Expenses:			
Instructional Services	46.978	48.630	(1.652)
Instructional Support Services	15.088	16.515	(1.427)
Operations and Maintenance	2.846	10.419	(7.573)
Auxiliary Services	11.841	11.599	0.242
General, Administrative, Central	4.881	4.212	0.669
Other Expenditures	5.639	5.540	0.099
Interest on Long Term Debt	0.907	0.810	0.097
Total Expenses	<u>88.180</u>	<u>97.725</u>	<u>(9.545)</u>
Change in Net Position	10.606	1.195	9.411
Net Position – Restatement	0.000	0.000	0.000
Net Position - Beginning	<u>(105.728)</u>	<u>(106.923)</u>	<u>1.195</u>
Net Position - Ending	<u>\$ (95.122)</u>	<u>\$ (105.728)</u>	<u>\$ 10.606</u>

The Board's net position increased \$ 10.606 million during the current fiscal year

- Revenues decreased (\$ 0.134) million over the prior year. Decreased revenues were in charges for services, operating grants and contributions, local sales taxes, local aid, and miscellaneous revenues.

- Expenses decreased (\$ 9.545) million over the prior year. Operations and Maintenance had the largest decrease with (\$ 7.573 million).

The total cost of all programs and services was \$ 88.180 million. 70.386% 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 \$ 10.999 million. The general fund balance increased by \$ 3.434 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 \$ 0.792 million. Current year operations resulted in a decrease in the food service fund balance of (\$ 0.666) million.

The debt services fund reported an ending fund balance of \$ 2.072 million. The debt services fund balance increased by \$ 0.263 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 \$ 1.353 million. The local school – public fund balance decreased by (\$ 0.179) million during the current fiscal year.

The capital projects fund reported an ending fund balance of \$ 3.395 million. The capital projects fund balance decreased by (\$ 6.186) 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 \$ 1.055 million over final budget amounts.
- Revenues available were \$ 0.285 million over final budget amounts. This is due primarily to an increase in federal, state, and other revenues.
- Budgeted Revenues and Other Fund Sources were in deficit of Expenditures and Other Fund Uses by (\$ 0.292) million.

CAPITAL ASSETS

At September 30, 2020, the Board had invested \$ 94.149 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 \$ 24.175 million or 64.884% over last year. Significant acquisitions were in construction in progress and building improvements. 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
	2020	2019	
Land	\$0.803	\$0.753	0.050
Land Improvements	2.596	2.596	0.000
Buildings	14.828	14.806	0.022
Building Improvements	45.038	31.610	13.428
Construction in Progress	15.385	6.044	9.341
Equipment	7.324	6.662	0.662
Vehicles	8.175	8.266	(0.091)
Total Historic Cost	<u>94.149</u>	<u>70.737</u>	<u>23.412</u>
Total Accumulated Depreciation	<u>(32.715)</u>	<u>(33.478)</u>	<u>0.763</u>
Net Capital Assets	<u>\$61.434</u>	<u>\$37.259</u>	<u>\$24.175</u>

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, 2020
(in millions)

	Beginning Balance	Net Change	Ending Balance
Capital Leases	\$ 1.149	\$ 11.713	\$ 12.862
Financing	1.560	2.357	3.917
Warrants	14.260	(0.353)	13.907
Bond Liabilities	0.638	(0.638)	0.000
Qualified School Construction Bonds	<u>3.752</u>	<u>0.000</u>	<u>3.752</u>
Governmental Activities Long-Term Debt	<u>\$ 21.359</u>	<u>\$ 13.079</u>	<u>\$ 34.438</u>

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 2021 BUDGET

In fiscal year 2018, the State of Alabama changed how it directs counties to allocate countywide taxes to school systems. The money follows the students, meaning where the students live determine where the countywide taxes are distributed. This change had a negative effect on countywide tax collections from Houston County and a positive effect on countywide taxes received from Dale and Henry counties. Parts of Dale and Henry counties are in the corporate city limits of Dothan. County and district wide ad valorem tax collections for fiscal year 2021 will be flat with no growth as compared with fiscal year 2020 and 2019 collections. Sales tax collections were expected to decrease over 2020, due to the recent pandemic, but remained steady after just 3 months of slight decrease.

The Board had more than one-month operating balance at the end of the 2020 fiscal year. It is expected that this balance will increase for fiscal year 2021. Consolidation in prior years has had a positive impact on learning and operational expenses.

At the time these financial statements were prepared and audited, the Board was aware that the system's ADM had decreased, thus resulting in a decrease to earned teacher units, state revenues, state allocations for classroom instructional supply funds, state professional development funds, and state technology funds. The State of Alabama Department of Education addressed the ADM decreases across the state with stabilization funds. These additional state funds of nearly \$4M for FY22 and Elementary and Secondary School Emergency Relief Funds (ESSER) of over \$39M to combat the effects of the Coronavirus will more than address the decreased ADM.

Employer contributions to the Teachers Retirement System (TRS) changed from 12.43% for fiscal year 2020 to 12.36% for fiscal year 2021 for Tier I employees and from 11.34% for fiscal year 2020 to 11.22% in fiscal year 2021 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 had a slight decrease in sales tax revenues of 1.98% from 2019 to 2020, as a result of the pandemic. Unemployment in Dothan continues to improve over the past five years.

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, 2020**

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 13,112,306.39
Due from Federal, State, and Local Agencies (Note 3)	2,840,305.15
Inventory, Commodities	74,193.35
Inventory, Purchased	190,706.81
Restricted Assets, Cash with Fiscal Agents (Note 2)	5,439,014.27
Capital Assets (Note 4):	
Land	803,003.14
Construction in Progress	15,385,203.99
Depreciable, Net	45,245,953.57
Total Assets	83,090,686.67
DEFERRED OUTFLOWS OF RESOURCES	
Employer Other Postemployment Benefit (OPEB) Contribution	7,065,039.19
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	12,101,955.55
Total Deferred Outflows of Resources	19,166,994.74
LIABILITIES	
Current Payables	374,155.63
Salaries and Benefits Payable	1,366,418.87
Unearned Revenue	481,429.17
Accrued Vacation, Current Portion	201,672.22
Long Term Liabilities:	
Debt Due Within One Year (Note 5)	2,729,901.78
Debt Due in More Than One Year (Note 5)	31,708,094.54
Accrued Vacation, Long Term Portion	605,016.64
Net OPEB Liability	35,125,563.00
Net Pension Liability	74,958,000.00
Total Liabilities	147,550,251.85
DEFERRED INFLOWS OF RESOURCES	
Proportionate Share of Collective Deferred Inflows Related to Net OPEB Liability	44,140,441.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	5,689,000.00
Total Deferred Inflows of Resources	49,829,441.00
NET POSITION	
Net Investment in Capital Assets	26,996,164.38
Restricted for Other Government Programs	526,799.31
Restricted for Capital Projects	3,391,771.07
Restricted for Debt Service	2,071,695.58
Restricted for Other Purposes	417,954.53
Unrestricted	(128,526,396.31)
Total Net Position	\$ (95,122,011.44)

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, 2020**

	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	\$ 46,978,017.82	\$ 0.00	5,184,994.78	\$ 0.00	\$ (41,793,023.04)
Instructional Support Services	15,088,267.78	0.00	2,254,317.84	0.00	(12,833,949.94)
Operations and Maintenance	2,845,946.98	0.00	1,297,634.14	0.00	(1,548,312.84)
Auxiliary Services	11,841,294.32	416,507.76	2,620,639.22	0.00	(8,804,147.34)
General, Administrative, and Central Support	4,880,971.43	0.00	382,988.54	0.00	(4,497,982.89)
Other Expenditures	5,638,700.27	678,062.90	5,697,119.56	2,356,687.00	3,093,169.19
Interest & Fiscal Charges	906,433.54	0.00	0.00	0.00	(906,433.54)
	\$ 88,179,632.14	\$ 1,094,570.66	\$ 17,437,694.08	\$ 2,356,687.00	(67,290,680.40)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					9,811,934.09
Local Sales Tax					8,343,918.93
Miscellaneous Taxes					102,320.17
State Aid not Restricted to Specific Purposes					52,771,393.00
Local Aid not Restricted to Specific Purposes					6,320,395.30
Miscellaneous					546,886.96
				Total General Revenues	77,896,848.45
				Change in Net Position	10,606,168.05
				Net Position - Beginning of Year	(105,728,179.49)
				Net Position - End of Year	\$ (95,122,011.44)

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

**DOTHAN CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020**

	General Fund	Food Service Fund	Debt Service Fund	Local School - Public Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 11,731,877.43	\$ 458,374.67	\$ 0.00	\$ 1,355,525.93	\$ 24,452.38	\$ (457,924.02)	\$ 13,112,306.39
Cash with Fiscal Agents (Note 2)	0.00	0.00	2,071,695.58	0.00	3,367,318.69	0.00	5,439,014.27
Due from Federal, State, and Local Agencies (Note 3)	979,828.46	311,110.34	0.00	3,343.70	3,451.18	1,542,571.47	2,840,305.15
Interfund Receivables	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Inventory, Commodities	0.00	74,193.35	0.00	0.00	0.00	0.00	74,193.35
Inventory, Purchased	0.00	190,706.81	0.00	0.00	0.00	0.00	190,706.81
Total Assets	<u>\$ 12,711,705.89</u>	<u>\$ 1,034,385.17</u>	<u>\$ 2,071,695.58</u>	<u>\$ 1,358,869.63</u>	<u>\$ 3,395,222.25</u>	<u>\$ 1,084,647.45</u>	<u>\$ 21,656,525.97</u>
LIABILITIES AND FUND BALANCES							
LIABILITIES							
Current Payables	\$ 183,545.76	\$ 65,010.80	\$ 0.00	\$ 6,184.34	\$ 0.00	\$ 119,414.73	\$ 374,155.63
Interfund Payables	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Salaries and Benefits Payable	1,131,185.14	77,461.87	0.00	0.00	0.00	157,771.86	1,366,418.87
Unearned Revenue	196,405.59	100,213.03	0.00	0.00	0.00	184,810.55	481,429.17
Accrued Vacation	201,672.22	0.00	0.00	0.00	0.00	0.00	201,672.22
Total Liabilities	<u>1,712,808.71</u>	<u>242,685.70</u>	<u>0.00</u>	<u>6,184.34</u>	<u>0.00</u>	<u>461,997.14</u>	<u>2,423,675.89</u>
FUND BALANCES							
Nonspendable:							
Inventories	0.00	264,900.16	0.00	0.00	0.00	0.00	264,900.16
Restricted For:							
Child Nutrition Program	0.00	526,799.31	0.00	0.00	0.00	0.00	526,799.31
Capital Projects	0.00	0.00	0.00	0.00	3,391,771.07	0.00	3,391,771.07
Debt Service	0.00	0.00	2,071,695.58	0.00	0.00	0.00	2,071,695.58
Transportation Reimbursements	345,554.14	0.00	0.00	0.00	0.00	0.00	345,554.14
Other Government Programs	0.00	0.00	0.00	0.00	0.00	72,400.39	72,400.39
Committed To:							
Capital Projects	0.00	0.00	0.00	0.00	3,451.18	0.00	3,451.18
Assigned To:							
Other Purposes	0.00	0.00	0.00	1,352,685.29	0.00	550,249.92	1,902,935.21
Unassigned	10,653,343.04	0.00	0.00	0.00	0.00	0.00	10,653,343.04
Total Fund Balances	<u>10,998,897.18</u>	<u>791,699.47</u>	<u>2,071,695.58</u>	<u>1,352,685.29</u>	<u>3,395,222.25</u>	<u>622,650.31</u>	<u>19,232,850.08</u>
Total Liabilities and Fund Balances	<u>\$ 12,711,705.89</u>	<u>\$ 1,034,385.17</u>	<u>\$ 2,071,695.58</u>	<u>\$ 1,358,869.63</u>	<u>\$ 3,395,222.25</u>	<u>\$ 1,084,647.45</u>	<u>\$ 21,656,525.97</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, 2020**

FUND BALANCE - GOVERNMENTAL FUNDS \$ 19,232,850.08

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, therefore, are not reported as assets in governmental funds:

Cost of Capital Assets	\$ 94,149,445.68	
Accumulated Depreciation	<u>(32,715,284.98)</u>	
		61,434,160.70

Deferred outflows and deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		6,412,955.55
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Deferred outflows and deferred inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		(37,075,401.81)
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Warrant Liability	(13,907,499.97)	
QSCB Liability	(3,752,000.00)	
Financing Debt	(3,916,242.57)	
Capital Leases	(12,862,253.78)	
Accrued Vacation, Long Term Portion	(605,016.64)	
Net OPEB Liability	(35,125,563.00)	
Net Pension Liability	<u>(74,958,000.00)</u>	
		<u>(145,126,575.96)</u>

NET POSITION - GOVERNMENTAL ACTIVITIES \$ (95,122,011.44)

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Food Service Fund	Debt Service Fund	Local School - Public Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local Revenues	\$ 22,419,250.44	\$ 416,994.11	\$ 67,302.08	\$ 0.00	\$ 575,645.06	\$ 224,094.31	\$ 23,703,286.00
State Revenues	55,854,421.88	0.00	265,233.35	0.00	2,274,625.65	0.00	58,394,280.88
Federal Revenues	103,842.77	3,550,817.37	0.00	0.00	0.00	10,516,833.06	14,171,493.20
Local School Revenues	0.00	0.00	0.00	1,291,790.25	0.00	0.00	1,291,790.25
Other Revenues	196,820.37	149,527.72	0.00	0.00	0.00	0.00	346,348.09
	<u>78,574,335.46</u>	<u>4,117,339.20</u>	<u>332,535.43</u>	<u>1,291,790.25</u>	<u>2,850,270.71</u>	<u>10,740,927.37</u>	<u>97,907,198.42</u>
Total Revenues							
EXPENDITURES							
Instructional Services	42,787,995.79	0.00	0.00	597,322.66	0.00	5,076,673.22	48,461,991.67
Instructional Support Services	12,689,539.85	0.00	0.00	258,898.47	0.00	2,506,294.66	15,454,732.98
Operations and Maintenance	8,299,854.50	0.00	0.00	36,519.44	6,805,522.73	247,526.81	15,389,423.48
Auxiliary Services	3,637,131.82	5,697,561.26	0.00	26,571.36	2,631,213.00	6,364.99	11,998,842.43
General, Administrative, and Central Support	4,505,718.76	0.00	0.00	0.00	0.00	404,207.45	4,909,926.21
Capital Outlay	492,969.92	0.00	0.00	0.00	11,922,228.31	0.00	12,415,198.23
Debt Services							
Principal Retirement	0.00	0.00	0.00	0.00	1,451,959.88	0.00	1,451,959.88
Interest Expense	0.00	0.00	69,974.80	0.00	836,458.74	0.00	906,433.54
Debt Issuance Costs	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Expenditures	2,061,793.03	936,479.35	0.00	165,055.43	0.00	2,629,786.58	5,793,114.39
	<u>74,475,003.67</u>	<u>6,634,040.61</u>	<u>69,974.80</u>	<u>1,084,367.36</u>	<u>23,647,382.66</u>	<u>10,870,853.71</u>	<u>116,781,622.81</u>
Total Expenditures							
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,099,331.79	(2,516,701.41)	262,560.63	207,422.89	(20,797,111.95)	(129,926.34)	(18,874,424.39)
OTHER FINANCING SOURCES (USES)							
Indirect Cost Revenue	678,062.90	0.00	0.00	0.00	0.00	0.00	678,062.90
Long Term Debt Proceeds	0.00	0.00	0.00	0.00	14,531,213.00	0.00	14,531,213.00
Other Fund Sources	200,538.87	0.00	0.00	0.00	0.00	0.00	200,538.87
Other Fund Uses	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers In	500,846.24	1,850,318.57	0.00	249,196.85	79,468.76	324,491.25	3,004,321.67
Transfers Out	(2,044,561.11)	0.00	0.00	(635,269.31)	0.00	(324,491.25)	(3,004,321.67)
	<u>(665,113.10)</u>	<u>1,850,318.57</u>	<u>0.00</u>	<u>(386,072.46)</u>	<u>14,610,681.76</u>	<u>0.00</u>	<u>15,409,814.77</u>
Total Other Financing Sources (Uses)							
Net Change In Fund Balances	3,434,218.69	(666,382.84)	262,560.63	(178,649.57)	(6,186,430.19)	(129,926.34)	(3,464,609.62)
Fund Balances - Beginning of Year	7,564,678.49	1,458,082.31	1,809,134.95	1,531,334.86	9,581,652.44	752,576.65	22,697,459.70
Fund Balances - Ending	<u>\$ 10,998,897.18</u>	<u>\$ 791,699.47</u>	<u>\$ 2,071,695.58</u>	<u>\$ 1,352,685.29</u>	<u>\$ 3,395,222.25</u>	<u>\$ 622,650.31</u>	<u>\$ 19,232,850.08</u>

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, 2020**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (3,464,609.62)

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	\$ (2,227,311.68)	
Capitalized Capital Outlay and Other Adjustments, Net	<u>26,402,562.00</u>	24,175,250.32

Current year long-term debt principal payments are reported as expenditures in the governmental fund financial statements, but they are shown as reduction in long-term debt in the district-wide financial statements.		1,451,959.88
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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.		(14,531,213.00)
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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	(50,629.99)	
PEEHIP Expense, Current Year Decrease	4,413,550.19	
Pension Expense, Current Year Increase	<u>(1,388,139.73)</u>	<u>2,974,780.47</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 10,606,168.05

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, 2020**

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 700,709.52
Due from Federal, State, and Local Agencies	<u>2,716.94</u>
Total Assets	<u>703,426.46</u>
LIABILITIES	
Current Payables	639,409.27
Due to Local Schools	<u>0.00</u>
Total Liabilities	<u>639,409.27</u>
NET POSITION	<u><u>\$ 64,017.19</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, 2020**

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, 2020**

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. Debt Services Fund – This fund is used to account for money that will be used to pay the interest and principal of long term debts.
4. Local School-Public Fund – This special revenues fund is used to account for financial resources of public funds at the local school level.
5. Capital Projects Fund – This fund is used to account for financial resources used to acquire or construct major capital assets.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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, 2020**

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, 2020**

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 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

The Teachers' Retirement System of Alabama's (the Plan or TRS) 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 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.

Postemployment Benefits Other Than Pensions (OPEB)

The Alabama Retired Education Employees' Health Care Trust (Trust) financial statements are prepared by using the economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Trust and additions to/deductions from the Trust's fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date the financial statements were issued.

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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. They are reported as a reservation of fund balances in the governmental fund financial statements. There were no encumbrances outstanding at September 30, 2020.

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2020, the carrying amount of cash and cash equivalents was \$ 13,112,306.39. 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 \$ 2,071,695.58 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. Additionally, the Board has deposits totaling \$ 3,367,318.69 in the capital projects 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	\$2,071,695.58	Less than 60 days	Unrated
US Bank Account	\$ 993,757.69	Less than 60 days	Unrated
Bank of America	\$2,373,561.00	Less than 60 days	Unrated

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2020 for the Board’s individual major funds, the nonmajor funds, and fiduciary fund in the aggregate are as follows:

	General Fund	Food Service Fund	Debt Service Fund	Local School - Public Fund	Capital Projects Fund	Non-major and Other Funds	Total
State Programs	\$ 60,558.95	\$ -	\$ -	\$ -	\$ 2,701.18	\$ -	\$ 63,260.13
Federal Programs	-	311,110.34	-	-	-	1,541,886.47	1,852,996.81
Local and Other	919,269.51	-	-	3,343.70	750.00	685.00	924,048.21
Total Receivables	\$ 979,828.46	\$ 311,110.34	\$ -	\$ 3,343.70	\$ 3,451.18	\$ 1,542,571.47	\$ 2,840,305.15

NOTE 4 – CAPITAL ASSET ACTIVITY

Capital asset activity for the Board for the year ended September 30, 2020 was as follows:

Governmental Activities:	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements	
Capital Assets Not Being Depreciated:				
Land	\$ 752,517.00	\$ 50,486.14	\$ -	\$ 803,003.14
Construction in Progress	6,044,187.50	15,385,203.99	6,044,187.50	15,385,203.99
Total Capital Assets Not Being Depreciated	6,796,704.50	15,435,690.13	6,044,187.50	16,188,207.13
Capital Assets Being Depreciated:				
Land Improvements	2,595,466.12	-	-	2,595,466.12
Buildings	14,806,577.85	21,970.08	-	14,828,547.93
Building Improvements	31,610,024.43	13,428,095.81	-	45,038,120.24
Equipment	6,662,133.28	940,759.70	279,180.60	7,323,712.38
Vehicles	8,265,605.54	2,784,925.60	2,875,139.26	8,175,391.88
Total Capital Assets Being Depreciated	63,939,807.22	17,175,751.19	3,154,319.86	77,961,238.55
Less Accumulated Depreciation for:				
Land Improvements	978,549.83	120,527.76	-	1,099,077.59
Buildings	5,677,804.46	314,326.52	-	5,992,130.98
Building Improvements	17,384,829.86	1,124,268.78	-	18,509,098.64
Equipment	3,285,147.81	481,726.77	160,682.86	3,606,191.72
Vehicles	6,151,269.38	186,461.85	2,828,945.18	3,508,786.05
Total Accumulated Depreciation	33,477,601.34	2,227,311.68	2,989,628.04	32,715,284.98
Total Capital Assets Being Depreciated, Net	30,462,205.88	14,948,439.51	164,691.82	45,245,953.57
Governmental Activities Capital Assets, Net	\$ 37,258,910.38	\$ 30,384,129.64	\$ 6,208,879.32	\$ 61,434,160.70

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 4 – CAPITAL ASSET ACTIVITY, CONTINUED

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 177,737.08
Instructional Support Services	16,831.29
Operations and Maintenance	1,579,864.66
Auxiliary Services	371,625.21
General, Administrative, and Central Support	38,271.17
Other Expenditures	<u>42,982.27</u>
 Total Depreciation Expense	 <u><u>\$ 2,227,311.68</u></u>

NOTE 5 – LONG-TERM DEBT

As of September 30, 2020, the Board was responsible for the following long-term debt and capital lease obligations:

Capital Leases

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, 2020:

Years Ending September 30,	Principal	Interest	Total
2021	170,037.75	29,545.62	199,583.37
2022	169,894.14	23,855.86	193,750.00
2023	160,841.18	18,325.49	179,166.67
2024	152,499.84	13,078.51	165,578.35
2025	100,803.59	8,779.78	109,583.37
Thereafter	<u>208,177.28</u>	<u>7,231.83</u>	<u>215,409.11</u>
 Total	 <u><u>\$ 962,253.78</u></u>	 <u><u>\$ 100,817.09</u></u>	 <u><u>\$ 1,063,070.87</u></u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 5 – LONG-TERM DEBT, CONTINUED

On November 21, 2019, the Dothan City Board of Education entered into an acquisition fund agreement with Banc of America Public Capital Corp in the amount of \$ 11,900,000.00 for the lease-purchase of equipment facilitating energy efficiency upgrades. 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 required to be made beginning May 2020.

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, 2020:

Years Ending September 30,	Principal	Interest	Total
2021	1,689,665.00	262,752.00	1,952,417.00
2022	1,930,279.09	206,584.36	2,136,863.45
2023	460,777.63	180,346.14	641,123.77
2024	490,345.54	170,011.36	660,356.90
2025	521,146.15	159,017.09	680,163.24
Thereafter	6,807,786.59	1,047,135.58	7,854,922.17
Total	<u>\$ 11,900,000.00</u>	<u>\$ 2,025,846.53</u>	<u>\$ 13,925,846.53</u>

Financing Agreement

On November 15, 2018, the Dothan City Board of Education entered into an equipment financing agreement with Regions Equipment Finance Corporation, purchasing 20 Thomas school buses. Per the terms of the agreement, financing payments are not required to be made until one year after the commencement of the agreement. Two payments are to be made annually, one in November and another in May. The debt is scheduled to be fully repaid during fiscal year ending September 2029. The interest rate is 3.43%.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2021	148,826.04	48,196.44	197,022.48
2022	153,974.55	43,047.93	197,022.48
2023	159,301.16	37,721.32	197,022.48
2024	164,812.05	32,210.44	197,022.49
2025	170,513.58	26,508.91	197,022.49
Thereafter	644,606.89	44,971.80	689,578.69
Total	<u>\$ 1,442,034.27</u>	<u>\$ 232,656.84</u>	<u>\$ 1,674,691.11</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 5 – LONG-TERM DEBT, CONTINUED

On January 16, 2020, the Dothan City Board of Education entered into an equipment financing agreement with Regions Equipment Finance Corporation, purchasing 31 Thomas school buses. Per the terms of the agreement, financing payments are required to be made beginning one month after the commencement of the agreement. Payments are to be made monthly. The debt is scheduled to be fully repaid during fiscal year ending September 2030. The interest rate is 2.33%.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2021	240,122.95	55,095.53	295,218.48
2022	245,777.97	49,440.51	295,218.48
2023	251,566.14	43,652.34	295,218.48
2024	257,490.64	37,727.84	295,218.48
2025	263,554.64	31,663.84	295,218.48
Thereafter	1,215,695.96	63,583.85	1,279,279.81
Total	<u>\$ 2,474,208.30</u>	<u>\$ 281,163.91</u>	<u>\$ 2,755,372.21</u>

Warrants

In fiscal year 2019, the Board issued Special Tax School Warrants, Series 2019, dated January 31, 2019 (“the Warrants”) aggregating \$14,260,000.00 in principal amounts, which were authorized to be issued and were sold by the Board by a resolution adopted by the Board at a regular meeting thereof held on January 22, 2019. Pursuant to Act No. 89-480 enacted at the 1989 Regular Session of the Legislature of the state of Alabama (the “Special Sales Tax Act”), as amended, there are levied in the County special privilege, license, and excise taxes generally paralleling the state sales and use taxes (the “Special Sales Tax”). The Special Sales Tax Act provides that the Special Sales Tax is to be collected and administered by the County or its agent. The Warrants were issued to provide the funds necessary to pay a portion of the costs of various capital improvements to the public school facilities of the Board and to pay the costs of issuing the Warrants. Expenditures for the improvements will constitute capital expenditures necessary to carry out the governmental purposes of the Warrants (i.e., operation of the public schools in the Dothan City School District) and are expected to principally relate to acquisition, construction, and equipping various public school capital improvements, including, without limitation, roofing improvements, HVAC system, ceiling and lighting and bathroom facility upgrades, and various upgrades to be made in furtherance of the Americans with Disabilities Act. Interest rates range from 3% - 4%. Payments are due annually in January and July.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 5 – LONG-TERM DEBT, CONTINUED

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2021	481,250.04	520,475.04	1,001,725.08
2022	496,250.04	506,037.54	1,002,287.58
2023	511,250.04	491,150.04	1,002,400.08
2024	1,294,999.98	475,812.54	1,770,812.52
2025	1,599,999.96	425,299.98	2,025,299.94
Thereafter	9,523,749.91	1,126,787.29	10,650,537.20
Total	<u>\$ 13,907,499.97</u>	<u>\$ 3,545,562.43</u>	<u>\$ 17,453,062.40</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
2021	\$ 0.00	\$ 69,974.80	\$ 69,974.80
2022	0.00	69,974.80	69,974.80
2023	0.00	69,974.80	69,974.80
2024	0.00	69,974.80	69,974.80
2025	0.00	69,974.80	69,974.80
Thereafter	3,752,000.00	17,493.70	3,769,493.70
Total	<u>\$ 3,752,000.00</u>	<u>\$ 367,367.70</u>	<u>\$ 4,119,367.70</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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, 2020:

	<u>Balance 09/30/19</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 09/30/20</u>	<u>Due Within One Year</u>
Financing Debt	\$ 1,559,588.00	\$ 2,631,213.00	\$ 274,558.43	\$ 3,916,242.57	\$ 388,948.99
Capital Leases	1,149,655.20	11,900,000.00	187,401.42	12,862,253.78	1,859,702.75
Warrants	14,260,000.00	0.00	352,500.03	13,907,499.97	481,250.04
Bond Liabilities	637,500.00	0.00	637,500.00	0.00	0.00
QSCB	<u>3,752,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,752,000.00</u>	<u>0.00</u>
Total Long-Term Liabilities	<u>\$ 21,358,743.20</u>	<u>\$ 14,531,213.00</u>	<u>\$ 1,451,959.88</u>	<u>\$ 34,437,996.32</u>	<u>\$ 2,729,901.78</u>

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

Fiscal Year Ending September 30,	Lease Contracts & Financing		Bond Liabilities		Warrants		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	Principal	Interest	
2021	\$ 2,248,651.74	\$ 395,589.59	\$ -	\$ 69,974.80	\$ 481,250.04	\$ 520,475.04	\$ 3,715,941.21
2022	2,499,925.75	322,928.66	-	69,974.80	496,250.04	506,037.54	3,895,116.79
2023	1,032,486.11	280,045.29	-	69,974.80	511,250.04	491,150.04	2,384,906.28
2024	1,065,148.07	253,028.15	-	69,974.80	1,294,999.98	475,812.54	3,158,963.54
2025	1,056,017.96	225,969.62	-	69,974.80	1,599,999.96	425,299.98	3,377,262.32
2026-2030	4,443,384.18	744,553.40	3,752,000.00	17,493.70	9,032,499.75	1,112,049.99	19,101,981.02
2031-2035	2,763,437.76	357,653.39	-	-	491,250.16	14,737.30	3,627,078.61
2028-2032	<u>1,669,444.78</u>	<u>60,716.27</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,730,161.05</u>
Total	<u>\$ 16,778,496.35</u>	<u>\$ 2,640,484.37</u>	<u>\$ 3,752,000.00</u>	<u>\$ 367,367.70</u>	<u>\$ 13,907,499.97</u>	<u>\$ 3,545,562.43</u>	<u>\$ 40,991,410.82</u>

During the year, total interest incurred was \$ 906,433.54, all of which was charged to operations.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN

Plan Description

The Teachers' Retirement System of Alabama (TRS), a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (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 which consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975, Title 16, Chapter 25* 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 equal to the annual earnable compensation of the member as reported to the Plan for the preceding year ending June 30 are paid to a qualified beneficiary.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

Contributions

Covered members of the TRS contributed 5.00% 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, 2020 was 12.43% of annual pay for Tier 1 members and 11.34% 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 \$6,015,955.55 for the year ended September 30, 2020.

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

At September 30, 2020, the Board reported a liability of \$74,958,000.00 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2018. 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, 2019 the Board's proportion was 0.677931%, which was a decrease of 0.029822% from its proportion measured as of September 30, 2018.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

For the year ended September 30, 2020, the Board recognized pension expense of \$7,404,095.28. At September 30, 2020, 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	\$ 1,108,000.00	\$ 2,486,000.00
Changes of assumptions	2,309,000.00	-
Net difference between projected and actual earnings on pension plan investments	2,610,000.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	59,000.00	3,203,000.00
Employer contributions subsequent to the measurement date	6,015,955.55	-
Total	\$ 12,101,955.55	\$ 5,689,000.00

\$6,015,955.55 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, 2021. 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,	
2021	\$ (730,000.00)
2022	\$ (616,000.00)
2023	\$ 807,000.00
2024	\$ 1,027,000.00
2025	\$ (91,000.00)
Thereafter	\$ -

Actuarial Assumptions

The total pension liability as of September 30, 2019 was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return*	7.70%
Projected Salary Increases	3.25% - 5.00%

*Net of pension plan investment expense

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

The actuarial assumptions used in the actuarial valuation as of September 30, 2018, 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, 2015. The Board of Control accepted and approved these changes in September 2016 which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash Equivalents	3.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%

Discount Rate

The discount rate used to measure the total pension liability was 7.70%. 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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

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 7.70%, 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 (6.70%) or 1-percentage point higher (8.70%) than the current rate (dollar amounts in thousands):

	1% Decrease (6.70%)	Current Discount Rate (7.70%)	1% Increase (8.70%)
Board's proportionate share of collective net pension liability	\$ 101,760	\$ 74,958	\$ 52,277

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, 2019. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2019. The auditor’s report on the Schedule of Employer Allocations and Pension Amounts by Employer and accompanying notes detail by employer and in aggregate information needed to comply with GASB 68 is also available. The additional financial and actuarial information is available at <http://www.rsa-al.gov/index.php/employers/financial-reports/gasb-68-reports/>.

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 Fund (PEEHIF), administered by the Public Education Employees’ Health Insurance Board (PEEHIB). 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 determined annually by the plan’s actuary and based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes the specified amount monthly to the PEEHIF for each employee of state educational

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 7 – RISK MANAGEMENT, CONTINUED

institutions. The Board’s contribution is applied against the employee’s premium for the coverage selected and the employee pays any remaining premium.

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, 2020 were as follows:

	Transfers Out					Total Transfers In
	General Fund	Food Service Fund	Debt Service Fund	Local School- Public Fund	Other Governmental Funds	
<u>Transfers In:</u>						
General Fund	\$ -	\$ -	\$ -	\$ 500,846.24	\$ -	\$ 500,846.24
Food Service Fund	1,850,318.57	-	-	-	-	1,850,318.57
Debt Service Fund	-	-	-	-	-	-
Capital Projects Fund	79,468.76	-	-	-	-	79,468.76
Local School-Public Fund	114,773.78	-	-	134,423.07	-	249,196.85
Other Governmental Funds	-	-	-	-	324,491.25	324,491.25
Total Transfers Out	<u>\$ 2,044,561.11</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 635,269.31</u>	<u>\$ 324,491.25</u>	<u>\$ 3,004,321.67</u>

The Board typically used transfers to fund ongoing operations.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Board is a defendant in various lawsuits as of June 24, 2021. 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.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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, 2020, 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 \$ 297,259.72 at September 30, 2020. Commodities consumed were approximately \$ 270,035.42.

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Trust) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that administers healthcare benefits to the retirees of participating state and local educational institutions. The Trust was established under the Alabama Retiree Health Care Funding Act of 2007 which authorized and directed the Public Education Employees' Health Insurance Board (Board) to create an irrevocable trust to fund postemployment healthcare benefits to retirees participating in PEEHIP. Active and retiree health insurance benefits are paid through the Public Education Employees' Health Insurance Plan (PEEHIP). In accordance with GASB, the Trust is considered a component unit of the State of Alabama (State) and is included in the State's Comprehensive Annual Financial Report.

The PEEHIP was established in 1983 pursuant to the provisions of the *Code of Alabama 1975, Title 16, Chapter 25A* (Act 83-455) to provide a uniform plan of health insurance for the active and retired employees of state and local educational institutions which provide instruction to any combination of grades K-14 (collectively, eligible employees), and to provide a method for funding the benefits related to the plan. The four-year universities participate in the plan with respect to their retired employees and are eligible and may elect to participate in the plan with respect to their active employees. Responsibility for the establishment of the health insurance plan and its general administration and operations is vested in the Board. The Board is a corporate body for purposes of management of the health insurance plan. The *Code of Alabama 1975, Section 16-25A-4* provides the Board with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years for the plan. All assets of the PEEHIP are held in trust for the payment of health insurance benefits. The Teachers' Retirement System of Alabama (TRS) has been appointed as the administrator of the PEEHIP and, consequently, serves as the administrator of the Trust.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Benefits Provided

PEEHIP offers a basic hospital medical plan to active members and non-Medicare eligible retirees. Benefits include inpatient hospitalization for a maximum of 365 days without a dollar limit, inpatient rehabilitation, outpatient care, physician services, and prescription drugs.

Active employees and non-Medicare eligible retirees who do not have Medicare eligible dependents can enroll in a health maintenance organization (HMO) in lieu of the basic hospital medical plan. The HMO includes hospital medical benefits, dental benefits, vision benefits, and an extensive formulary. However, participants in the HMO are required to receive care from a participating physician in the HMO plan.

The PEEHIP offers four optional plans (Hospital Indemnity, Cancer, Dental, and Vision) that may be selected in addition to or in lieu of the basic hospital medical plan or HMO. The Hospital Indemnity Plan provides a per-day benefit for hospital confinement, maternity, intensive care, cancer, and convalescent care. The Cancer Plan covers cancer disease only and benefits are provided regardless of other insurance. Coverage includes a per-day benefit for each hospital confinement related to cancer. The Dental Plan covers diagnostic and preventative services, as well as basic and major dental services.

Diagnostic and preventative services include oral examinations, teeth cleaning, x-rays, and emergency office visits. Basic and major services include fillings, general anesthetics, oral surgery not covered under a Group Medical Program, periodontics, endodontics, dentures, bridgework, and crowns. Dental services are subject to a maximum of \$1,250 per year for individual coverage and \$1,000 per person per year for family coverage. The Vision Plan covers annual eye examinations, eyeglasses, and contact lens prescriptions.

PEEHIP members may opt to elect the PEEHIP Supplemental Plan as their hospital medical coverage in lieu of the PEEHIP Hospital Medical Plan. The PEEHIP Supplemental Plan provides secondary benefits to the member's primary plan provided by another employer. Only active and non-Medicare retiree members and dependents are eligible for the PEEHIP Supplemental Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. The plan cannot be used as a supplement to Medicare, the PEEHIP Hospital Medical Plan, or the State or Local Governmental Plans administered by the State Employees' Insurance Board (SEIB).

Medicare eligible members and Medicare eligible dependents who are covered on a retiree contract were enrolled in the United Healthcare Group Medicare Advantage plan for PEEHIP retirees. Effective January 1, 2020, Humana Insurance Company replaced United Healthcare as the administrator of the PEEHIP Group Medicare Advantage (PPO) Plan. The plan is fully insured, and members are able to have all of their Medicare Part A (hospital insurance), Part B (medical insurance), and Part D (prescription drug coverage) in one convenient plan. Retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Members have the same benefits in and out-of-network and there is no additional retiree cost share if a retiree uses an out-of-network provider and no balance billing from the provider.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Contributions

The *Code of Alabama 1975, Section 16-25A-8* and the *Code of Alabama 1975, Section 16-25A-8.1* provide the Board with the authority to set the contribution requirements for the plan members and the authority to set the employer contribution requirements for each required class, respectively. Additionally, the Board is required to certify to the Governor and the Legislature, the amount, as a monthly premium per active employee, necessary to fund the coverage of active and retired member benefits for the following fiscal year. The Legislature then sets the premium rate in the annual appropriation bill.

For employees who retired after September 30, 2005, but before January 1, 2012, the employer contribution of the health insurance premium set forth by the Board for each retiree class is reduced by 2% for each year of service less than 25 and increased by 2% for each year of service over 25 subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree.

For employees who retired after December 31, 2011, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by 4% for each year of service less than 25 and increased by 2% for each year over 25, subject to adjustment by the Board for changes in Medicare premium costs required to be paid by a retiree. In no case does the employer contribution of the health insurance premium exceed 100% of the total health insurance premium cost for the retiree. For employees who retired after December 31, 2011, who are not covered by Medicare, regardless of years of service, the employer contribution to the health insurance premium set forth by the Board for each retiree class is reduced by a percentage equal to 1% multiplied by the difference between the Medicare entitlement age and the age of the employee at the time of retirement as determined by the Board. This reduction in the employer contribution ceases upon notification to the Board of the attainment of Medicare coverage.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2020 the Dothan City Board of Education reported a liability of \$35,125,563.00 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2018. The Dothan City Board of Education's proportion of the net OPEB liability was based on a projection of the Dothan City Board of Education's long term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2019, the Dothan City Board of Education's proportion was 0.931029%, which was an increase of 0.019641% from its proportion measured as of September 30, 2018.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

For the year ended September 30, 2020, the Board recognized OPEB expense of (\$2,573,873.00), with no special funding situations. At September 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,163,039.00	\$ 26,932,763.00
Changes of assumptions	1,679,212.00	14,549,215.00
Net difference between projected and actual earnings on OPEB plan investments	72,459.00	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,310,652.00	2,658,463.00
Employer contributions subsequent to the measurement date	1,839,677.19	-
Total	\$ 7,065,039.19	\$ 44,140,441.00

\$1,839,677.19 reported as deferred outflows of resources related to OPEB resulting from the Dothan City Board of Education’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended September 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30,	
2021	\$ (8,231,609.00)
2022	\$ (8,231,609.00)
2023	\$ (8,139,567.00)
2024	\$ (6,415,256.00)
2025	\$ (6,724,874.00)
Thereafter	\$ (1,172,164.00)

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Projected Salary Increases ¹	3.25% - 5.00%
Long-Term Investment Rate of Return ²	7.25%
Municipal Bond Index Rate at the Measurement Date	3.00%
Municipal Bond Index Rate at the Prior Measurement Date	4.18%
Projected Year for Fiduciary Net Position (FNP) to be Depleted	2055
Single Equivalent Interest Rate at the Measurement Date	5.50%
Single Equivalent Interest Rate at the Prior Measurement Date	4.44%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2026
Medicare Eligible	4.75% in 2024

¹ Includes 3.00% wage inflation

² Compounded annually, net of investment expense, and includes inflation

** Initial Medicare claims are set based on scheduled increases through plan year 2022

Mortality rates for the period after service retirement are according to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using scale BB and adjusted 105% for males and 120% for females.

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2015, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2016.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) were based on the September 30, 2018 valuation; however updated Medicare Advantage premium rates which reflect the repeal of the ACA Health Insurer Fee, updated Optionals claims costs, and updated participation assumptions were used in this report.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

The long-term expected return on plan assets is to be reviewed as part of regular experience studies prepared every five years, in conjunction with similar analysis for the Teachers’ Retirement System of Alabama. Several factors should be considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), as developed for each major asset class. These ranges should be 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 then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The long-term expected rate of return on the OPEB plan investments is determined based on the allocation of assets by asset class and by the mean and variance of real returns.

The target asset allocation and best estimates of expected geometric real rates of return for each major asset class is summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Fixed Income	30.00%	4.40%
U. S. Large Stocks	38.00%	8.00%
U. S. Mid Stocks	8.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	15.00%	9.50%
Cash	5.00%	1.50%
Total	<u>100.00%</u>	

*Geometric mean, includes 2.5% inflation

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

Discount Rate

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability at September 30, 2019 was 5.50%. The discount rate used to measure the total OPEB liability at the prior measurement date was 4.44%. Premiums paid to the Public Education Employees’ Health Insurance Board for active employees shall include an amount to partially fund the cost of coverage for retired employees. The projection of cash flows used to determine the discount rate assumed that plan contributions will be made at the current contribution rates. Each year, the State specifies the monthly employer rate that participating school systems must contribute for each active employee. Approximately, 24.245% of the employer contributions were used to assist in funding retiree benefit payments in 2019 and it is assumed that once benefit payments exceed employer contributions, this amount will increase by 1.00% per year and continue into the future. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. Therefore, the projected future benefit payments for all current plan members were projected through 2117. The long-term rate of return is used until the assets are expected to be depleted in 2055, after which the municipal bond rate is used.

Sensitivity of the Dothan City Board of Education’s Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following table presents the Dothan City Board of Education’s proportionate share of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (5.75%) decreasing to 3.75% for pre- Medicare, Known decreasing to 3.75% for Medicare Eligible)	Current Healthcare Trend Rate (6.75%) decreasing to 4.75% for pre- Medicare, Known decreasing to 4.75% for Medicare Eligible)	1% Increase (7.75%) decreasing to 5.75% for pre- Medicare, Known decreasing to 5.75% for Medicare Eligible)
Board's proportionate share of the collective net OPEB liability	\$ 28,164,383	\$ 35,125,563	\$ 43,892,854

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

The following table presents the Dothan City Board of Education’s proportionate share of the net OPEB liability of the Trust calculated using the discount rate of 5.50%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (4.50%)	Current Discount Rate (5.50%)	1% Increase (6.50%)
Board's proportionate share of the collective net OPEB liability	\$ 42,457,384	\$ 35,125,563	\$ 29,137,883

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan’s fiduciary net position is located in the Trust’s financial statements for the fiscal year ended September 30, 2019. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2019. Additional financial and actuarial information is available at www.rsa.al.gov.

NOTE 13 – SUBSEQUENT EVENTS

The date through which subsequent events have been evaluated is June 24, 2021. The financial statements were available to be issued at that time.

NOTE 14 – COVID 19 PANDEMIC

Recently, the United States has encountered a COVID-19 pandemic which is adversely affecting the nation. On March 13, 2020, the President of the United States declared a state of emergency in response to the COVID-19 pandemic. Subsequently, on the same day, the Governor of Alabama declared a state of emergency. As a result, the operations of federal, state, and local governments, including educational institutions, have been modified to ensure the safety of its citizenry as well as its employees. It is highly anticipated that revenues from all sources, including taxes and federal grants that are received by the Board, will be severely impacted by this pandemic. Additionally, it is anticipated that there will be a significant increase in costs associated with the aftermath of COVID-19. Because so much is unknown at this time, it will be extremely difficult for the Board to prepare budgets for the upcoming fiscal year to anticipate the impact of the pandemic. The Board anticipates that its financial operations will be adversely impacted by this pandemic; however, the duration and severity of its effects are indeterminable at this time.

Required Supplementary Information

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE
COLLECTIVE NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019	2018	2017	2016	2015
Employer's proportion of the collective net pension liability	0.677931%	0.707753%	0.710618%	0.721045%	0.725674%	0.709888%
Employer's proportionate share of the collective net pension liability	\$ 74,958,000	\$ 70,369,000	\$ 69,843,000	\$ 78,060,000	\$ 75,947,000	\$ 64,490,000
Employer's covered payroll during the measurement period (*)	\$ 48,517,417	\$ 47,317,071	\$ 47,119,688	\$ 45,966,039	\$ 46,016,183	\$ 45,088,408
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	154.50%	148.72%	148.22%	169.82%	165.04%	143.03%
Plan fiduciary net position as a percentage of the total collective pension liability	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll (see GASB 82).
For fiscal year 2020, the measurement period is October 1, 2018 - September 30, 2019.

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 - PENSIONS
TEACHERS' RETIREMENT PLAN OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 6,015,956	\$ 5,897,095	\$ 5,672,062	\$ 5,564,274	\$ 5,420,811	\$ 5,356,425
Contributions in relation to the contractually required contribution	\$ 6,015,956	\$ 5,897,095	\$ 5,672,062	\$ 5,564,274	\$ 5,420,811	\$ 5,356,425
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Board's covered-employee payroll	\$ 49,748,913	\$ 48,517,417	\$ 47,317,071	\$ 47,119,688	\$ 45,966,039	\$ 46,016,183
Contributions as a percentage of covered-employee payroll	12.09%	12.15%	11.99%	11.81%	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 THE EMPLOYER'S PROPORTIONATE SHARE OF THE
COLLECTIVE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Employer's proportion of the collective net OPEB liability	0.931029%	0.911388%	0.895091%
Employer's proportionate share of the collective net OPEB liability	\$ 35,125,563	\$ 74,904,486	\$ 66,482,247
Employer's covered payroll during the measurement period (*)	\$ 48,517,417	\$ 47,317,071	\$ 47,119,688
Employer's proportionate share of the collective net OPEB liability as a percentage of its covered payroll	72.40%	158.30%	141.09%
Plan fiduciary net position as a percentage of the total collective OPEB liability	28.14%	14.81%	15.37%

(*) Employer's covered payroll during the measurement period is the total covered payroll.
For fiscal year 2020, the measurement period is October 1, 2018 - September 30, 2019.

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 - OPEB
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTH CARE TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	2020	2019	2018
Contractually required contribution	\$ 1,839,677	\$ 3,283,555	\$ 2,816,591
Contributions in relation to the contractually required contribution	\$ 1,839,677	\$ 3,283,555	\$ 2,816,591
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0
Board's covered-employee payroll	\$ 49,748,913	\$ 48,517,417	\$ 47,317,071
Contributions as a percentage of covered-employee payroll	3.70%	6.77%	5.95%

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION FOR
OTHER POSTEMPLOYMENT BENEFITS (OPEB)
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Changes in Actuarial Assumptions

In 2019, the anticipated rates of participation, spouse coverage, and tobacco use were adjusted to more closely reflect actual experience.

In 2016, rates of withdrawal, retirement, disability, mortality, spouse coverage, and tobacco usage were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Recent Plan Changes

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 30, 2019.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through the MAPD plan.

The Health Plan is changed each year to reflect the ACA maximum annual out-of-pocket amounts.

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the Schedule of OPEB Contributions were calculated as of September 30, 2016, which is three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial Cost Method		Entry Age Normal
Amortization Method		Level Percent of Pay
Remaining Amortization Period		25 Years, Closed
Asset Valuation Method		Market Value of Assets
Inflation		2.875
Healthcare Cost Trend Rate:		
Pre-Medicare Eligible		7.75%
Medicare Eligible	5.00%	
Ultimate Trend Rate:		
Pre-Medicare Eligible		5.00%
Medicare Eligible	5.00%	
Year of Ultimate Trend Rate		2022 for Pre-Medicare Eligible 2018 for Medicare Eligible
Investment Rate of Return		5.00%, Including Inflation

**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, 2020**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
REVENUES				
Local Revenues	\$ 21,430,286.00	\$ 22,730,286.00	\$ 22,419,250.44	\$ (311,035.56)
State Revenues	53,141,286.00	55,474,879.00	55,854,421.88	379,542.88
Federal Revenues	84,500.00	84,500.00	103,842.77	19,342.77
Local School Revenues	0.00	0.00	0.00	0.00
Other Revenues	0.00	0.00	196,820.37	196,820.37
	<u>74,656,072.00</u>	<u>78,289,665.00</u>	<u>78,574,335.46</u>	<u>284,670.46</u>
Total Revenues				
EXPENDITURES				
Instructional Services	42,299,672.11	44,016,356.70	42,787,995.79	(1,228,360.91)
Instructional Support Services	12,590,770.01	13,023,755.42	12,689,539.85	(334,215.57)
Operations and Maintenance	5,492,818.63	6,116,492.68	8,299,854.50	2,183,361.82
Auxiliary Services	3,638,629.97	3,640,829.97	3,637,131.82	(3,698.15)
General, Administrative, and Central Support	3,638,692.64	4,639,817.64	4,505,718.76	(134,098.88)
Capital Outlay	0.00	0.00	492,969.92	492,969.92
Debt Services	0.00	0.00	0.00	0.00
Other Expenditures	1,939,912.60	1,981,829.60	2,061,793.03	79,963.43
	<u>69,600,495.96</u>	<u>73,419,082.01</u>	<u>74,475,003.67</u>	<u>1,055,921.66</u>
Total Expenditures				
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,055,576.04</u>	<u>4,870,582.99</u>	<u>4,099,331.79</u>	<u>(771,251.20)</u>
OTHER FINANCING SOURCES (USES)				
Other Fund Sources	579,449.09	1,099,723.22	1,379,448.01	279,724.79
Other Fund Uses	(2,244,318.57)	(2,244,318.57)	(2,044,561.11)	199,757.46
	<u>(1,664,869.48)</u>	<u>(1,144,595.35)</u>	<u>(665,113.10)</u>	<u>479,482.25</u>
Total Other Financing Sources (Uses)				
Net Change In Fund Balances	3,390,706.56	3,725,987.64	3,434,218.69	(291,768.95)
Fund Balance - Beginning	7,564,678.49	7,564,678.49	7,564,678.49	0.00
Fund Balance - Ending	<u>\$ 10,955,385.05</u>	<u>\$ 11,290,666.13</u>	<u>\$ 10,998,897.18</u>	<u>\$ (291,768.95)</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, 2020

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, 2020

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Child Nutrition Cluster-Cluster			
United States Department of Agriculture			
School Breakfast Program			
School Breakfast Program	10.553	AL Dept of Education, n/a	627,176
Total School Breakfast Program			<u>627,176</u>
National School Lunch Program			
National School Lunch Program	10.555	AL Dept of Education, n/a	1,756,872
Total National School Lunch Program			<u>1,756,872</u>
Summer Food Service Program for Children			
Summer Food Service Program for Children	10.559	AL Dept of Education, n/a	879,583
Total Summer Food Service Program for Children			<u>879,583</u>
<i>Total United States Department of Agriculture</i>			<u>3,263,631</u>
Total Child Nutrition Cluster-Cluster			<u>3,263,631</u>
Food Distribution Cluster-Cluster			
United States Department of Agriculture			
Commodity Supplemental Food Program			
Commodity Supplemental Food Program	10.565	AL Dept of Education, n/a	366,393
Total Commodity Supplemental Food Program			<u>366,393</u>
<i>Total United States Department of Agriculture</i>			<u>366,393</u>
Total Food Distribution Cluster-Cluster			<u>366,393</u>
Head Start Cluster-Cluster			
Department of Health and Human Services			
Head Start			
Head Start (M)	93.600		2,420,606
Total Head Start			<u>2,420,606</u>
<i>Total Department of Health and Human Services</i>			<u>2,420,606</u>
Total Head Start Cluster-Cluster			<u>2,420,606</u>
Special Education Cluster (IDEA)-Cluster			
Department of Education			
Special Education_Grants to States			
Special Education_Grants to States (M)	84.027	AL Dept of Education, n/a	2,202,267
Total Special Education_Grants to States			<u>2,202,267</u>
Special Education_Preschool Grants			
Special Education_Preschool Grants (M)	84.173	AL Dept of Education, n/a	70,941
Total Special Education_Preschool Grants			<u>70,941</u>
<i>Total Department of Education</i>			<u>2,273,208</u>
Total Special Education Cluster (IDEA)-Cluster			<u>2,273,208</u>

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

Other Programs

Department of Education

Title I Grants to Local Educational Agencies

Title I Grants to Local Educational Agencies	84.010	AL Dept of Education, n/a	<u>4,356,522</u>
Total Title I Grants to Local Educational Agencies			<u>4,356,522</u>

Career and Technical Education -- Basic Grants to States

Career and Technical Education -- Basic Grants to States	84.048	AL Dept of Education, n/a	<u>179,707</u>
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Total Career and Technical Education -- Basic Grants to States			<u>179,707</u>
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English Language Acquisition Grants

English Language Acquisition Grants	84.365	AL Dept of Education, n/a	<u>27,134</u>
Total English Language Acquisition Grants			<u>27,134</u>

Improving Teacher Quality State Grants

Improving Teacher Quality State Grants	84.367	AL Dept of Education, n/a	<u>376,936</u>
Total Improving Teacher Quality State Grants			<u>376,936</u>

Student Support and Academic Enrichment Program

Student Support and Academic Enrichment Program	84.424	AL Dept of Education, n/a	<u>324,491</u>
Total Student Support and Academic Enrichment Program			<u>324,491</u>

Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act

COVID-19 Governor's Emergency Education Relief Fund	84.425C	AL Dept of Education, n/a	5,861
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COVID-19 Elementary and Secondary School Emergency Relief Fund	84.425D	AL Dept of Education, n/a	<u>531,870</u>
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Total Education Stabilization Fund Under The Coronavirus Aid, Relief, And Economic Security Act			<u>537,731</u>
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<i>Total Department of Education</i>			<u>5,802,521</u>
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Department of the Treasury

Coronavirus Relief Fund

Coronavirus Relief Fund	21.019	AL Dept of Education, n/a	<u>344,989</u>
Total Coronavirus Relief Fund			<u>344,989</u>

<i>Total Department of the Treasury</i>			<u>344,989</u>
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United States Department of Agriculture

State Administrative Expenses for Child Nutrition

State Administrative Expenses for Child Nutrition	10.560	AL Dept of Education, n/a	<u>18,242</u>
Total State Administrative Expenses for Child Nutrition			<u>18,242</u>

Fresh Fruit and Vegetable Program

Fresh Fruit and Vegetable Program	10.582	AL Dept of Education, n/a	<u>18,313</u>
Total Fresh Fruit and Vegetable Program			<u>18,313</u>

<i>Total United States Department of Agriculture</i>			<u>36,555</u>
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Total Other Programs			<u>6,184,065</u>
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Total Expenditures of Federal Awards			<u>\$ 14,507,903</u>
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(M) - Major Program

n/a - Not available or not applicable

Assistance period: October 1, 2019 - September 30, 2020

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the Dothan City Board of Education under programs of the federal government for the year ended September 30, 2020. 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 to not use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information



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, 2020, 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 24, 2021.

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) as a basis for designing 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 financial statements. 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 24, 2021



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, 2020. 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, 2020.

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 24, 2021

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of opinion issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None Reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the <i>Uniform Guidance</i> ?	No
Identification of major federal programs:	
CFDA – 84.027, 84.173	Special Education Cluster (IDEA)
CFDA – 93.600	HeadStart
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.