DOTHAN CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2025

DOTHAN CITY BOARD OF EDUCATION

FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2025

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DOTHAN CITY BOARD OF EDUCATION

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McDANIEL
PO Box 6356
Dothan, Alabama 36302

INDEPENDENT AUDITOR'S REPORT

Members of the Board
Dothan City Board of Education
Dothan, Alabama

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise Dothan City Board of Education's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Dothan City Board of Education, as of September 30, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Dothan City Board of Education and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Dothan City Board of Education's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards* , we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dothan City Board of Education's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dothan City Board of Education's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 7 – 14, Budgetary Comparison Schedules on pages 57 – 60, and the Schedule of System Contributions and Schedule of System's Proportionate Shares of the Net Liability of Pension and OPEB on pages 71 – 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dothan City Board of Education's basic financial statements. The schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are 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 15, 2026 on our consideration of 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 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 Dothan City Board of Education's internal control over financial reporting and compliance.

McDaniel & Associates, P.C.

Dothan, Alabama

June 15, 2026

DOTHAN CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2025

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, 2025. 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, 2025, are as follows:

- Total net position of ($30,541,080)
- Increase in net position of $8,072,099 during the current fiscal year
- Total fund balances of all governmental funds equaled $38,645,673
- Unassigned general fund balance equaled $18,821,935
- Total general fund net change in fund balance was $2,285,169

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 27. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

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, 2024, totaled ($38.613) million and ($30.542) million for fiscal year ended September 30, 2025, as shown below.

The Board's Net Position *(in millions)*

	Governmental Activities		
	2025	**2024**	**Change**
Current and Other Assets	$ 40.661	$ 45.688	$ (5.027)
Capital and Non-Current Assets	96.094	88.782	7.312
Total Assets	136.755	134.470	2.285
Deferred Outflows of Resources	80.490	46.866	33.624
Current Liabilities	8.891	5.147	3.744
Long Term Liabilities	187.817	163.686	24.131
Total Liabilities	196.708	168.833	27.875
Deferred Inflows of Resources	51.078	51.116	(0.038)
Net Position	$ (30.541)	$ (38.613)	$ 8.072
Net Investment in Capital Assets	58.269	48.449	9.820
Restricted	17.837	16.808	1.029
Unrestricted	(106.647)	(103.870)	(2.777)
Total Net Position	$ (30.541)	$ (38.613)	$ 8.072

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 ($103.870) million for fiscal years ended September 30, 2024 and ($106.647) million for September 30, 2025.

General revenues – The Board's total general revenues for fiscal years ended September 30, 2024 were $85.698 million and $95.167 million for September 30, 2025. For fiscal years ended September 30, 2024 and September 30, 2025 a significant portion, 64.72% and 74.34%, respectively of the Board's general revenue derived from state aid.

Summary of Changes in Net Position from Operating Results *(in millions)*

	Governmental Activities		
	2025	**2024**	**Change**
Revenues:			
Program Revenues:			
Charges for Services	$ 1.837	$ 2.131	$ (0.294)
Operating Grants and Contributions	35.226	42.380	(7.154)
Capital Grants and Contributions	2.729	2.218	0.511
General Revenues:			
Property Taxes	9.855	11.775	(1.920)
Local Sales Taxes	9.453	9.388	0.065
Miscellaneous Taxes	0.634	0.339	0.295
State Aid	56.089	55.460	0.629
Local Aid	3.471	7.100	(3.629)
Gain on disposal of capital assets	1.739	-	1.739
Miscellaneous	1.813	1.636	0.177
Total Revenues	122.846	132.427	(9.581)
Expenses			
Instructional Services	54.660	57.632	(2.972)
Instructional Support Services	20.506	23.001	(2.495)
Operations and Maintenance	13.202	11.668	1.534
Auxiliary Services	12.938	15.239	(2.301)
General, Adminstrative, Central	5.165	6.565	(1.400)
Other Expenditures	7.131	7.665	(0.534)
Interest and Fiscal Charges	1.172	1.327	(0.155)
Total Expenses	114.774	123.097	(8.323)
Change in Net Position	8.072	9.330	(1.258)
Net Position - Beginning	(38.613)	(47.943)	9.330
Net Position - Ending	(30.541)	(38.613)	8.072

The Board's net position increased $8.072 million during the current fiscal year.

Revenues decreased $9.581 million over the prior year. The largest decrease was in Operating Grants and Contributions with a decrease of $7.154 million.

Expenses decreased $8.323 million over the prior year. The largest decrease was in Instructional Services with a decrease of $2.972 million. The total cost of all programs and services was $114.774 million. 65.490% of these costs were for instructional 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 $29.881 million. The general fund balance increased by $2.285 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 $0.147 million. Current year operations resulted in an decrease in the food service fund balance of $1.062 million.

The debt services fund reported an ending fund balance of $3.526 million. The debt services fund balance increased by $0.311 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 $ 1.676 million. The local school – public fund balance increased by $0.016 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 $5.871 million under final budget amounts.
- Revenues available were $6.146 million under final budget amounts. This is due primarily to timing of revenue receipts.
- Budgeted Revenues and Other Fund Sources were less than Expenditures and Other Fund Uses by $0.573 million.

Food Service Fund Budgetary Highlights

- Over the course of the year, the Board revised its budget several times. Actual expenditures were $1.083 million over final budget amounts.
- Revenues available were $0.787 million under final budget amounts. This is due primarily to timing of revenue receipts.
- Budgeted Revenues and Other Fund Sources were in excess of Expenditures and Other Fund Uses by $0.808 million.

Capital Assets

At September 30, 2025, the Board had invested $ 137.489 million in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Figure A-6). This amount represents a net cost increase (including additions and deductions) of $ 11.968 million or 9.535% over last year. Significant acquisitions were in buildings 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.

Board's Capital Assets *(in millions)*

	Governmental Activities		
	2025	**2024**	**Change**
Land	$ 0.703	$ 0.803	$ (0.100)
Land Improvements	2.823	2.778	0.045
Buildings	42.868	42.868	-
Building Improvements	83.466	68.402	15.064
Construction in Progress	-	3.103	(3.103)
Equipment	12.326	11.655	0.671
Vehicles	7.893	7.880	0.013
Total Historic Cost	150.079	137.489	12.590
Total Accumulated Depreciation	(53.986)	(48.218)	(5.768)
Net Capital Assets	$ 96.093	$ 89.271	$ 6.822

Long-Term Debt

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

Fiscal Year Ended Spetmber 30, 2025

	Beginning Balance	**Net Change**	**Ending Balance**
Notes from Direct Borrowing	$ 12.402	$ 1.240	$ 11.162
Warrants/Bonds	24.180	1.555	22.625
Unamortized Warrant/Bond Premium	0.310	0.024	0.286
Qualified School Construction Bonds	3.752	-	3.752
Governmental Activities Long-Term Debt	$ 40.644	$ 2.819	$ 37.825

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 2026 Budget

Countywide and district ad valorem tax collections decreased slightly during fiscal year 2025. Sales tax collections increased approximately 1 percent compared to the prior fiscal year. The Board will continue to monitor local revenue trends closely due to the significance of these revenues in funding operations.

The Board maintained an operating reserve in excess of one month's operating expenditures at September 30, 2025. The Board continues to monitor expenditures and maintain fiscal controls to support long-term financial stability.

At the time these financial statements were prepared, the Board was aware that average daily membership (ADM) had decreased by approximately 107 students for fiscal year 2027. As a result, the Board anticipates a reduction in earned teacher units and related state funding, including classroom instructional support funds, professional development funds, and technology allocations. The fiscal year 2027 budget reflects a decrease of approximately 7.34 earned units compared to fiscal year 2026. While enrollment continues to be a significant factor in funding, the decline is substantially less than the enrollment and unit losses experienced in prior years.

Employer contribution rates to the Teachers' Retirement System of Alabama (TRS) increased for fiscal year 2025. The employer contribution rate for Tier I employees increased from 12.59 percent in fiscal year 2024 to 13.57 percent in fiscal year 2025, while the employer contribution rate for Tier II employees increased from 11.57 percent to 12.60 percent. Employee contribution rates remained unchanged at 7.50 percent for Tier I employees and 6.20 percent for Tier II employees. Increases in employer contribution rates continue to place additional pressure on personnel costs and operating expenditures.

The Board continues to benefit from a positive working relationship with the City of Dothan and other local stakeholders. Local economic conditions, including property values, retail sales activity, employment trends, and population changes, remain important factors affecting future revenues and long-term financial planning. The Board will continue to monitor these factors and adjust operations as necessary to maintain fiscal stability and support educational programs.

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.

FINANCIAL STATEMENTS

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

		Governmental Activities
ASSETS		
Cash and cash equivalents	$	30,903,808
Due from federal, state, and local agencies		3,709,375
Inventory		275,898
Restricted assets, cash with fiscal agent		5,772,457
Capital assets:		
Land		702,517
Depreciable, net		95,390,344
Total capital assets		96,092,861
Total Assets		136,754,399
DEFERRED OUTFLOWS OF RESOURCES		
Employer other postemployment benefit (OPEB) contribution		3,071,598
Proportionate share of collective deferred outflows related to net OPEB contribution		59,569,077
Employer pension contribution		7,796,072
Proportionate share of collective deferred outflows related to net pension liability		10,054,000
		80,490,747
LIABILITIES		
Current payables		513,849
Salaries and benefits payable		1,502,016
Accrued vacation, current portion		202,885
Long term liabilities:		
Debt due within one year		6,672,131
Debt due in more than one year		31,152,260
Accrued vacation, long term portion		608,655
Net OPEB liability		69,359,369
Net pension liability		86,697,000
Total Liabilities		196,708,165

The accompanying notes are an integral part of these financial statements

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Governmental Activities
DEFERRED INFLOWS OF RESOURCES	
Proportionate share of collective deferred inflows related to net OPEB liability	34,358,061
Proportionate share of collective deferred inflows related to net pension liability	16,720,000
Total Deferred Inflows of Resources	51,078,061
NET POSITION	
Net investment in capital assets	58,268,470
Restricted for other government programs	13,592,558
Restricted for capital projects	531,724
Restricted for debt service	3,526,495
Restricted for other purposes	185,970
Unrestricted	(106,646,297)
Total Net Position	$ (30,541,080)

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instructional services	54,660,051	$ -	$ 14,533,399	$ -	$ (40,126,652)
Instructional support services	20,506,058	-	4,245,392	-	(16,260,666)
Operations and maintenance	13,201,651	-	-	-	(13,201,651)
Auxiliary services	12,937,627	383,403	10,779,022	-	(1,775,202)
General, administrative, and central support	5,165,716	-	-	-	(5,165,716)
Other expenditures	7,130,743	1,453,467	5,668,476	2,728,909	2,720,109
Interest & fiscal charges	1,172,539	-	-	-	(1,172,539)
Total Governmental Activities	$114,774,385	$ 1,836,870	$ 35,226,289	$ 2,728,909	(74,982,317)

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Total Governmental Activities
General revenues:					
Taxes:					
Property taxes for general purposes					9,854,604
Local sales tax					9,453,082
Miscellaneous taxes					634,414
State aid not restricted to specific purposes					56,088,645
Local aid not restricted to specific purposes					3,471,418
Gain on disposal of capital assets					1,738,598
Miscellaneous					1,813,655
Total general revenues					83,054,416
Change in net position					8,072,099
Net position - beginning					(38,613,179)
Net position - ending					$ (30,541,080)

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025

	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	$ 30,309,680	$ (807,764)	$ -	$ 1,680,021	$ 183,226	$ (461,355)	$ 30,903,808
Cash with fiscal agents	-	-	3,526,495	-	2,245,962	-	5,772,457
Property taxes receivable	11,237,959	-	-	-	-	-	11,237,959
Due from federal, state and local agencies	1,028,255	906,842	-	700	-	1,773,578	3,709,375
Inventory	-	275,898	-	-	-	-	275,898
Total Assets	$ 42,575,894	$ 374,976	$ 3,526,495	$ 1,680,721	$ 2,429,188	$ 1,312,223	$ 51,899,497
Liabilities and Fund Balances							
Liabilities							
Current payables	$ 422,386	$ 68,931	$ -	$ 4,703	$ -	17,829	$ 513,849
Salaries and benefits payable	1,034,485	158,518	-	-	-	309,013	1,502,016
Total Liabilities	1,456,871	227,449	-	4,703	-	326,842	2,015,865

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2025

	General Fund	Food Service Fund	Debt Service Fund	Local School - Public Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources							
Property taxes	11,237,959	-	-	-	-	-	11,237,959
Fund Balances							
Non-spendable							
Inventories	-	275,898	-	-	-	-	275,898
Restricted for:							
Child Nutrition Program	-	(128,371)	-	-	-	-	(128,371)
Capital Projects	-	-	-	-	2,429,188	-	2,429,188
Debt Service	-	-	3,526,495	-	-	-	3,526,495
Other Government Programs	11,059,129	-	-	-	-	985,381	12,044,510
Assigned to:							
Other purposes	-	-	-	1,676,018	-	-	1,676,018
Unassigned	18,821,935	-	-	-	-	-	18,821,935
Total Fund Balances	29,881,064	147,527	3,526,495	1,676,018	2,429,188	985,381	38,645,673
Total Liabilities and Fund Balances	$ 42,575,894	$ 374,976	$ 3,526,495	$ 1,680,721	$ 2,429,188	$ 1,312,223	$ 51,899,497

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

FUND BALANCES - GOVERNMENTAL FUNDS		$ 38,645,673
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. Those assets consist of:		
Capital assets	150,079,303	
Accumulated depreciation	(53,986,442)	
		96,092,861
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.		1,130,072
Deferred outflows and inflows of resources related to OPEB obligations are applicable to future periods and, therefore, are not reported in the governmental funds.		28,282,614
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilites in the governmental funds.		
Warrant and bond	(22,625,000)	
QSCB bond	(3,752,000)	
Direct borrowing	(11,161,678)	
Unamortized bond premium	(285,713)	
Accrued vacation	(811,540)	
Net OPEB liability	(69,359,369)	
Net pension liability	(86,697,000)	(194,692,300)
NET POSITION - GOVERNMENTAL ACTIVITIES		$ (30,541,080)

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Food Service Fund	Debt Service Fund	Local School - Public Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local revenues	$ 24,083,601	$ 383,403	$ 115,718	$ -	$ 591,548	$ 359,732	$ 25,534,002
State revenues	70,747,978	17,646	69,975	-	2,658,934	-	73,494,533
Federal revenues	118,325	7,048,972	-	-	-	12,905,856	20,073,153
Local school revenues	-	-	-	1,510,301	-	-	1,510,301
Other revenues	216,729	59,391	-	-	-	-	276,120
Total revenues	95,166,633	7,509,412	185,693	1,510,301	3,250,482	13,265,588	120,888,109
EXPENDITURES							
Instructional services	46,717,767	-	-	627,907	-	7,314,789	54,660,463
Instructional support services	17,979,200	-	-	283,198	-	2,243,660	20,506,058
Operations and maintenance	7,236,707	-	-	6,204	38,186	152,152	7,433,249
Auxiliary services	4,695,143	8,209,580	-	29,153	-	3,751	12,937,627
General, administrative, and central support	4,814,650	-	-	-	-	351,066	5,165,716
Capital outlay	8,886,650	172,933	-	-	3,878,554	21,595	12,959,732
Debt service:							
Principal retirement	837,329	-	-	-	1,957,533	-	2,794,862
Interest expense	-	-	69,975	-	1,102,565	-	1,172,540
Other expenditures	3,733,442	189,930	-	203,936	1,620	3,026,660	7,155,588
	94,900,888	8,572,443	69,975	1,150,398	6,978,458	13,113,673	124,785,835

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Food Service Fund	Debt Service Fund	Local School - Public Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenues over (under) expenditures	265,745	(1,063,031)	115,718	359,903	(3,727,976)	151,915	(3,897,726)
OTHER FINANCING SOURCES (USES)							
Indirect cost	219,777	-	-	-	-	-	219,777
Insurance recoveries	1,794,068	-	-	-	-	-	1,794,068
Transfers in	356,275	1,076	195,259	80,161	-	482,776	1,115,547
Transfers out	(350,696)	-	-	(424,116)	-	(340,735)	(1,115,547)
Total Other Financing Sources (Uses)	2,019,424	1,076	195,259	(343,955)	-	142,041	2,013,845
Net Change in Fund Balances	2,285,169	(1,061,955)	310,977	15,948	(3,727,976)	293,956	(1,883,881)
Fund Balances - Beginning of Year	27,595,895	1,209,482	3,215,518	1,660,070	6,157,164	691,425	40,529,554
Fund Balances - End of Year	$ 29,881,064	$ 147,527	$ 3,526,495	$ 1,676,018	$ 2,429,188	$ 985,381	$ 38,645,673

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net Changes in Fund Balances - Total Governmental Funds		$ (1,883,881)
Governmental funds report capital outlays as expenditures; in the statement of activities, certain costs are allocated over their estimated useful lives as depreciation:		
Depreciation	(5,768,401)	
Loss on disposal of fixed assets	(55,470)	
Capital outlay of fixed assets	12,959,732	7,135,861
Current year long-term debt principal payments are reported as expenditures in the governmental fund financial statements, but they are shown as reduction in long-term debt in the district-wide financial statements		2,794,862
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 the governmental funds:		
Amortization of bond premiums		24,845
Current year change in OPEB expense		2,492,083
Current year change in pension expense		(2,491,671)
Change in Net Position of Governmental Activities		$ 8,072,099

The accompanying notes are an integral part of these financial statements.

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	Expendable Trust Fund	Accounts Payable Clearing Fund
ASSETS		
Cash and cash equivalents	$ 185,970	$ 954,970
Total Assets	185,970	954,970
LIABILITIES		
Current payables	-	954,970
Total Liabilities	-	954,970
NET POSITION	$ 185,970	$ -

The accompanying notes are an integral part of these financial statements

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SEPTEMBER 30, 2025

	Expendable Trust Fund
ADDITIONS	
Local school revenues	$ 116,989
Total Additions	116,989
DEDUCTIONS	
Instructional services	18,449
Instructional support services	13,884
Other expenditures	18,122
Total Deductions	50,455
Change in Net Position	66,534
Net Position - Beginning of Year	119,436
Net Position - End of Year	$ 185,970

The accompanying notes are an integral part of these financial statements

DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2025

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 in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting principles. The more significant of the 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.

Financial Reporting Entity – Basis of Presentation

The accompanying financial statements present the activities of the Board.

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 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 are 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.

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.

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.

Expendable Trust Fund – This fund accounts for assets held by the Board in a trustee capacity for specific purposes where both principal and earnings may be expended in accordance with the terms of the trust. These funds are accounted for in a manner similar to governmental funds and are restricted for use in accordance with donor or other external requirements.

Accounts Payable Clearing Fund - This fund is an agency-type custodial fund used to temporarily hold and disburse cash related to accounts payable transactions. Activity in this fund represents clearing functions only, with assets generally offset by corresponding liabilities and no measurement of operations.

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.

Note 1 – Summary of Significant Accounting Policies, Continued

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, 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.

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:

Assets	Years
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.

Leases

The Board's lease arrangements primarily consist of copier and office equipment leases. Management evaluated these arrangements under GASB Statement No. 87 and determined that the related lease assets and liabilities are not material to the financial statements, individually or in the aggregate. Accordingly, lease payments are expensed as incurred, and no lease liabilities or right-to-use assets have been recorded.

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 does not accumulate or carry forward beyond the year earned, and is not attributable to services already rendered beyond the current period, no liability is recognized in the financial statements.

Note 1 – Summary of Significant Accounting Policies, Continued

Twelve-month employees are allowed two weeks of vacation per year with pay. Because unused vacation leave can be carried over to succeeding years and is attributable to services already rendered, a liability for unused vacation is accrued in the financial statements in accordance with GASB Statement No. 101.

Professional and support employees earn nonvesting sick leave at the rate of one day per month worked, with no limit on accumulation. Although sick leave accumulates, it does not vest and is not paid upon termination; therefore, no liability is recognized in the financial statements in accordance with GASB Statement No. 101.

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.

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 the 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 Annual Comprehensive Financial Report.

Note 1 – Summary of Significant Accounting Policies, Continued

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.

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.

Note 1 – Summary of Significant Accounting Policies, Continued

Governmental Fund Financial Statements

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

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

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

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

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

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

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

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 balance, or have a subsequent budget that will cause the fund balance to exceed one month's operating expense.

Note 2 – Cash and Investments

At September 30, 2025, the carrying amount of cash and cash equivalents was $30,903,808. The Board participates in the Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE Program, substantially all of the Board's deposits are protected through a collateral pool administered by the Alabama State Treasurer's Office.

The Board has deposits totaling $3,526,495 in the debt service fund related to Qualified School Construction Bonds (QSCB), which are reported as cash with fiscal agents in the fund financial statements and as restricted assets in the government-wide financial statements. Additionally, the Board has deposits totaling $2,245,962 in the capital projects fund held by U.S. Bank as trustee, which are similarly reported as cash with fiscal agents in the fund financial statements and as restricted assets in the government-wide financial statements.

These funds are held by a trustee/fiscal agent and are subject to the requirements of related bond and lease agreements; accordingly, they are not covered by the SAFE Program. The deposits are invested in short-term, highly liquid investments and are considered cash equivalents for financial reporting purposes. Amounts in excess of FDIC insurance coverage are required by bond covenants to be invested in U.S. government securities.

Note 3- Receivables

Receivables as of September 30, 2025 for the Board's individual major funds, the nonmajor funds, and fiduciary fund in the aggregate are as follows:

General Fund		
State Programs	$	206,772
Local and Other		821,483
Total		1,028,255
Food Service Fund		
Federal Programs		906,842
Total		906,842
Local School - Public Fund		
Local and Other		700
Total		700
Nonmajor and Other Funds		
Federal Programs		1,773,578
Total		1,773,578
Total Receivables	$	3,709,375

The receivables consist primarily of amounts due from state and federal programs and other local sources. Management considers all receivables to be fully collectible; therefore, no allowance for uncollectible amounts has been recorded.

Note 4 – Capital Assets

Capital asset activity for the Board for the year ended September 30, 2025 was as follows:

	Primary Government			
Governmental Activities:	**Beginning Balance**	**Additions/ Reclassifications***	**Retirements/ Reclassifications***	**Ending Balance**
Capital Assets Not Being Depreciated:				
Land	$ 757,987	$ -	$ 55,470	$ 702,517
Construction in Progress	3,102,978	-	3,102,978	-
Total Capital Assets Not Being Depreciated	3,860,965	-	3,158,448	702,517
Capital Assets Being Depreciated:				
Land Improvements	2,822,793	-	-	2,822,793
Buildings	42,867,774	-	-	42,867,774
Building Improvements	68,401,526	15,069,236	5,180	83,465,582
Equipment	11,655,667	947,179	276,076	12,326,770
Vehicles	7,880,059	46,297	32,489	7,893,867
Total Capital Assets Being Depreciated	133,627,819	16,062,712	313,745	149,376,786
Less Accumulated Depreciation for:				
Land Improvements	1,725,543	127,021	-	1,852,564
Buildings	8,911,885	877,821	-	9,789,706
Building Improvements	27,173,840	3,176,198	5,180	30,344,858
Equipment	6,096,531	920,770	276,076	6,741,225
Vehicles	4,623,986	666,592	32,489	5,258,089
Total Accumulated Depreciation	48,531,785	5,768,402	313,745	53,986,442
Total Capital Assets Being Depreciated, Net	85,096,034	10,294,310	-	95,390,344
Governmental Activities Capital Assets, Net	$ 88,956,999	$ 10,294,310	$ 3,158,448	$ 96,092,861

* Construction in Process of $3,102,978 was reclassified to Building Improvements

Note 4 – Capital Assets, Continued

Depreciation Expense was charged to governmental functions as follows:

Instructional Service	$ 579,761
Instructional Support Services	61,216
Operations and Maintenance	4,226,158
Auxiliary Service	798,483
General, Administrative, and Central Support	97,638
Other Expenditures	5,146
Total Depreciation Expense	$ 5,768,402

Note 5 – Long-Term Debt and Liabilities

As of September 30, 2025, the Board was responsible for the following long-term debt obligations:

Direct Borrowing

On October 24, 2011, the Dothan City Board of Education entered into a direct borrowing agreement with Bank of America in the amount of $3,000,000 for the purchase of equipment facilitating energy efficiency upgrades. Deutsche Bank National Trust Company serves as the fund custodian for the agreement. Per the terms of the agreement, monthly interest payments were required to be made beginning November 2011. Monthly principal payments were required to be made beginning October 2012. The debt is scheduled to be fully repaid during fiscal year ending September 2027. The interest rate is variable.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ 91,121	$ 5,129	$ 96,250
2027	117,599	2,138	119,737
Total	$ 208,720	$ 7,267	$ 215,987

On January 5, 2022, the Dothan City Board of Education entered into a direct borrowing agreement in the amount of $529,219 with SmartBank, purchasing 5 Thomas school buses. Per the terms of the agreement, payments were required to be made beginning in May 2022. 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 2032. The interest rate is 1.91%.

Note 5 – Long-Term Debt and Liabilities, Continued

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ 52,170	$ 6,110	$ 58,280
2027	53,185	5,095	58,280
2028	54,208	4,072	58,280
2029	55,275	3,006	58,281
2030	56,350	1,930	58,280
Thereafter	53,462	833	54,295
Total	$ 324,650	$ 21,046	$ 345,696

On November 21 2019, the Dothan City Board of Education entered into a direct borrowing agreement with Bank of America Public Capital Corp in the amount of $ 11,900,000 for the purchase of equipment facilitating energy efficiency upgrades. Per the terms of the agreement, interest payments were required to be made beginning May 2020. Principal payments were required to be made beginning May 2021. 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 2038. The interest rate is variable.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ 553,232	$ 147,336	$ 700,568
2027	488,256	134,939	623,195
2028	418,434	125,067	543,501
2029	444,118	115,688	559,806
2030	470,863	105,737	576,600
Thereafter	4,432,884	418,370	4,851,254
Total	$ 6,807,787	$ 1,047,137	$ 7,854,924

Note 5 – Long-Term Debt and Liabilities, Continued

On March 18, 2021, the Dothan City Board of Education entered into a direct borrowing agreement with Banc of America Public Capital Corp in the amount of $1,732,025 for the purchase of equipment facilitating HVAC upgrades and district parking lot lighting. Per the terms of the agreement, payments were required to be made beginning August 2021. Two payments are to be made annually, one in August and another in February. The debt is scheduled to be fully repaid during fiscal year ending September 2040. The interest rate is variable.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ 76,308	$ 34,831	$ 111,139
2027	79,508	32,915	112,423
2028	82,825	30,918	113,743
2029	86,265	28,838	115,103
2030	89,833	14,371	104,204
Thereafter	1,005,163	130,790	1,135,953
Total	$ 1,419,902	$ 272,663	$ 1,692,565

On November 15, 2018, the Dothan City Board of Education entered into a direct borrowing agreement with Regions Equipment Finance Corporation in the amount of $1,559,588 for the purchase of 20 Thomas school buses. Per the terms of the agreement, payments were required to be made beginning November 2019. 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
2026	$ 176,412	$ 20,610	$ 197,022
2027	182,515	14,507	197,022
2028	188,829	8,193	197,022
2029	95,821	1,661	97,482
Total	$ 643,577	$ 44,971	$ 688,548

Note 5 – Long-Term Debt and Liabilities, Continued

On January 16, 2020, the Dothan City Board of Education entered into a direct borrowing agreement with Regions Equipment Finance Corporation in the amount of $2,631,213 for the purchase of 31 Thomas school buses. Per the terms of the agreement, payments were required to be made beginning February 2020. 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
2026	$ 269,761	$ 25,457	$ 295,218
2027	276,114	19,104	295,218
2028	282,617	12,601	295,218
2029	289,273	5,946	295,219
2030	97,419	988	98,407
Total	$ 1,215,184	$ 64,096	$ 1,279,280

On March 22, 2023, the Dothan City Board of Education entered into a direct borrowing agreement in the amount of $681,156 with SmartBank, purchasing 7 school buses. Per the terms of the agreement, payments were required to be made beginning in September 2023. Two payments are to be made annually, one in March and another in September. The debt is scheduled to be fully repaid during fiscal year ending September 2033. The interest rate is 4.82%.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ 61,282	$ 25,321	$ 86,603
2027	64,314	22,331	86,645
2028	67,438	19,195	86,633
2029	70,831	15,904	86,735
2030	74,335	12,448	86,783
Thereafter	203,660	14,862	218,522
Total	$ 541,860	$ 110,061	$ 651,921

Note 5 – Long-Term Debt and Liabilities, Continued

Warrants

In fiscal year 2019, the Board issued Special Tax School Warrants, Series 2019, dated January 31, 2019 ("the Warrants") aggregating $14,260,000 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.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ 1,615,000	$ 397,100	$ 2,012,100
2027	1,685,000	331,100	2,016,100
2028	1,750,000	262,400	2,012,400
2029	1,825,000	190,900	2,015,900
2030	1,895,000	116,500	2,011,500
Thereafter	1,965,000	29,475	1,994,475
Total	$ 10,735,000	$ 1,327,475	$ 12,062,475

Note 5 – Long-Term Debt and Liabilities, Continued

In fiscal year 2022, the Board issued Special Tax School Warrants, Series 2022, dated January 20, 2022 ("the Warrants") aggregating $8,095,000.00 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 18, 2022. 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, most specifically the Dothan High Athletic Complex. The interest rate is 2%. Interest payments are due semiannually on January 1 and July 1. Principal payments are due on maturity on January 1 starting in 2032.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ -	$ 161,900	$ 161,900
2027	-	161,900	161,900
2028	-	161,900	161,900
2029	-	161,900	161,900
2030	-	161,900	161,900
Thereafter	8,095,000	489,750	8,584,750
Total	$ 8,095,000	$ 1,299,250	$ 9,394,250

Note 5 – Long-Term Debt and Liabilities, Continued

In fiscal year 2024, the Board issued Special Tax School Warrants, Series 2024, dated February 6, 2024 ("the Warrants") aggregating $3,795,000.00 in principal amounts, which were authorized to be issued and were sold by the Board by a resolution adopted by the Board at a special meeting thereof held on January 30, 2024. 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 for the purpose of financing the costs of 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, most specifically classroom additions. The interest rate is 5% and 4% based on 2036 and 2037 maturity, respectively. Interest payments are due semiannually on January 1 and July 1. Principal payments are due on maturity on January 1 starting in 2036.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2026	$ -	$ 189,750	$ 189,750
2027	-	189,750	189,750
2028	-	189,750	189,750
2029	-	189,750	189,750
2030	-	189,750	189,750
Thereafter	3,795,000	1,133,125	4,928,125
Total	$ 3,795,000	$ 2,081,875	$ 5,876,875

Note 5 – Long-Term Debt and Liabilities, Continued

Unamortized Warrant/Bond Premium

The Board reports a warrant/bond premium on debt in connection with the issuance of its Special Tax School Warrants, Series 2024. The premium is being amortized using the straight-line method over the term of the related debt. The total bond premium was $322,980 with current year amortization of $24,845. The balance on the unamortized warrant/bond premium at September 30, 2024 was $285,713. The amortization for the bond premium is as follows:

Debt service requirements are as follows:

Years Ending September 30,	Bond Premium Amortization
2026	$ 24,845
2027	24,845
2028	24,845
2029	24,845
2030	24,845
Thereafter	161,488
Total	$ 285,713

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 $195,259 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
2026	$ 3,752,000	$ 17,494	$ 3,769,494
Total	$ 4,076,365	$ 42,000	$ 4,118,365

Note 5 – Long-Term Debt and Liabilities, Continued

The following is a summary of long-term debt transactions for the Board for the year ended September 30, 2025:

	Balance 09/30/24	Additions	Retirements	Balance 09/30/25	Due within one year
Notes from Direct Borrowing	$ 12,401,540	$ -	$ 1,555,000	$ 10,846,540	$ 1,280,286
Warrants and Bonds	24,180,000	-	1,239,862	22,940,138	1,615,000
QSCB Bonds	3,752,000	-	-	3,752,000	3,752,000
Total Notes, Warrants, & Bonds	40,333,540	-	2,794,862	37,538,678	6,647,286
Add: Unamortized Bond Premium	310,558	-	24,845	285,713	24,845
Total Long-Term Debt	$ 40,644,098	$ -	$ 2,819,707	$ 37,824,391	$ 6,672,131

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

Years Ending September 30,	Principal	Interest	Total
2026	$ 6,647,286	$ 1,031,038	$ 7,678,324
2027	2,946,491	913,779	3,860,270
2028	2,844,351	814,096	3,658,447
2029	2,866,583	713,593	3,580,176
2030	2,683,800	603,624	3,287,424
2031-2035	13,569,858	1,939,815	15,509,673
2036-2040	5,980,311	277,390	6,257,701
Total	$ 37,538,680	$ 6,293,335	$ 43,832,015

During the year, total interest incurred was $ 1,172,539, all of which was charged to operations.

Note 5 – Long-Term Debt and Liabilities, Continued

The following is a summary of other long term liabilities for the Board for the year ended September 30, 2025:

	Balance 09/30/24	Increases	Decreases	Balance 09/30/25	Due Within On Year
Net OPEB Liability	$ 14,902,366	$ 54,457,003	$ -	$ 69,359,369	$ -
Net Pension Liability	107,492,000	-	20,795,000	86,697,000	-
Accrued Vacation	647,597	-	38,942	608,655	-
Total Other Long-Term Liabilities	$ 123,041,963	$ 54,457,003	$ 20,833,942	$ 156,665,024	$ -

Note 6 – Employee Retirement Plan

General Information about the Pension Plan

Plan Description

The 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.

Note 6 – Employee Retirement Plan, Continued

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 formula method. 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 up to 80% of their average final compensation.

Act 2022 of the Legislature of 2022 for TRSA provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

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.

Note 6 – Employee Retirement Plan, Continued

Contributions

Covered Tier 1 members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% 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.

Effective October 1, 2021, the covered Tier 2 members contribution rate increased from 6.0% to 6.2% of earnable compensation to the TRS as required by statute. Effective October 1, 2021, the covered Tier 2 certified law enforcement, correctional officers, and firefighters contribution rate increased from 7.0% to 7.2% of earnable compensation to the TRS as required by statute. These Tier 2 member contribution rate increases were a result of Act 537 of the Legislature of 2021 which allows sick leave conversion for Tier 2 members.

Participating employers' contractually required contribution rate for the year ended September 30, 2025, was 16.26% of annual pay for Tier 1 members and 16.02% 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 $7,796,072 for the year ended September 30, 2025.

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

As of September 30, 2025, the Board reported a liability of $86,697,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2024, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of September 30, 2023. 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. As of September 30, 2024, the Board's proportion was 0.666480%, which was a decrease of 0.007118% from its proportion measured as of September 30, 2023.

Note 6 – Employee Retirement Plan, Continued

For the year ended September 30, 2025, the Board recognized pension expense of $7,853,163. At September 30, 2025 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	$ 8,621,000	$ 625,000
Changes of assumptions	1,330,000	-
Net difference between projected and actual earnings on pension plan investments	-	14,218,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	103,000	1,877,000
Employer contributions subsequent to the measurement date	7,796,072	-
Total	$ 17,850,072	$ 16,720,000

$7,796,072 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, 2026. 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 ended September 30,	
2026	$ 140,878.00
2027	(631,152)
2028	843,231
2029	777,115
2030	-
Thereafter	-

Actuarial Assumptions

The total pension liability as of September 30, 2024 was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25%-5.00%
Investment rate of return *	7.45%

* Net of pension plan investment expense

Note 6 – Employee Retirement Plan, Continued

The actuarial assumptions used in the actuarial valuation as of September 30, 2023, 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, 2020. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 -67 Female: 112% ages < 69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

Note 6 – Employee Retirement Plan, Continued

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

	Target Allocation	Long-Term Expected Rate of Return *
Fixed income	15.00%	2.80%
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%	9.00%
Real estate	10.00%	6.50%
Cash equivalents	5.00%	1.50%
	100.00%	

* includes assumed rate of inflation of 2.00%.

Discount Rate

The discount rate used to measure the total pension liability was 7.45%. 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.

Note 6 – Employee Retirement 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 7.45%, 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 one percentage point lower (6.45%) or one percentage point higher (8.45%) than the current rate:

	1% Decrease (6.45%)	Rate (7.45%)	1% Increase (8.45%)
Board's proportionate share of the collective net pension liability	$ 120,545,000	$ 86,697,000	$ 58,206,000

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2024. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2024. 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. 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; errors and omissions; injuries to employees; and natural disasters. All properties and contents of Dothan City Schools are insured through the State Insurance Fund administered by the State of Alabama Department of Finance, Division of Risk Management, which provides property insurance coverage for the Board's facilities and contents. In addition, the Board provides general liability and errors and omissions coverage, as well as automobile coverage for its buses and other vehicles. Liability and property insurance coverage is also maintained by the Board for certain federally owned property utilized in the JROTC program.

Note 7 – Risk Management, Continued

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 PEEHIP for each employee of state educational 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 – Commitments and Contingencies

At September 30, 2025, management, based on representation from legal counsel, is not aware of any pending or threatened litigation that would require disclosure or accrual in the accompanying financial statements.

The Board had been a defendant in various lawsuits through June 20, 2025. Those lawsuits had been settled as of June 20, 2025, per the Board attorney. The outcome of those lawsuits will not have a materially adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

Note 9 – Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2025 were as follows:

	Transfers Out				
	General Fund	Food Service Fund	Local School - Public Fund	Other Governmental Funds	Total Transfers In
Transfers In:					
General Fund	$ -	$ -	$ 356,275	$ -	$ 356,275
Food Service Fund	1,076	-	-	-	1,076
Debt Service Fund	195,259	-	-	-	195,259
Local School-Public Fund	80,161	-	-	-	80,161
Other Governmental Funds	74,200	-	67,841	340,735	482,776
Total Transfers Out	$ 350,696	$ -	$ 424,116	$ 340,735	$ 1,115,547

The Board typically used transfers to fund ongoing operations.

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, 2025, the Board utilized such land and buildings with aggregate costs of $1,091,159 and $42,363,359, 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 $309,019 at September 30, 2025. Commodities consumed were approximately $308,373.

Note 12 – Other Post-Employment Benefits (OPEB)

General Information about the OPEB Plan

Plan Description

The Alabama Retired Education Employees' Health Care Trust (Self - 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 the Public Education Employees' Health Insurance Plan (PEEHIP). Active and retiree health insurance benefits are paid through 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 Annual Comprehensive 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 active and retired employees of state and local educational institutions which provide instruction at 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 Alabama Retired Education Employees' Health Care Trust 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.

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.

Note 12 – Other Post-Employment Benefits (OPEB), Continued

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 aesthetics, 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 retired members and covered dependents are eligible to enroll in the PEEHIP Supplemental Medical Plan. There is no premium required for this plan, and the plan covers most out-of-pocket expenses not covered by the primary plan. Members who are enrolled in the PEEHIP Hospital Medical Plan, VIVA Health Plan (offered through the Public Education Employees' Health Insurance Fund (PEEHIF), Marketplace (Exchange) Plans, Alabama State Employees Insurance Board, Local Government Health Insurance Board, Medicaid, ALL Kids, Tricare, or Champus, as their primary coverage, or are enrolled in a Health Savings Account (HSA) or Health Reimbursement Arrangement (HRA), are not eligible to enroll in the PEEHIP Supplemental Plan. The plan cannot be used as a supplement to Medicare. Retired members who become eligible for Medicare are eligible to enroll in the PEEHIP Group Medicare Advantage (PPO) Plan or the Optional Coverage Plans.

Effective January 1, 2023, United Health Care (UHC) Group replaced the Humana contract for Medicare eligible retirees and Medicare eligible dependents of retirees. The Medicare Advantage Prescription Drug Plan (MAPDP) is fully insured by UHC, and members are able to have all of their Medicare Part A, Part B, and Part D (prescription drug coverage) in one convenient plan. With the UHC plan for PEEHIP, retirees can continue to see their same providers with no interruption and see any doctor who accepts Medicare on a national basis. Retirees 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.

Note 12 – Other Post-Employment 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 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% percent 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, 2025, the Board reported a liability of $69,359,369 for its proportionate share of the Net OPEB liability. The Net OPEB liability was measured as of September 30, 2023 and the total OPEB liability used to calculate the Net OPEB liability was determined by an actuarial valuation as of September 30, 2023. The Board's proportion of the Net OPEB liability was based on Board's share of contributions to the OPEB plan relative to the total employer contributions of all participating PEEHIP employers. At September 30, 2024, the Board's proportion was 0.75444125%, which was an decrease of 0.02085533% from its proportion measured as of September 30, 2023.

Note 12 – Other Post-Employment Benefits (OPEB), Continued

For the year ended September 30, 2025, the Board recognized OPEB expense of $11,057,901, with no special funding situations. At September 30, 2025, 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	$ 32,346,374	$ 14,969,658
Changes of assumptions	23,886,862	9,813,229
Net difference between projected and actual earnings on pension plan investments	-	1,711,211
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,335,841	7,863,963
Employer contributions subsequent to the measurement date	3,071,598	-
Total	$ 62,640,675	$ 34,358,061

$3,071,598 reported as deferred outflows of resources related to OPEB resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the Net OPEB liability in the year ended September 30, 2026.

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 ended September 30,	
2026	$ 3,331,775
2027	3,947,844
2028	2,803,322
2029	5,381,407
2030	9,658,132
Thereafter	3,160,134

Note 12 – Other Post-Employment Benefits (OPEB), Continued

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	5.00 - 3.25%, including 2.75% wage inflation
Long-Term Investment Rate of Return	7.00% compounded annually, net of investment expense, and including inflation
Municipal Bond Index Rate at the Measurement Date	3.89%
Municipal Bond Index Rate at the Prior Measurement Date	4.53%
Year Fiduciary Net Position (FNP) is Projected to be Depleted	2040
Single Equivalent Interest Rate at the Measurement Date	4.32%
Single Equivalent Interest Rate at the Prior Measurement Date	7.00%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.75%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50% in 2033 FYE
Medicare Eligible	4.50% in 2033 FYE

** Initial Medicare claims are set based on renewal premium rates through calendar year 2025 with an assumed 0% increase for the upcoming 2026-2028 negotiation period.

Note 12 – Other Post-Employment Benefits (OPEB), Continued

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality rates are adjusted forward and/or back depending on the plan and group covered, as shown in the table below.

Group	Membership Table	Set Forward (+)/	Adjustment to Rates
Active Members	Teacher Employee Below Median	None	65%
Service Retirees	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 -67 Female: 112% ages < 69, 98% > age 74; Phasing down 69-74
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None
Beneficiaries	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None

The decremental assumptions used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, submitted to and adopted by the Teachers' Retirement System of Alabama Board on September 13, 2021.

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, 2023 valuation.

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 Alabama Teachers' Retirement System. 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.

Note 12 – Other Post-Employment Benefits (OPEB), Continued

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

	Target Allocation	Expected Rate of Return *
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%
	100.00%	

* Geometric mean, includes 2.5% inflation

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 was 4.32%. 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. Currently, the monthly employer rate is $800 per non-university active member. Approximately, 9.751% of the employer contributions were used to assist in funding retiree benefit payments in 2024 and it is assumed that the 9.751% will increase or decrease at the same rate as expected benefit payments for the closed group with a cap of 20.00%. It is assumed the $800 rate will remain flat until, based on budget projections, it increases to $904 in fiscal year 2026, $1,114 in fiscal year 2027, and then will increase with inflation at 2.50% starting in 2028. Retiree benefit payments for university members are paid by the Universities and are not included in the cash flow projections. 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 are projected through 2122.

Note 12 – Other Post-Employment Benefits (OPEB), Continued

Sensitivity of the Board's proportionate share of the Net OPEB Liability to Changes in the healthcare cost trend rates

The following table presents the Board'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 3.50% for pre-Medicare, Known decreasing to 3.50% for Medicare Eligible	Current Healthcare Trend Rate (6.75% decreasing to 4.50% for pre-Medicare, Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.75% decreasing to 5.50% for pre-Medicare, Known decreasing to 5.50% for Medicare Eligible)
Board's proportionate share of the collective net OPEB liability	$ 55,793,747	$ 69,359,369	$ 86,852,255

The following table presents the Board's proportionate share of the Net OPEB liability of the Trust calculated using the discount rate of 4.32%, as well as what the Net OPEB liability would be if calculated using one percentage point lower and one percentage point higher than the current rate:

	1% Decrease (3.32%)	Current Discount Rate (4.32%)	1% Increase (5.32%)
Board's proportionate share of the collective net OPEB liability	$ 84,255,624	$ 69,359,369	$ 57,455,631

OPEB plan Fiduciary Net Position

Detailed information about the OPEB plan's Fiduciary Net Position is in the Trust's financial statements for the fiscal year ended September 30, 2025. The supporting actuarial information is included in the GASB Statement No. 74 Report for PEEHIP prepared as of September 30, 2024. Additional financial and actuarial information is available at www.rsa-al.gov.

Note 14 - Restatement of Beginning Balances

During the year ended September 30, 2025, the Board identified errors in prior period financial statements related to capital asset depreciation and the presentation of cash with fiscal agent and related debt balances. Depreciation was not consistently recorded on capital asset additions, and trustee-held funds were not properly reported as restricted assets.

As a result of these corrections, beginning net position and fund balance as of October 1, 2024 have been restated. The following table summarizes the effect of these corrections on beginning balances:

	Capital Projects Fund	Net Position	Total Governmental
Beginning Fund Balance, as previously reported	$ 4,268,294	$ (32,540,062)	$ 38,640,684
Adjustments/ Restatements:	1,888,870	(6,073,117)	1,888,870
Beginning Fund Balance, as restated	$ 6,157,164	$ (38,613,179)	$ 40,529,554

Note 15 – Subsequent Events

The date through which subsequent events have been evaluated is June 15, 2026. The financial statements were available to be issued at that time.

DOTHAN CITY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local revenues	$ 22,438,286	$ 22,438,286	$ 24,083,601	$ 1,645,315
State revenues	68,251,472	78,874,368	70,747,978	(8,126,390)
Federal revenues	-	-	118,325	118,325
Other revenues	-	-	216,729	216,729
Total Revenues	90,689,758	101,312,654	95,166,633	(6,146,021)
EXPENDITURES				
Instructional services	45,313,562	46,229,571	46,717,767	488,196
Instructional support services	18,835,091	19,350,195	17,979,200	(1,370,995)
Operations and maintenance	12,859,532	19,650,048	7,236,707	(12,413,341)
Auxiliary services	4,838,886	4,931,033	4,695,143	(235,890)
General, administrative, and central support	4,696,098	6,052,320	4,814,650	(1,237,670)
Capital outlay	399,056	399,056	8,886,650	8,487,594
Debt service	572,776	572,776	837,329	264,553
Other expenditures	3,234,801	3,587,195	3,733,442	146,247
Total Expenditures	90,749,802	100,772,194	94,900,888	(5,871,306)
Excess (Deficiency) of Revenues over Expenditures	(60,044)	540,460	265,745	(274,715)

SEE INDEPENDENT AUDITOR'S REPORT.

DOTHAN CITY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

OTHER FINANCING SOURCES (USES)				
Other fund sources	955,090	1,009,220	2,370,120	1,360,900
Other fund uses	(2,119,400)	(2,122,700)	(350,696)	1,772,004
Total Other Financing Sources (Uses)	(1,164,310)	(1,113,480)	2,019,424	3,132,904
Net Change in Fund Balances	(1,224,354)	(573,020)	2,285,169	2,858,189
Fund Balances - Beginning of Year	18,794,042	27,808,461	27,595,895	(212,566)
Fund Balances - End of Year	$ 17,569,688	$ 27,235,441	$ 29,881,064	$ 2,645,623

SEE INDEPENDENT AUDITOR'S REPORT.

DOTHAN CITY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual	Positive (Negative)
REVENUES				
Local revenues	$ 55,100	$ 156,650	$ 383,403	$ 226,753
State revenues	9,936	9,936	17,646	7,710
Federal revenues	5,929,100	5,951,740	7,048,972	1,097,232
Other revenues	2,283,250	2,178,700	59,391	(2,119,309)
Total Revenues	8,277,386	8,297,026	7,509,412	(787,614)
EXPENDITURES				
Instructional services	-	-	-	-
Instructional support services	-	-	-	-
Operations and maintenance	-	-	-	-
Auxiliary services	8,277,386	7,488,862	8,209,580	720,718
General, administrative, and central support	-	-	-	-
Capital outlay	-	-	172,933	172,933
Debt service	-	-	-	
Other expenditures	-	-	189,930	189,930
Total Expenditures	8,277,386	7,488,862	8,572,443	1,083,581

SEE INDEPENDENT AUDITOR'S REPORT.

DOTHAN CITY BOARD OF EDUCATION
BUDGETARY COMPARISON SCHEDULE - FOOD SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Excess (Deficiency) of Revenues over Expenditures	(0)	808,164	(1,063,031)	(1,871,195)
OTHER FINANCING SOURCES (USES)				
Other fund sources	-	-	1,076	1,076
Other fund uses	-	-	-	-
Total Other Financing Sources (Uses)	-	-	1,076	1,076
Net Change in Fund Balances	(0)	808,164	(1,061,955)	(1,870,119)
Fund Balances - Beginning of Year	663,296	836,448	1,209,482	373,034
Fund Balances - End of Year	$ 663,296	$ 1,644,612	$ 147,527	$ (1,497,085)

SEE INDEPENDENT AUDITOR'S REPORT.

SUPPLEMENTARY INFORMATION

McDANIEL

PO Box 6356
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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*

Independent Auditor's Report

Members of the Board
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 (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Dothan City Board of Education as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise Dothan City Board of Education's basic financial statements, and have issued our report thereon dated June 15, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Dothan City Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 Dothan City Board of Education'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 or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Dothan City Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Dothan City Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McDaniel & Associates, P.C.
Dothan, Alabama

June 15, 2026

McDANIEL
PO Box 6356
Dothan, Alabama 36302

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

Members of the Board
Dothan City Board of Education
Dothan, Alabama

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Dothan City Board of Education's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Dothan City Board of Education's major federal programs for the year ended September 30, 2025. 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.

In our opinion, Dothan City Board of Education complied, in all material respects, with the 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, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Dothan City Board of Education and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Dothan City Board of Education's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Dothan City Board of Education's federal programs.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Dothan City Board of Education's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* , and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Dothan City Board of Education's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* , and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Dothan City Board of Education's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Dothan City Board of Education's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Dothan City Board of Education's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

McDaniel & Associates, P.C.
Dothan, Alabama

June 15, 2026

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Federal Expenditures
United States Department of Agriculture			
Passed through Alabama State Department of Education			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	1,738,500
National School Lunch Program	10.555	N/A	3,888,936
Summer Food Program for Children	10.559	N/A	126,837
Fresh Fruit and Vegetable Program	10.582	N/A	37,050
Subtotal for Child Nutrition Cluster			5,791,323
State Administrative Expenses for Child Nutrition	10.560	N/A	18,996
Commodity Supplemental Food Program	10.565	N/A	309,019
Commodity Supplemental Food Program	10.558	N/A	64,340
Subtotal passed through Alabama State Department of Education			6,183,678
Total United States Department of Agriculture			6,183,678
Department of Health and Human Services			
Direct Program			
Head Start	93.600		2,916,126
Total Department of Health and Human Services			2,916,126

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY SCHEDULE

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Federal Grantor/Pass-Through Grantor/Program Title	**Assistance Listing Number**	**Pass-Through Grantor's Number**	**Federal Expenditures**
United States Department of Education			
Passed through Alabama State Department of Education			
Special Education Cluster:			
Special Education Grants to States	84.027	N/A	2,291,664
Special Education Preschool Grants	84.173	N/A	128,021
Subtotal for Special Education Cluster			2,419,685
Title I Grants to Local Education Agencies	84.010	N/A	6,502,338
Career and Technical Education	84.048	N/A	239,698
English Language Acquisition Grants	84.365	N/A	49,099
Improving Teacher Quality State Grants	84.367	N/A	562,406
Student Support and Academic Achievement	84.424	N/A	340,736
Education Stabilization Fund	84.425U	N/A	119,140
Subtotal passed through Alabama State Department of Education			10,233,102
Total United States Department of Education			10,233,102
Total Expenditures of Federal Awards			$ 19,332,906

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY SCHEDULE

DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2025

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, 2025. 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 - Fiscal Period Audited

Single audit testing procedures were performed for program transactions occurring during the fiscal year ended September 30, 2025. Grant and appropriation terms are indicated in the Schedule of Expenditures of Federal Awards.

Note 3 - 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.

Note 4 - Indirect Cost Rate

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.

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

SECTION I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting: Material weaknesses identified?	☐ Yes ☒ No
Significant deficiencies identified not considered to be material weaknesses?	☐ Yes ☒ No
Noncompliance material to financial statements noted?	☐ Yes ☒ No

Federal Awards

Internal control over major programs: Material weaknesses identified?	☐ Yes ☒ No
Significant deficiencies identified not considered to be material weaknesses?	☐ Yes ☒ No
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	☐ Yes ☒ No

Identification of major program:

Assistance Listing Number	Name of Federal Program or Cluster
10.553, 10.555, 10.559, 10.582	Child Nutrition Cluster
93.6	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$1,000,000
Auditee qualified as low-risk auditee?	☒ Yes ☐ No

SECTION II - Financial Statement Findings

None

SECTION III - Federal Awards Findings and Questioned Cost

None

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF SYSTEM CONTRIBUTIONS - PENSION
TEACHER' RETIREMENT PLAN OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially-determined contributions	$ 5,420,811	$ 5,564,274	$ 5,672,062	$ 5,897,095	$ 6,015,956	$ 5,975,737	$ 6,409,494	$ 6,793,607	$ 7,107,744	$ 7,796,072
Contributions in relation to the actuarially-determined contributions	(5,420,811)	(5,564,274)	(5,672,062)	(5,897,095)	(6,015,956)	(5,975,737)	(6,409,494)	(6,793,607)	(7,107,744)	(7,796,072)
Contribution deficiency or excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$45,966,039	$47,119,688	$47,317,071	$48,517,417	$49,748,913	$50,915,938	$55,004,949	$56,988,067	$58,827,287	$61,133,697
Contributions as a percentage of covered employee payroll	11.79%	11.81%	11.99%	12.15%	12.09%	11.74%	11.65%	11.92%	12.08%	12.75%

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS' RETIREMENT PLAN OF ALABAMA
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Year Ended September 30,	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
System's Proportion of the Net Pension Liability	0.725674%	0.721045%	0.710618%	0.707753%	0.679310%	0.697676%	0.684202%	0.686549%	0.673598%	0.161274%
System's Proportionate Share of the Net Pension Liability	$75,947,000	$78,060,000	$ 69,843,000	$70,369,000	$74,958,000	$86,300,000	$64,454,000	$106,695,000	$107,492,000	$86,697,000
System's Covered-Employee Payroll	$46,016,183	$45,966,039	$ 47,119,688	$47,317,071	$48,517,417	$49,748,913	$50,915,938	$ 55,004,949	$ 56,988,067	$61,133,697
System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	165.04%	169.82%	148.22%	148.72%	154.50%	173.47%	126.59%	193.97%	188.62%	141.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.01%	67.51%	67.93%	71.50%	72.29%	69.85%	76.44%	62.21%	63.57%	71.41%

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT.

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF SYSTEM'S CONTRIBUTIONS - OPEB
ALABAMA RETIRED EDUCATION EMPLOYEES' HEALTHCARE TRUST
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Year Ended September 30,	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially-determined contributions	$ 2,816,591	$ 3,283,555	$ 1,839,677	$ 1,842,798	$ 1,886,416	$ 1,473,949	$ 1,307,352	$ 3,071,598
Contributions in relation to the actuarially-determined contributions	(2,816,591)	(3,283,555)	(1,839,677)	(1,842,798)	(1,886,416)	(1,473,949)	(1,307,352)	(3,071,598)
Contribution deficiency or excess	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 47,317,071	$ 48,517,417	$ 49,748,913	$ 50,915,938	$ 55,004,949	$56,988,067	$58,827,287	$61,133,697
Contributions as a percentage of covered employee payroll	5.95%	6.77%	3.70%	3.62%	3.43%	2.59%	2.22%	5.02%

DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF THE SYSTEM'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
ALABAMA RETIRED EDUCATION EMPLOYEE'S HEALTH CARE TRUST
FOR THE YEAR ENDED SEPTEMBER 30,

Year Ended September 30,	2017	2018	2019	2020	2021	2022	2023	2024
System's Proportion of the Net OPEB Liability	0.895091%	0.911388%	0.931029%	0.813932%	0.790860%	0.873188%	0.775297%	0.754441%
System's Proportionate Share of the Net OPEB Liability	$66,482,247	$74,904,486	$35,125,563	$52,823,054	$40,862,260	$ 15,214,846	$14,902,366	$69,359,369
System's Covered-Employee Payroll	$47,119,688	$47,317,071	$48,517,417	$49,748,913	$50,915,938	$ 55,004,949	$56,988,067	$61,133,697
System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered-Employee Payroll	141.09%	158.30%	72.40%	106.18%	80.25%	27.66%	26.15%	113.46%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	15.37%	14.81%	28.14%	19.80%	27.11%	48.39%	49.42%	20.41%

SEE ACCOMPANYING NOTES AND INDEPENDENT AUDITOR'S REPORT.

DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2025

Changes in Actuarial Assumptions

In FY 2024, assumptions regarding aging factors were adjusted to reflect actual and anticipated experience more closely. Additionally, future healthcare trend rates for the Medicare Advantage Plan were updated.

In FY 2022, rates of plan participation and tobacco usage assumptions were adjusted to reflect actual experience more closely.

In FY 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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

Recent Plan Changes

The September 30, 2022 valuation reflects the impact of Act 2022-222.

Beginning in plan year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 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 Affordable Care Act maximum annual out-of-pocket amounts.

DOTHAN CITY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2025

Method and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Therefore, the actuarially determined employer contribution for fiscal year ending September 30, 2024 is determined based on the actuarial valuation as of September 30, 2021. 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	20 years, closed
Asset Valuation Method	Market Value of Assets
Inflation	2.50%
Healthcare Cost Trend Rate:	
Pre-Medicare Eligible	6.50%
Medicare Eligible	*
Ultimate Trend Rate:	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2031 for Pre-Medicare Eligible 2027 for Medicare Eligible
Optional Plans Trend Rate	2.00%
Investment Rate of Return	5.00%, including inflation

* Initial Medicare claims are set based on scheduled increases through plan year 2025.