

Dothan City Board of Education

**Financial Report
with Supplemental Information
September 30, 2011**

Dothan City Board of Education

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INDEPENDENT AUDITORS' REPORT

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To the Dothan City Board of Education
Dothan, Alabama

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Dothan City Board of Education as of and for the year ended September 30, 2011, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Dothan City Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Dothan City Board of Education as of September 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2012 on our consideration of the Dothan City Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-10 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Dothan City Board of Education's basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 15, 2012

**DOTHAN CITY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
REQUIRED SUPPLEMENTARY INFORMATION (RSI)
SEPTEMBER 30, 2011**

This section of the Dothan City Board of Education's (the Board) annual financial report presents our discussions of the Board's financial performance during the fiscal year ended September 30, 2011. 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, 2011, are as follows:

- Total net assets of \$ 31,143,678.21.
- Positive (Increase) change in Net Assets of Governmental Activities of \$ 4,965,097.06.
- Total fund balances of all governmental funds equaled \$ 15,470,591.07.
- Unreserved general fund balance equaled \$ 5,298,116.42.
- Total general fund net change in fund balance was a positive \$ 4,513,298.89.

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 four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) Federal Awards Section. This report also contains supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the Board:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the Board's overall financial status. The remaining statements are *fund financial statements* that focus on *individual* parts of the district, reporting the Board's operations in *more* detail than the government-wide statements.

- The *governmental funds statements* tell how the *general government* services were financed in the short term as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the Board acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

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

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

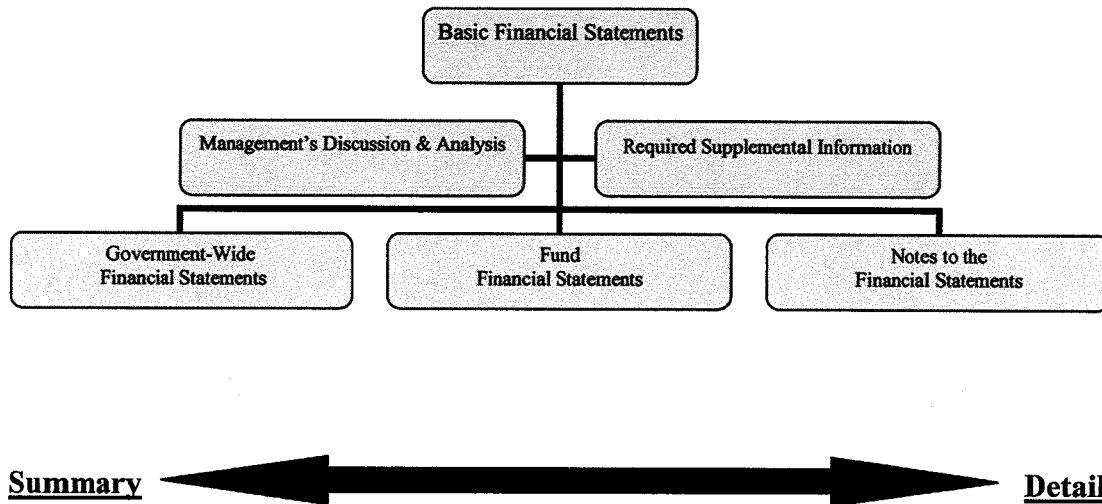


Figure A-2 summarizes the major features of the Board's financial statements, including the portion of the Board that they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of the statements.

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

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

Government-Wide Statements

The government-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets 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 assets and how they have changed. Net assets are the difference between the Board’s assets and liabilities and are one way to measure the Board’s financial health or position.

- Over time, increases or decreases in the Board's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Board, you need to 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 Dothan City Board of Education 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 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 Assets and Liabilities

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Net assets - The Board's combined net assets for the year ended September 30, 2010, totaled \$ 26.178 million and \$ 31.144 million for fiscal year ended September 30, 2011, as shown below in Figure A-3.

Figure A-3
The Board's Net Assets
(in millions of dollars)

	Governmental Activities 2011	Governmental Activities 2010
Current and Other Assets	\$16.479	\$12.730
Capital and Non-Current Assets	27.388	28.606
Total Assets	43.867	41.336
Current Liabilities	2.157	3.441
Long Term Liabilities	10.566	11.717
Total Liabilities	12.723	15.158
Net Assets	31.144	26.178
Investment in Capital Assets		
net of related debt	15.673	15.978
Restricted	11.361	8.952
Unrestricted	4.110	1.248
Total Net Assets	\$31.144	\$26.178

A portion of the net assets is either restricted as to the purposes they can be used for or they are invested in capital assets. Unrestricted net assets totaled \$1.248 million for fiscal years ended September 30, 2010 and \$4.110 million for September 30, 2011. Unrestricted net assets may be used to fund Board programs for the next fiscal year. However, this does not mean that the Board has significant surplus resources available to pay its bills next year. Rather, it means that the Board has been efficient in managing its resources.

Changes in net assets - The Board's total general revenues for fiscal years ended September 30, 2010 were \$66.440 million and \$64.805 million for September 30, 2011. For fiscal years ended September 30, 2010 and September 30, 2011 a significant portion, 61.91% and 65.67%, respectively of the Board's general revenue comes from state aid (See Figure A-4.). Also, 9.91% and 11.09% comes from local aid and 9.48% and 10.11% comes from sales taxes with 12.17% and 13.10% coming from property taxes.

**Figure A-4
Board's Sources of General Revenue
Fiscal Years 2010 & 2011**

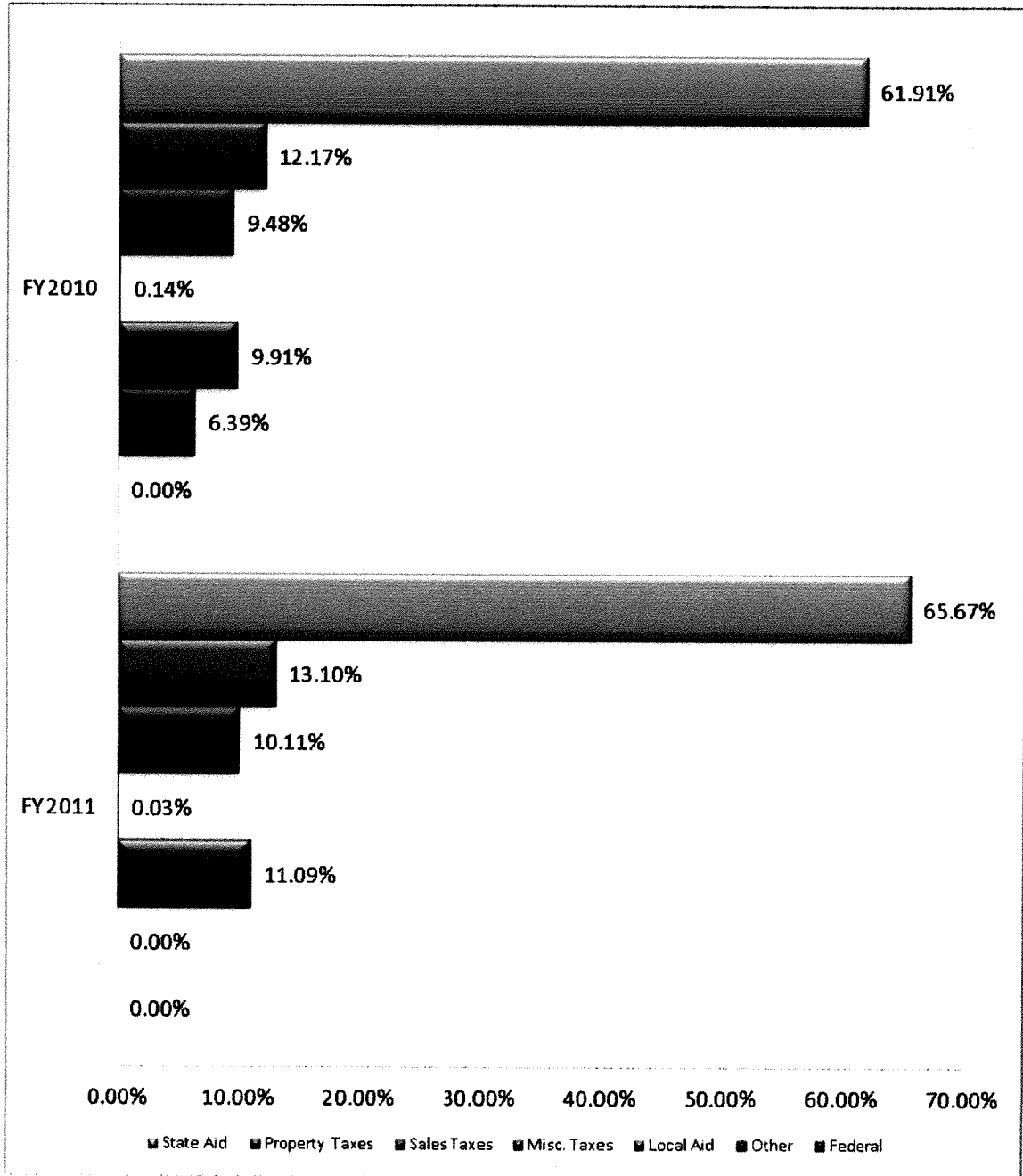


Figure A-5
Statement of Activities
(in millions of dollars)

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities	%
Instructional Services	45.42	0.00	5.47	0.00	(39.95)	66.75%
Instructional Support Services	13.70	0.00	4.46	0.00	(9.24)	15.44%
Operations and Maintenance	7.16	0.00	1.32	0.00	(5.84)	9.76%
Auxiliary Services	9.81	0.96	5.01	0.00	(3.84)	6.42%
General, Administrative, and Central Support	2.80	0.00	0.72	0.00	(2.08)	3.49%
Other Expenditures	3.65	0.00	3.20	2.06	1.61	-2.68%
Interest on Long Term Debt	0.49	0.00	0.00	0.00	(0.49)	0.82%
	<u>83.03</u>	<u>0.96</u>	<u>20.18</u>	<u>2.06</u>	<u>(59.83)</u>	<u>100.00%</u>

General Revenues:

Taxes:

Property Taxes for General Purposes	8.49
Local Sales Tax	6.55
Miscellaneous Taxes	0.01
State Aid not Restricted to Specific Purposes	42.56
Local Aid not Restricted to Specific Purposes	<u>7.18</u>
Total General Revenues	<u>64.79</u>
Change in Net Assets	4.96
Net Assets - Beginning of Year	<u>26.18</u>
Net Assets - End of Year	<u><u>31.14</u></u>

The total cost of all programs and services was \$83.03 million. 71.19% of these costs are for instruction and instructional support services. Figure A-5 presents the cost of each of the Board's functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid).

Governmental Activities

- The Board's tax rate consists of two separate components, a 4.5 mill county-wide millage rate and a 3.5 mill government-wide millage rate. Taxes are calculated by dividing the assessed property value (less exemptions, if applicable) by 100 and multiplying the result by the tax rate. The Houston County Commission is responsible for determining the property value for the county-wide and government-wide millage rates.

General Fund Budgetary Highlights

- Over the course of the year, the Board revised its budget several times. Actual expenditures were \$0.797 million over final budget amounts.
- Revenues available were \$0.561 million over final budget amounts. This is due primarily to an increase in local and other revenues.
- Expenditures and Other Fund Uses were in excess of Revenues and Other Fund Sources by \$1.282 million.

Capital Assets

At September 30, 2011, the Board had invested \$44.549 million in a broad range of capital assets, including land, buildings, equipment and vehicles. (See Figure A-6). This amount represents a net increase (including additions and deductions) of \$.500 million or 1.133% over last year. Most of the increase is due to additions of capital assets.

Figure A-6
Board's Capital Assets
(in millions of dollars)

	Governmental Activities		Total % Change
	2010	2011	
Land	\$0.752	\$0.752	0.000%
Land Improvements	1.025	1.025	0.000%
Buildings	13.084	13.084	0.000%
Building Improvements	19.459	19.842	1.963%
Equipment	2.601	2.718	4.498%
Vehicles	7.128	7.128	0.000%
Total Historic Cost	44.049	44.549	1.133%
Total Accumulated Depreciation	(15.443)	(17.161)	11.125%
Net Capital Assets	\$28.606	\$27.388	(4.261)%

Contacting the Government's Financial Management

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

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

	Primary Government
	Governmental Activities
ASSETS	
Cash and Cash Equivalents	\$ 13,992,358.41
Due from Federal, State, and Local Agencies (Note 3)	2,170,943.09
Inventory, Commodities	42,799.33
Inventory, Purchased	273,111.31
Capital Assets, Net (Note 4)	27,387,693.06
 Total Assets	 43,866,905.20
 LIABILITIES	
Current Payables	236,767.62
Salaries and Benefits Payable	90,585.27
Accrued Vacation	562,479.88
Deferred Revenue (Note 3)	118,788.30
Long Term Liabilities (Note 5):	
Due Within One Year	1,148,601.82
Due in More Than One Year	10,566,004.10
 Total Liabilities	 12,723,226.99
 NET ASSETS	
Investment in Capital Assets, Net of Related Debt	15,673,087.14
Restricted for Federal and State Programs	5,097,111.87
Restricted for Capital Projects	6,263,016.57
Unrestricted Net Assets	4,110,462.63
 Total Net Assets	 \$ 31,143,678.21

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

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
GOVERNMENTAL ACTIVITIES					
Instructional Services	\$ 45,419,955.44	\$ 0.00	\$ 5,474,891.88	\$ 0.00	\$ (39,945,063.56)
Instructional Support Services	13,695,693.69	0.00	4,457,936.56	0.00	(9,237,757.13)
Operations and Maintenance	7,159,605.90	0.00	1,317,034.70	0.00	(5,842,571.20)
Auxiliary Services	9,813,241.04	960,368.94	5,013,882.62	0.00	(3,838,989.48)
General, Administrative, and Central Support	2,806,559.66	0.00	718,760.96	0.00	(2,087,798.70)
Other Expenditures	3,650,701.20	0.00	3,196,741.43	2,056,402.00	1,602,442.23
Interest on Long Term Debt	489,878.91	0.00	0.00	0.00	(489,878.91)
	\$ 83,035,635.84	\$ 960,368.94	\$ 20,179,248.15	\$ 2,056,402.00	(59,839,816.75)
General Revenues:					
Taxes:					
Property Taxes for General Purposes					8,491,284.38
Local Sales Tax					6,548,643.25
Miscellaneous Taxes					18,004.91
State Aid not Restricted to Specific Purposes					42,559,893.35
Local Aid not Restricted to Specific Purposes					7,186,887.92
			Total General Revenues		64,804,713.81
			Change in Net Assets		4,965,097.06
			Net Assets - Beginning of Year		26,178,581.15
			Net Assets - End of Year		\$ 31,143,678.21

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

**DOTHAN CITY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	General Fund	Food Service Fund	Local School-Public	Public School Capital Outlay	Quality School Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Cash Equivalents	\$ 5,409,487.93	\$ 1,352,289.44	\$ 1,173,831.91	\$ 2,730,629.51	\$ 3,120,135.29	\$ 206,014.33	\$ 13,992,358.41
Due from Federal, State, and Local Agencies (Note 3)	556,253.91	687,493.63	52,685.92	1,350.59	0.00	873,159.04	2,170,943.09
Inventory, Commodities	0.00	42,799.33	0.00	0.00	0.00	0.00	42,799.33
Inventory, Purchased	139,009.75	134,101.56	0.00	0.00	0.00	0.00	273,111.31
Total Assets	\$ 6,104,751.59	\$ 2,216,653.96	\$ 1,226,517.83	\$ 2,731,980.10	\$ 3,120,135.29	\$ 1,079,173.37	\$ 16,479,212.14
LIABILITIES AND FUND BALANCES							
Current Payables	\$ 45,074.95	\$ 100,039.25	\$ 54,398.18	\$ 0.00	\$ 0.00	\$ 37,255.24	\$ 236,767.62
Salaries and Benefits Payable	60,070.59	12,666.61	0.00	0.00	0.00	17,848.07	90,585.27
Accrued Vacation	562,478.88	0.00	0.00	0.00	0.00	0.00	562,478.88
Deferred Revenues (Note 3)	0.00	0.00	0.00	0.00	0.00	118,788.30	118,788.30
Total Liabilities	667,625.42	112,705.86	54,398.18	0.00	0.00	173,891.61	1,008,621.07
FUND BALANCES							
Reserved for Inventories	139,009.75	176,900.89	0.00	0.00	0.00	0.00	315,910.64
Reserved for Encumbrances	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Unreserved, General Fund	5,298,116.42	0.00	0.00	0.00	0.00	0.00	5,298,116.42
Unreserved, Special Revenue Funds	0.00	1,927,047.21	1,172,119.65	0.00	0.00	494,380.58	3,593,547.44
Unreserved, Capital Projects Funds	0.00	0.00	0.00	2,731,980.10	3,120,135.29	410,901.18	6,263,016.57
Total Fund Balances	5,437,126.17	2,103,948.10	1,172,119.65	2,731,980.10	3,120,135.29	905,281.76	15,470,591.07
Total Liabilities and Fund Balances	\$ 6,104,751.59	\$ 2,216,653.96	\$ 1,226,517.83	\$ 2,731,980.10	\$ 3,120,135.29	\$ 1,079,173.37	\$ 16,479,212.14

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

**DOTHAN CITY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011**

FUND BALANCE - GOVERNMENTAL FUNDS \$ 15,470,591.07

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

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

Cost of Capital Assets	44,549,158.65	
Accumulated Depreciation	<u>(17,161,465.59)</u>	27,387,693.06

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

Bond Liabilities	(8,377,000.00)	
Capital Lease - Buses	<u>(3,337,605.92)</u>	<u>(11,714,605.92)</u>

NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 31,143,678.21

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

DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Food Service Fund	Local School-Public	Public School Capital Outlay	Quality School Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Local Revenues	\$ 18,641,179.68	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 2,220,892.47	\$ 20,862,072.15
State Revenues	42,437,079.32	0.00	0.00	2,056,402.00	0.00	351,019.00	44,844,500.32
Federal Revenues	143,669.20	5,680,266.06	0.00	0.00	0.00	12,661,218.97	18,485,194.23
Local School Revenues	0.00	0.00	2,351,496.91	0.00	0.00	0.00	2,351,496.91
Other Revenues	186,466.02	0.00	0.00	0.00	0.00	209,727.98	396,194.00
Total Revenues	61,408,394.22	5,680,266.06	2,351,496.91	2,056,402.00	0.00	15,442,858.42	86,939,417.61
EXPENDITURES							
Instructional Services	38,709,350.59	0.00	1,079,818.91	0.00	0.00	5,517,040.49	45,306,209.99
Instructional Support Services	8,464,711.32	0.00	517,953.98	0.00	0.00	4,709,876.63	13,692,541.93
Operations and Maintenance	4,232,522.56	0.00	60,404.49	0.00	0.00	1,997,956.11	6,290,883.16
Auxiliary Services	3,003,088.11	5,747,443.16	92,385.61	0.00	0.00	268,724.02	9,111,640.90
General, Administrative, and Central Support	1,923,738.03	0.00	0.00	0.00	0.00	866,056.37	2,789,794.40
Capital Outlay	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt Services	0.00	0.00	0.00	0.00	0.00	1,403,436.12	1,403,436.12
Other Expenditures	446,794.92	53,914.44	679,434.97	0.00	0.00	2,432,202.66	3,612,346.99
Total Expenditures	56,780,205.53	5,801,357.60	2,429,997.96	0.00	0.00	17,195,292.40	82,206,853.49
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,628,188.69	(121,091.54)	(78,501.05)	2,056,402.00	0.00	(1,752,433.98)	4,732,564.12
OTHER FINANCING SOURCES (USES)							
Indirect Cost Revenue	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Fund Sources	537,734.54	0.00	0.00	0.00	0.00	0.00	537,734.54
Other Fund Uses	0.00	0.00	0.00	0.00	(358,031.89)	358,031.89	0.00
Transfers In	218,563.89	0.00	0.00	0.00	0.00	1,066,676.23	1,305,260.12
Transfers Out	(871,208.23)	0.00	0.00	0.00	0.00	(434,051.89)	(1,305,260.12)
Total Other Financing Sources (Uses)	(114,889.80)	0.00	0.00	0.00	(358,031.89)	1,010,656.33	537,734.54
Net Change in Fund Balances	4,513,298.89	(121,091.54)	(78,501.05)	2,056,402.00	(358,031.89)	(741,777.65)	5,270,298.66
Fund Balance - Beginning	923,827.28	2,225,039.64	1,250,620.70	675,578.10	3,478,167.28	1,647,059.41	10,200,292.41
Fund Balance - Ending	\$ 5,437,126.17	\$ 2,103,948.10	\$ 1,172,119.65	\$ 2,731,980.10	\$ 3,120,135.29	\$ 905,281.76	\$ 15,470,591.07

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

**DOTHAN CITY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
SEPTEMBER 30, 2011**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 5,270,298.66

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

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

Depreciation Expense	(1,742,339.56)
Capitalized Capital Outlay and Other Adjustments, Net	<u>523,580.75</u>
	(1,218,758.81)

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.

913,557.21

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,965,097.06

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

**DOTHAN CITY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
SEPTEMBER 30, 2011**

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 534,869.80
Due from Federal, State, and Local Agencies	<u>10.00</u>
Total Assets	534,879.80
LIABILITIES	
Current Payables	490,639.20
Due to Local Schools	<u>0.00</u>
Total Liabilities	<u>490,639.20</u>
NET ASSETS	<u><u>\$ 44,240.60</u></u>

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Dothan City Board of Education (the Board) have been prepared in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in the Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants.

In 2003, The Board implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34). GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, government-wide financial statements, required supplementary information, and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

Reporting Entity

The Dothan City Board of Education 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 Dothan City Board of Education.

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

Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the Dothan City Board of Education’s nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues. All of the Board’s government-wide activities are considered governmental activities.

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

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 – The general 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. Local School Public – This special revenues fund is used to account for local schools’ financial resources managed by each school’s principal.
4. Public School Capital Outlay – This capital projects fund is used to account for various capital outlay projects by the Board.
5. Quality School Construction Fund – This capital projects fund is used to account for the financial resources related to the participation in the State of Alabama – Quality School Construction bond issue in the amount of \$3,752,000.00.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Additionally, the Board reports the following fund types:

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

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

Other Accounting Policies

Cash and Cash Equivalents

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

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

Interfund Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” The Board had no interfund receivables or payables at year end.

Inventories

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

Capital Assets

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

Compensated Absences

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

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

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

Long-Term Debt

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

In the fund financial statements, governmental fund types recognize any bond premiums and discounts, as well as any bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Budgets

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

Net Assets and Fund Balance

Government-wide Financial Statements

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

Investments in Capital Assets, Net of Related Debt – The component of net assets 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 for Federal and State Programs – The component of net assets that reports the amount of revenue from a federal or state program in excess of expenditures. These funds are restricted for use of the related federal or state program.

Restricted for Capital Projects – The component of net assets that reports funds restricted for the acquisition, construction, or improvement of capital assets.

Unrestricted – The difference between the assets and liabilities that is not reported in Net Assets Invested in Capital Assets, Net of Related Debt, Net Assets Restricted for Federal and State Programs, or Net Assets Restricted for Capital Projects.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either a reserved fund balance or an unreserved fund balance.

Reserved Fund Balance – That portion of fund balance which is not available for appropriation or which has been legally segregated for a specific purpose.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Unreserved Fund Balance – Represents the portion of fund balance that is available for budgeting in future periods.

Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. They are reported as a reservation of fund balances in the governmental fund financial statements. There were no encumbrances outstanding at September 30, 2011.

NOTE 2 – CASH AND INVESTMENTS

At September 30, 2011, the carrying amount of the Board’s cash deposits was \$13,992,358.41. The Board’s cash deposits at September 30, 2011 and during the entire year ended September 30, 2011 were entirely covered by FDIC insurance or by the SAFE Division – Alabama Treasurer account “SAFE Program.”

The Board had no investments at September 30, 2011.

NOTE 3 – RECEIVABLES

Receivables as of September 30, 2011 for the Board’s individual major funds, the nonmajor funds, and fiduciary fund in the aggregate are as follows:

	General Fund	Food Service Fund	Local School Public	Public School Capital Outlay	Non-major and Other Funds	Total
State Programs	\$ 47,836.67	\$ -	\$ -	\$ -	\$ 185,693.59	\$ 233,530.26
Federal Programs	-	687,493.63	-	1,350.59	686,715.45	1,375,559.67
Local and Other	508,417.24	-	52,685.92	-	750.00	561,853.16
Total Receivables	\$ 556,253.91	\$ 687,493.63	\$ 52,685.92	\$ 1,350.59	\$ 873,159.04	\$ 2,170,943.09

Of the \$118,788.30 of deferred revenue recorded in the Board’s financial statements, the entire amount relates to resources that have not been received or earned. Accordingly, the revenues are deferred in both the government-wide and fund financial statements.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 4 – CAPITAL ASSET ACTIVITY

Capital asset activity for the Board for the year ended September 30, 2011 was as follows:

Governmental Activities:	Primary Government			Ending Balance
	Beginning Balance	Additions*	Retirements*	
Land	\$ 752,517.00	\$ -	\$ -	\$ 752,517.00
Land Improvements	1,024,765.42	-	-	1,024,765.42
Buildings	13,083,940.28	-	-	13,083,940.28
Building Improvements	19,458,609.47	382,408.65	-	19,841,018.12
Equipment	2,601,002.17	154,022.52	36,769.08	2,718,255.61
Vehicles	7,128,662.22	0.00	-	7,128,662.22
Total at Historic Cost	44,049,496.56	536,431.17	36,769.08	44,549,158.65
Less: Accumulated Depreciation	15,443,044.69	1,742,339.56	23,918.66	17,161,465.59
Governmental Activities				
Capital Assets, Net	<u>\$28,606,451.87</u>			<u>\$27,387,693.06</u>

Depreciation expense was charged to governmental functions as follows:

Instructional Services	\$ 113,745.45
Instructional Support Services	3,151.76
Operations and Maintenance	868,722.74
Auxiliary Services	701,600.14
General, Administrative, and Central Support	16,765.26
Other Expenditures	38,354.21
Total Depreciation Expense	<u>\$ 1,742,339.56</u>

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 5 – LONG-TERM DEBT

As of September 30, 2011, the Board was responsible for the following long-term debt and capital lease obligations:

Capital Leases

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

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2011:

Years Ending September 30,	Principal	Interest	Total
2012	\$ 73,605.58	\$ 12,846.23	\$ 86,451.81
2013	76,445.83	10,005.99	86,451.82
2014	79,395.67	7,056.15	86,451.82
2015	82,459.33	3,992.48	86,451.81
2016	42,415.29	810.60	43,225.89
Total	\$ 354,321.70	\$ 34,711.45	\$ 389,033.15

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

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2011:

Years Ending September 30,	Principal	Interest	Total
2012	\$ 212,178.94	\$ 44,143.64	\$ 256,322.58
2013	220,794.26	35,528.32	256,322.58
2014	229,759.39	26,563.19	256,322.58
2015	239,088.53	17,234.05	256,322.58
2016	246,796.49	7,526.09	254,322.58
Total	\$ 1,148,617.61	\$ 130,995.29	\$ 1,279,612.90

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 5 – LONG-TERM DEBT, CONTINUED

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

The following is a schedule of the future minimum lease payments under the capital lease, and the present value of the net minimum lease payments at September 30, 2011:

Years Ending September 30,	Principal	Interest	Total
2012	\$ 257,558.75	\$ 58,259.29	\$ 315,818.04
2013	266,102.02	49,716.02	315,818.04
2014	274,928.79	40,889.25	315,818.04
2015	284,048.34	31,769.70	315,818.04
2016	293,470.38	22,347.66	315,818.04
Thereafter	458,558.33	15,168.70	473,727.03
Total	\$ 1,834,666.61	\$ 218,150.62	\$ 2,052,817.23

Bond Liabilities

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

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2012	\$ 410,000.00	\$ 265,512.50	\$ 675,512.50
2013	430,000.00	243,782.50	673,782.50
2014	455,000.00	220,562.50	675,562.50
2015-2018	2,092,500.00	608,897.50	2,701,397.50
2019-2020	1,237,500.00	110,625.00	1,348,125.00
Total	\$ 4,625,000.00	\$ 1,449,380.00	\$ 6,074,380.00

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 5 – LONG-TERM DEBT, CONTINUED

The Dothan City Schools participated in the State of Alabama – Quality School Construction bond 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. Principal payments are payable annually in December from 2011 through 2025. Interest payments are payable quarterly in March, June, September and December of each year and the interest rate is 1.865%.

Debt service requirements are as follows:

Years Ending September 30,	Principal	Interest	Total
2012	\$ 195,258.55	\$ 69,974.80	\$ 265,233.35
2013	195,258.55	69,974.80	265,233.35
2014	195,258.55	69,974.80	265,233.35
2015	195,258.55	69,974.80	265,233.35
2016	195,258.55	69,974.80	265,233.35
Thereafter	<u>2,775,707.25</u>	<u>647,266.90</u>	<u>3,422,974.15</u>
 Total	 <u>\$ 3,752,000.00</u>	 <u>\$ 997,140.90</u>	 <u>\$ 4,749,140.90</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN

The employees of the Board are covered under a defined benefit plan, the Teachers' Retirement System (TRS), which is administered by the Retirement Systems of Alabama (RSA). The plan is a cost-sharing multiple-employer public employer retirement system (PERS). The payroll for employees covered by the TRS for the year ended September 30, 2011, was \$43,543,950.90. The Board's total payroll was \$45,122,535.27.

Participation in the TRS is mandatory for Board personnel employed in a non-temporary capacity on at least a one-half time basis. After ten or more years of creditable service, a member has vested interest (is eligible for deferred benefits) in the Teachers' Retirement System. Upon attainment of age 60, a member who has at least ten years of creditable service may apply for monthly retirement benefits assuming the member has not withdrawn his contributions. A member who has at least 25 years of creditable service in the TRS may apply for service retirement at any age. Unused accrued sick leave may be converted to creditable service at retirement.

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 6 – DEFINED BENEFIT PENSION PLAN, CONTINUED

Retirement benefits are calculated by three methods with the retiree receiving payments under the method which yields the highest monthly benefit. The methods are (1) Minimum Guaranteed, (2) Money Purchase, and (3) Formula, of which the Formula Method usually produces the highest monthly benefit. Under this method, retirees are allowed 2.0125% of their average final salary (best three of last ten years) for each year of service.

A member who is in service and has at least ten years of service when disability occurs may apply for disability retirement benefits. Benefits are calculated under the same methods used for service retirement.

NOTE 7 – RISK MANAGEMENT

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

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

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Board is a defendant in various lawsuits as of June 15, 2012. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Board's attorney, the outcome of these lawsuits will not have a materially adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

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

**DOTHAN CITY BOARD OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

NOTE 9 – 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, 2011, the Board utilized such land and buildings with aggregate costs of \$ 1,091,159.51 and \$ 42,363,359.58, respectively.

NOTE 10 – 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 \$ 241,139.29 at September 30, 2011. Commodities consumed were approximately \$ 231,926.28.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent events were evaluated through June 15, 2012, the date the financial statements were available to be issued.

Required Supplemental Information

**DOTHAN CITY BOARD OF EDUCATION
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>OVER (UNDER) FINAL BUDGET</u>
REVENUES				
Local Revenues	\$ 18,333,424.70	\$ 18,343,424.70	\$ 18,641,179.68	\$ 297,754.98
State Revenues	43,290,818.87	42,389,081.97	42,437,079.32	47,997.35
Federal Revenues	114,500.00	114,500.00	143,669.20	29,169.20
Local School Revenues	0.00	0.00	0.00	0.00
Other Revenues	0.00	0.00	186,466.02	186,466.02
Total Revenues	<u>61,738,743.57</u>	<u>60,847,006.67</u>	<u>61,408,394.22</u>	<u>561,387.55</u>
EXPENDITURES				
Instructional Services	38,913,272.53	39,018,385.30	38,709,350.59	(309,034.71)
Instructional Support Services	7,633,035.08	8,061,740.12	8,464,711.32	402,971.20
Operations and Maintenance	3,474,251.65	3,475,760.78	4,232,522.56	756,761.78
Auxiliary Services	2,766,485.46	2,813,213.37	3,003,088.11	189,874.74
General, Administrative, and Central Support	1,445,553.25	1,521,095.79	1,923,738.03	402,642.24
Capital Outlay	1,593.00	1,593.00	0.00	(1,593.00)
Debt Services	13,300.00	13,300.00	0.00	(13,300.00)
Other Expenditures	970,869.18	1,077,907.08	446,794.92	(631,112.16)
Total Expenditures	<u>55,218,360.15</u>	<u>55,982,995.44</u>	<u>56,780,205.53</u>	<u>797,210.09</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,520,383.42</u>	<u>4,864,011.23</u>	<u>4,628,188.69</u>	<u>(235,822.54)</u>
OTHER FINANCING SOURCES (USES)				
Other Fund Sources	1,731,616.57	1,783,259.19	756,318.43	(1,026,940.76)
Other Fund Uses	(1,493,624.81)	(851,627.06)	(871,208.23)	(19,581.17)
Total Other Financing Sources (Uses)	<u>237,991.76</u>	<u>931,632.13</u>	<u>(114,889.80)</u>	<u>(1,046,521.93)</u>
Net Change In Fund Balances	6,758,375.18	5,795,643.36	4,513,298.89	(1,282,344.47)
Fund Balance - Beginning	923,827.28	923,827.28	923,827.28	0.00
Fund Balance - Ending	<u>\$ 7,682,202.46</u>	<u>\$ 6,719,470.64</u>	<u>\$ 5,437,126.17</u>	<u>\$ (1,282,344.47)</u>

Other Supplemental Information

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

FEDERAL GRANTOR/PASS-THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
Child Nutrition Cluster			
United States Department of Agriculture Pass-Through From:			
National School Lunch Program	10.555	130	\$ 2,605,202
Total National School Lunch Program			2,605,202
School Breakfast Program	10.553	130	854,676
Total School Breakfast Program			854,676
Total United States Department of Agriculture Pass-Through Programs			3,459,878
Total United States Department of Agriculture			3,459,878
Total Child Nutrition Cluster			3,459,878
Education Technology State Grants Cluster			
United States Department of Education Pass-Through Programs From:			
Educational Technology State Grants	84.318	130	24,418
Total Educational Technology State Grants			24,418
Total United States Department of Education			24,418
Total Education Technology State Grants Cluster			24,418
Head Start Cluster			
United States Department of Health and Human Services Direct Programs:			
ARRA-ARRA-Head Start	93.708	130	158,951
Head Start	93.600	130	2,167,853
Total United States Department of Health and Human Services Direct Programs			2,326,804
Total United States Department of Health and Human Services			2,326,804
Total Head Start Cluster			2,326,804
Special Education Cluster (IDEA)			
United States Department of Education Pass-Through Programs From:			
ARRA-Special Education-Pre-school Grants, Recovery Act	84.392	130	85,555
Total Special Education-Pre-school Grants, Recovery Act			85,555
ARRA-Special Education Grants to States, Recovery Act	84.391	130	90,233
Total Special Education Grants to States, Recovery Act			90,233
Special Education Grants to States	84.027	130	3,088,837
Total Special Education Grants to States			3,088,837
Special Education Preschool Grants	84.173	130	111,353
Total Special Education Preschool Grants			111,353
Total United States Department of Education Pass-Through Programs			3,375,978
Total United States Department of Education			3,375,978
Total Special Education Cluster (IDEA)			3,375,978
State Fiscal Stabilization Fund Cluster			
United States Department of Education Pass-Through Programs From:			
ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act	84.394	130	2,260,338
Total ARRA-State Fiscal Stabilization Fund (SFSF)-Education State Grants, Recovery Act			2,260,338
Total United States Department of Education			2,260,338
Total State Fiscal Stabilization Fund Cluster			2,260,338
Title I, Part A Cluster			
United States Department of Education Pass-Through Programs From:			
Title I Grants to Local Educational Agencies	84.010	130	3,605,868
Total Title I Grants to Local Educational Agencies			3,605,868
ARRA-Title I Grants to Local Educational Agencies, Recovery Act	84.389	130	421,642
Total ARRA-Title I Grants to Local Educational Agencies, Recovery Act			421,642
Total United States Department of Education Pass-Through Programs			4,027,510
Total United States Department of Education			4,027,510
Total Title I, Part A Cluster			4,027,510
Other Programs			
United States Department of Education Pass-Through Programs From:			
Career and Technical Education-Basic Grants to States	84.048	130	178,862
Total Career and Technical Education-Basic Grants to States			178,862
Education for Homeless Children and Youth	84.186	130	14,164
Total Education for Homeless Children and Youth			14,164
ARRA-Education for Homeless Children and Youth, Recovery Act	84.387	130	8,739
Total ARRA-Education for Homeless Children and Youth, Recovery Act			8,739
Education Jobs Fund	84.410	130	1,764,130
Total Education Jobs Fund			1,764,130
English Language Acquisition Grants	84.365	130	27,890
Total English Language Acquisition Grants			27,890
Improving Teacher Quality State Grants	84.367	130	626,661
Total Improving Teacher Quality State Grants			626,661
Safe and Drug-Free Schools and Communities State Grants	84.186	130	4,674
Total Safe and Drug-Free Schools and Communities State Grants			4,674
Total United States Department of Education Pass-Through Programs			2,825,420
Total United States Department of Education			2,825,420
United States Department of Agriculture Pass-Through Programs From:			
Commodity Supplemental Food Program	10.565	130	241,138
Total Commodity Supplemental Food Program			241,138
Total United States Department of Agriculture			241,138
United States Department of Health and Human Services Direct Programs From:			
HHHS, Disability Determination	96.001	130	7,308
Total Disability Determination			7,308
Total United States Department of Health and Human Services Direct Programs:			7,308
United States Department of Defense Direct Programs From:			
Army ROTC	12.002	130	73,893
Marines ROTC	12.002	130	62,468
Total ROTC			136,361
Total United States Department of Defense			136,361
Total Other Programs			3,010,228
Total Expenditures of Federal Awards			\$ 18,485,154

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

Additional Information



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Dothan City Board of Education
Dothan, Alabama

We have audited 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, 2011, which collectively comprise the Dothan City Board of Education's basic financial statements and have issued our report thereon dated June 15, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Dothan City Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Dothan City Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Dothan City Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Dothan City Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dothan City Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, board, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 15, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

To the Dothan City Board of Education
Dothan, Alabama

Compliance

We have audited the Dothan City Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Dothan City Board of Education's major federal programs for the year ended September 30, 2011. The Dothan City Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Dothan City Board of Education's management. Our responsibility is to express an opinion on the Dothan City Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Dothan City Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Dothan City Board of Education's compliance with those requirements.

In our opinion, the 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, 2011.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, board, others within the organization, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

ParsonsGroup, LLC

ParsonsGroup, LLC
Dothan, Alabama
June 15, 2012

**DOTHAN CITY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted	No

Federal Awards

Type of auditors' report issued on compliance for major programs:	Unqualified
Internal control over major program compliance:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	No
Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133, <i>Audits of State, Local Governments, and Non-Profit Organizations</i> , Section .510(a)	No

Identification of major programs:

CFDA – 84.367	Improving Teacher Quality State Grants
CFDA – 84.410	Education Jobs Fund
CFDA – 10.553, 10.555	Child Nutrition Cluster
CFDA – 93.600, 93.708	Head Start Cluster

Dollar threshold used to distinguish between Type A and Type B programs	\$ 554,555
Auditee qualified as low-risk auditee	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

None

SECTION III - FEDERAL AWARD FINDINGS

None