

CITY OF DALTON BOARD OF EDUCATION
DALTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

PREPARED BY THE FINANCE DEPARTMENT

CITY OF DALTON BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

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December 21, 2012

**To the Honorable Board Members of the City of Dalton Board of Education
and the Citizens of Dalton, Georgia:**

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Dalton Board of Education (the School System) for the fiscal year ended June 30, 2012. The Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School System's administration.

We believe the data, as presented, are accurate in all material respects and are reported in a manner designed to fairly set forth the financial position and results of operations of the School System as measured by the financial activity of its various funds. All disclosures necessary to enable the reader to gain a reasonable understanding of the School System's financial affairs have been included.

The comprehensive annual financial report is presented in four sections: introductory, financial, statistical and single audit. The introductory section includes this transmittal letter, board composition, Dalton Public Schools organizational chart and a list of administrative staff. The financial section includes the auditors' report on the financial statements, management's discussion and analysis, the basic financial statements, and the combining and individual fund financial statements. The statistical section includes financial trend data, debt capacity data, demographic and economic information, and operating information.

Estes and Williams, Certified Public Accountants, have issued an unqualified opinion on the City of Dalton Board of Education's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and the two should be read in conjunction.

Profile of the School System

The School System was established through the Charter of the City of Dalton in 1886, and serves only the City of Dalton. The School System is an independent public PreKindergarten (PreK)-12 school district and is not considered to be a component unit of any other government. The School System provides all basic services required by State law and policies of the State Board of Education. These services include: regular and special education instructional programs at the elementary, middle and secondary levels and additional service in pre-kindergarten and preschool special education. Other notable program services include English language learners, remedial education and vocational education.

The board of education is made up of five members elected to serve four-year terms. Its primary functions are to develop and adopt policies by which the schools are administered, to continually evaluate the effectiveness of these policies and to make certain that they are being administered as the board intended. The administration of the educational programs and school business is the responsibility of the superintendent of schools and his staff.

There are 7,225 PreK through 12th grade students enrolled in the School System in the 2011-2012 school year. The ethnic make-up of the students is as follows: 68% Hispanic, 22% White, 5% Black, 2% Asian, and 3% Multi-racial. Projected PreK-12 enrollment for the 2012-2013 school year is 7,596 students.

The School System consists of six elementary schools, one middle school and two high schools. All of the facilities have been well maintained and provide space to support the educational programs. A schedule of building information is provided in the statistical section of the CAFR.

All schools in the School System are accredited by the Georgia Accrediting Commission (GAC). All schools in the School System have been accredited with Quality by the GAC. All schools and the district are also members of AdvancEd, formerly known as the Southern Association of Colleges and Schools (SACS), and are accredited through District Accreditation.

Dalton Public Schools has one of the highest levels of staff training and experience of any PreK-12 school system in Georgia. More than 80 percent of all teaching staff have a master's degree or higher. The high percentage of employees with advanced degrees and the high retention rate for teachers translates into a highly trained and qualified staff at every school. The school system employs 555 certified staff members and 300 support staff.

Local Economy

Dalton's main industry continues to be non-unionized textile and textile-related industries. Dalton is known as the "Carpet Capital of the World." It houses two of the largest carpet manufacturers in the world (Shaw Industries and Mohawk Industries). Dalton produces and supplies 70% of the goods that make up the United States carpet market. According to the 2012 statistic report from Georgia Department of Labor, the manufacturing industry makes up approximately 34% of the 60,700 jobs in Dalton Metropolitan Statistical Area.

The economic downturn has adversely affected the national housing market and construction in general. Because the economy of Dalton is so heavily dominated by construction-related industry, the area has been especially hard-hit. Unemployment rates have consistently exceeded both national and Georgia levels. The latest unemployment rate for the Dalton Metropolitan Area is 11.6%, which is above the national rate of 8.1% and the Georgia rate of 8.6%. This trend is not expected to change in the short-term.

The national economic downturn presents challenges in funding PreK-12 public education in Georgia. The State of Georgia has been funding a smaller percentage of the total cost of education over the last several years. In 2004, the state's support for public education in Georgia was 55% of general fund revenues. In 2009 that percentage started to drop, and 2010 was the lowest level at 46% for the average school district. In 2011, that percentage is 52%. Dalton Public Schools experienced the decline in state funds in the 2009 and 2010 school years, however 2011 and 2012 shows greater dependency on state sources in the general fund due to declining local sources of revenue.

Most of the funding reductions have occurred due to austerity or budget cuts imposed by the State. These reductions to the amounts earned by school systems based on a funding formula written in State law have been allocated to all systems across the state to help the State provide for a balanced budget. From fiscal year 2003 through fiscal year 2012, Dalton Public Schools has received over \$24.3 million less than earned due to these cuts. The State offset \$5.4 million with federal stimulus funding, which brought the net reduction to \$18.9 million. In addition, the funding formula has not been adjusted in recent years for inflation.

The City of Dalton property tax digest had its largest decline in recent history from fiscal year 2010 to fiscal year 2011 of 6% which is the equivalent of \$1.9 million in school revenue. The natural property tax digest decline was compounded by the first year implementation of the Freeport tax exemption for commercial and industrial property. The Freeport tax exemption removes the property tax for work-in-progress inventory. The Freeport tax exemption will be implemented over several years until it reaches 100% exemption. The fiscal year 2011 implementation provided a 20% Freeport tax exemption that resulted in a loss of \$0.7 million in property tax revenue. Fiscal year 2012 had \$0.8 million reduction in property tax revenue from the 20% Freeport tax exemption. It is anticipated that the Freeport exemption will stay at the 20% level for fiscal year 2013 and possibly fiscal year 2014.

Planning for the Future

Several years ago the board of education set a target for unreserved general fund balance of 15% of the current year's budget, which would provide two months operating revenues and eliminate the need for short-term borrowing. At the end of fiscal year 2008, the unreserved fund balance was \$9.5 million or 16% of general fund expenditures. At the end of fiscal year 2010 this figure has dropped to \$6.4 million which is 11.2% of the general fund expenditures. To address this downturn, and with district-wide input from employees, the board of education and the administration implemented a three year budget reduction plan in January 2009. Fiscal year 2011 general fund expenditures were the lowest level at \$52.8 million, and the fund balance was nearly restored to \$9.6 million. Although fiscal year 2012 general fund expenditures increased to \$56.0 million, the fund balance also increased to \$12.5 million.

Dalton Public Schools enrollment continues to grow, and over the last 10 years has averaged 2.8% growth per year. With six elementary schools and flexibility with maximum class sizes, the School System has adequate capacity at the elementary level to meet the educational needs of the students. However, building capacity is a concern at the middle and high school level. School System teachers and administrators are committed to providing appropriate instructional space for the educational programming needs of Dalton's students.

The board of education has approved building additions to the middle school to address the capacity issues at that facility. Also, staff members are reviewing options available to expand Morris Innovative High School's enrollment to reduce enrollment of Dalton High School. As Morris Innovative High School's enrollment and program offering grows, the School System is exploring facility options to best meet those needs.

In 1997, the citizens of Dalton City and Whitfield County passed the first of now three five-year Educational Special Purpose Local Option Sales Taxes (ESPLOST) of 1%. This additional funding has been and will continue to be used to fund the construction of new schools, additions and renovations to existing schools, educational technology, and service existing debt. The current ESPLOST has provided funding for additions to three elementary schools, Dalton Middle School, and Dalton High School.

In order to be sensitive to the constraints to the local tax payer, the boards of education for both Whitfield County and Dalton Public Schools have delayed the continuation of the fourth ESPLOST that was scheduled for January 2012. July 2012 county voters approved the fourth ESPLOST for the school systems with funding beginning in January 2013. Although the referendum provides the board of education flexibility to address the School System's capital needs, the fourth ESPLOST will be used for the Dalton Middle School expansion and the Morris Innovative High School program. As funds are available, staff also have identified priorities for student instructional technology, improving school safety, and capital needs at Dalton High School.

Relevant Financial Policies

The vision of the School System is to educate students to become contributing citizens of the world. The financial policies are designed to ensure that there are adequate funds to support this vision. This is accomplished by maximizing the use of financial resources, by improving financial reporting, and by enhancing internal control systems.

In developing and evaluating the School System's accounting system, consideration is given to the adequacy of internal controls. Internal controls are designed to provide reasonable assurance regarding: (1) safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the School System's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and state financial assistance, the School System is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation for weaknesses by management and staff.

As part of the School System's annual single audit required to be performed in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments and Nonprofit Organizations, tests are made to determine the adequacy of the internal control structure, including that portion related to federal financial assistance programs, as well as to determine that the School System has complied with applicable laws and regulations.

The School System maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by the board of education. Activities of the general fund, debt service fund, capital fund, school nutrition fund, and most of the special revenue funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the aggregate level by fund type.

The board of education established a fund balance policy to protect the financial condition of the school district and to meet the requirements of Governmental Accounting Standards Board statement 54. The policy defines the five categories of the fund balance that is reported as nonspendable, restricted, committed, assigned, and unassigned. The board decides the committed fund balance through board action, and delegates the assigned fund balance to the superintendent or designee.

Major Initiatives

To realize the vision of educating students to become contributing citizens of the world, the School System must deliver effective instruction and set high expectations that will result in continued improvement in student achievement. In 2004, the School System began a phased-in implementation of a literacy framework targeting English, Language Arts, Reading, and Word Study instruction. The program is fully implemented through eighth grade and has been effective.

In 2005, a similar process was implemented for math instruction. This process includes an expanded use of technology, tutoring support for students, and use of collaborative teacher teams for planning, designing, and evaluating the student progress.

In 2013, district staff anticipate changes in K-12 literacy and math with the rollout of the new Common Core Georgia Performance Standards. Locally, the superintendent with instructional leaders throughout the School System have worked closely with the Chamber of Commerce, City of Dalton, Whitfield County and Whitfield County School System to garner support for literacy throughout the community. The School System believes that literacy has the greatest impact on education and learning that can lead to economic development for the region.

The following schedule compares the Georgia High School Graduation Test and Georgia Criterion-Referenced Competency Test (CRCT) results of students who met or exceeded the test for fiscal year 2011 and fiscal year 2002 in English/Language Arts, Math, Science, Social Studies, and Reading. Numerous interventions have been applied to help students be successful. Dalton Public Schools believes that a number of indicators must be identified to effectively evaluate student progress. Although the Georgia High School Graduation Test and CRCT are only two indicators of success, they are readily recognized by the public and are used to determine adequate yearly progress by the federal and state governments.

Dalton Public Schools Comparison of Test Scores Fiscal Year 2011 and Fiscal Year 2002			
	FY 2011	FY 2002	Change
English/Language Arts			
Georgia High School Graduation Test	94%	87%	7%
8 th Grade Criterion Reference Test	94%	65%	29%
5 th Grade Criterion Reference Test	93%	71%	22%
3 rd Grade Criterion Reference Test	87%	75%	12%
Math			
Georgia High School Graduation Test	91%	84%	7%
8 th Grade Criterion Reference Test	91%	64%	27%
5 th Grade Criterion Reference Test	93%	72%	21%
3 rd Grade Criterion Reference Test	81%	82%	-1%
Science			
Georgia High School Graduation Test	95%	67%	28%
8 th Grade Criterion Reference Test	65%	70%	-5%
5 th Grade Criterion Reference Test	71%	77%	-6%
3 rd Grade Criterion Reference Test	77%	70%	7%
Social Studies			
Georgia High School Graduation Test	88%	79%	9%
8 th Grade Criterion Reference Test	75%	76%	-1%
5 th Grade Criterion Reference Test	76%	77%	-1%
3 rd Grade Criterion Reference Test	80%	77%	3%
Reading			
8 th Grade Criterion Reference Test	98%	74%	24%
5 th Grade Criterion Reference Test	95%	70%	25%
3 rd Grade Criterion Reference Test	92%	80%	12%

Acknowledgment

The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the Finance Department. We would like to express appreciation to all of the employees of the departments who assisted in the timely closing of the district's financial records and the preparation of this report.

We would also like to thank the members of the board of education for their unfailing support in maintaining the highest standards of professionalism in the management of the School System's finances.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Jim Hawkins".

Jim Hawkins, Ph.D.
Superintendent

A handwritten signature in blue ink, appearing to read "Theresa A. Perry".

Theresa A. Perry
Chief Financial Officer

CITY OF DALTON BOARD OF EDUCATION
ELECTED OFFICIALS AND ADMINISTRATION
JUNE 30, 2012

Elected Officials

Danny Crutchfield, Chairman
In office since January 2008
Current term expires December 2015

Mark Orr, Vice-Chairman
In office since January 1998
Current term expires December 2013

Tulley Johnson, Treasurer
In office since January 1996
Current term expires December 2015

Dr. Rick Fromm
In office since January 2004
Current term expires December 2015

Steve Williams
In office since January 2002
Current term expires December 2013

School Administration

Dr. Jim Hawkins, PhD, Superintendent

Dr. Lisa Goode, Principal
Blue Ridge School

Will Esters, Principal
Brookwood Elementary School

Dr. Rick Little, Principal
City Park School

Dr. Phil Jones, Principal
Park Creek School

Cindy Parrott, Principal
Roan School

Angela Garrett, Principal
Westwood Elementary School

Brian Suits, Principal
Dalton Middle School

Debbie Freeman, Principal
Dalton High School

Jennifer Phinney, Principal
Morris Innovative High School

Centralized Administration

Don Amonett
Assistant to the Superintendent

Craig Harper
Chief Administrative Officer

Theresa Perry
Chief Financial Officer

Dr. Rhonda Hayes, PhD
Laura Orr
Directors of School Support

Brandon Harrison
Director of Operations



Dalton Public Schools

Educating students to become
contributing citizens of the world

VISION

We continually aspire to a future where:

Each student of Dalton Public Schools engages in interesting, challenging, and satisfying experiences that result in profound learning in academic disciplines, synthesis, creativity, respect, and ethics – so that each student is a contributing citizen of the world.

MISSION

The mission of Dalton Public Schools is to create a great learning organization where networked learning communities are the primary means of:

- establishing and maintaining direction;
- creating, developing, importing and exporting knowledge;
- recruiting and inducting members.

Dalton Public Schools

PO Box 1408

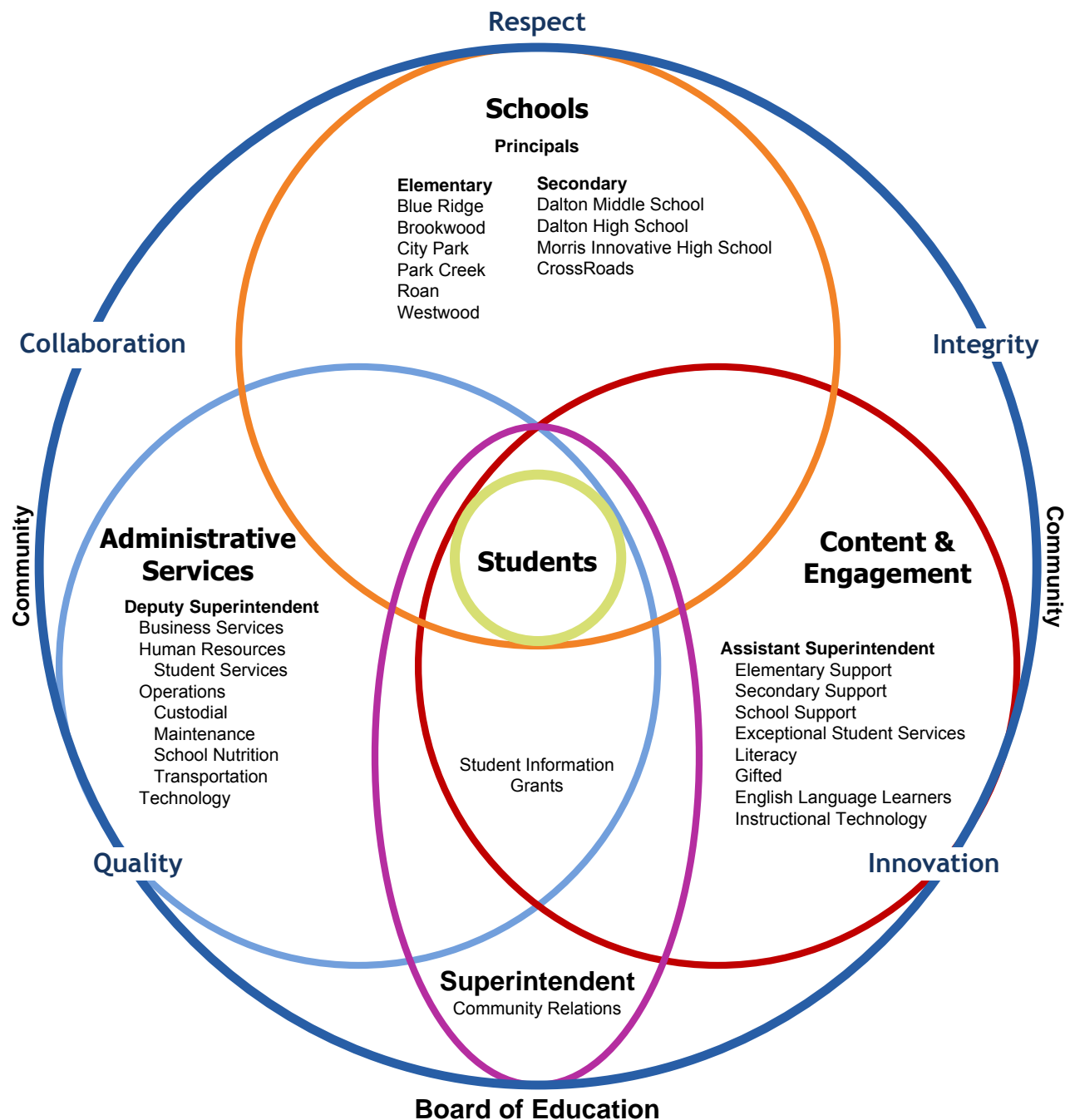
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Dalton, GA 30722-1408

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Directional System Organizational Structure



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dalton
Board of Education
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members
of the City of Dalton Board of Education
Dalton, Georgia

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education as of and for the year ended June 30, 2012, which collectively comprise the City of Dalton Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dalton 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 the 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 City of Dalton Board of Education as of June 30, 2012, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund 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 December 21, 2012, on our consideration of the City of Dalton 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 pages 3 through 10 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 City of Dalton Board of Education's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Estes & Williams

Dalton, Georgia
December 21, 2012

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The discussion and analysis of City of Dalton Board of Education's (the School System) financial performance provides an overall review of the School System's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the School System's financial performance as a whole. Readers should also review the complete financial statements, with notes, to enhance their understanding of the School System's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

- Total net assets increased from \$99.5 million in 2011 to \$102.6 million in 2012, an increase of \$3.2 million.
- Total revenues decreased from \$77.2 million in 2011 to \$73.6 million in 2012, a decrease of \$3.6 million. The decline from 2011 to 2012 is attributable to the expiration of the Special Purpose Local Option Sales Tax in January 2012. Property taxes and investment earnings showed declining revenue while the School System's state sources of revenue showed a slight increase. Overall, revenue for 2012 was \$3.2 million more than expenses.
- Total expenditures increased from \$69.0 million in 2011 to \$70.4 million in 2012, an increase of \$1.4 million. Most of this increase in expenditures is in direct instruction expenditures due to the School System's growing enrollment.
- In fiscal year 2012, instruction expenditures increased from \$44.6 million in 2011 to \$45.4 million in 2012, and improvement of instruction expenditures increased from \$2.0 million in 2011 to \$2.5 million in 2012. Also, food service increased from \$4.7 million in 2011 to \$5.0 million in 2012.
- Among the major funds, the general fund has \$58.9 million in revenues in 2012, compared to \$59.7 million in 2011, and \$54.4 million in expenditures in 2012, compared to \$52.8 million in 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School System's basic financial statements. The basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The district-wide financial statements are designed to provide readers with a broad overview of the School System's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the School System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School System is improving or deteriorating.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Assets		
Current and other assets	\$ 30,142,263	\$ 34,041,497
Capital assets	82,510,081	84,215,039
Total assets	<u>112,652,344</u>	<u>118,256,536</u>
Liabilities		
Current liabilities	6,636,701	14,181,500
Long-term liabilities	3,366,175	4,582,705
Total liabilities	<u>10,002,876</u>	<u>18,764,205</u>
Net assets		
Invested in capital assets, net of related debt	77,879,278	72,193,602
Restricted	2,787,633	8,250,591
Unrestricted	21,982,557	19,048,138
Total net assets	<u>\$ 102,649,468</u>	<u>\$ 99,492,331</u>

The Statement of Activities presents information showing the change in the School System's net assets during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Revenues		
Program revenues:		
Charges for services	\$ 671,469	\$ 672,339
Operating grants and contributions	44,178,627	44,089,362
General revenues:		
Property taxes	26,154,663	26,728,746
Sales taxes	2,511,047	5,511,970
Investment earnings	78,177	213,156
Total revenues	<u>73,593,983</u>	<u>77,215,573</u>
Expenses		
Instruction	45,393,555	44,647,133
Support services	19,508,195	18,813,274
Food service operation	5,026,568	4,735,358
Community service operation	190,296	152,171
Interest on long-term debt	318,232	632,891
Total expenses	<u>70,436,846</u>	<u>68,980,827</u>
Increase (decrease) in net assets	3,157,137	8,234,746
Net assets, beginning of year, restated	99,492,331	91,257,585
Net assets, end of year, restated	<u>\$ 102,649,468</u>	<u>\$ 99,492,331</u>

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Fund balance reports only those assets and liabilities that primarily have an impact on short-term financing decisions. Fund balance (specifically, unassigned fund balance) is a measure of available financial resources. Net assets report all assets and all liabilities regardless of their relevance to near-term financing decisions. Net assets should be understood as a measure of net worth rather than a measure of available financial resources.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School System, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the School System can be divided into three types of funds – governmental funds, proprietary funds, and fiduciary funds. The School System does not have any proprietary funds.

Governmental Funds

Most of the School System's activities (instruction, administration, maintenance, student transportation, etc.) are reported in governmental funds, which focus on how money flows in and out of those funds and balances left at year-end are available for spending in future periods. The governmental fund statements provide a detailed short-term view of the School System's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The governmental fund activities may be financed with property taxes, Quality Basic Education (QBE) state formula aid, and federal funds.

Proprietary Funds

Proprietary funds are those used to account for ongoing organizations and activities which are similar to those found in the private sector. Currently, the School System does not utilize proprietary funds.

Fiduciary Funds

The School System is the trustee, or fiduciary, for assets that belong to others, such as club and class funds. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School System excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

District-wide Financial Analysis

As previously stated, total net assets for 2012 were \$102.6 million which represents a \$3.2 million or 3% increase from 2011. The increase in the School System's net assets from the prior year was primarily due to significant declines in current liabilities and long-term obligations and debt service.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Changes in Net Assets from Operating Results

Revenues

The School System's total revenue decreased in 2012 by 4.6%. The majority of the School System's revenues come from state sources and taxes. State sources of revenue decreased by 0.4% or \$0.1 million due to decreased funding of state grants.

Local sources of revenue decreased for the School System by 11.0% or \$3.6 million. Property tax revenue decreased by \$0.6 million due to the combination of lower assessed values and increased exemptions. Sales tax revenue decreased by \$3.0 million due to the expiration of the Special Purpose Local Option Sales Tax in January 2012.

Expenses

The School System's total expenses increased in 2012 by \$1.5 million. The increase is primarily due to increases in staffing to address growing enrollment.

Governmental Activities

The Statement of Activities reports the total and net cost of major School System activities: instruction, various support services, food services operation, community services operations, and interest on long-term debt.

Net cost of governmental activities is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost shows the financial burden on the School System's taxpayers by each activity. The total cost of governmental services in 2012 was \$70.4 million. Users of the School System's programs financed \$0.7 million of the costs. Federal and state grants, subsidized programs, and contributions financed the largest portion of the School System's costs at \$44.2 million. The School System taxpayers financed \$25.5 million in 2012.

The School System's Funds

The 2012 combined fund balance of all governmental funds was \$23.4 million at year end. That represents a \$2.7 million decrease from the 2011 ending balance of \$26.1 million. The ending fund balance is equal to 30.7% of 2012 total expenditures. Of the governmental fund balance, \$10.1 million is restricted or committed for debt service and capital projects.

General Fund Budgetary Highlights

In developing the fiscal year 2012 budget, the administration addressed the need to maintain a quality education for all students while dealing with unstable state funding and declining local tax digests. In developing the fiscal year 2012 budget, the board of education set priorities or filters through which all decisions were to be assessed. These filters were to: minimize negative classroom impact, preserve employment, preserve teacher capacity, and maintain adequate reserves to meet cash flow requirements.

In addition, the State of Georgia requires that each school district levy five (5) mills for property taxes before it can receive state QBE education funding. The five mills are deducted from state funding each year. The local five mill formula is the relationship between property value of the district and total enrollment. This revenue deduction has been compounded by the fact that state austerity reductions have reached an all-time high.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The most significant budgeted fund is the general fund. Actual expenditures are under and within 0.3% of the final mid-year adjusted budget.

The final budget projected an increase of \$0.7 million in general fund balance. The actual resulted in an increase to fund balance of \$2.8 million. Actual revenues were greater than budget and actual expenditures were less than budget. More specifically, local sources of revenue were \$1.2 million more than budget, and state sources of revenue were \$0.8 million more than budget. Actual expenditures were \$0.2 million under budget.

General Fund

The fiscal year 2012 unassigned fund balance of \$12.3 million increased from fiscal year 2011. The unrestricted unassigned fund balance of \$12.3 million gives the School System a fund balance that is equivalent to 83 days of general fund expenditures. This fund balance remains adequate to minimize the likelihood of the School System entering the short-term debt market to pay for current operating expenditures. The unrestricted, unassigned general fund ending fund balance represents 22.7% of general fund expenditures.

The high fund balance of fiscal year 2012 is intentional. There has been a great deal of uncertainty related to all sources of revenue. Property tax revenue continues to decline due to decreasing values and increasing exemptions. The current Freeport exemption is at 20%, and in the future it will be phased in until it reaches a 100% exemption. The Dalton City Council votes on the level of the Freeport exemption, while the School System does not have formal authority with decisions related to the Freeport exemption.

Additionally, there could be substantial changes to the School System's federal sources of revenue in the near future. If automatic federal reductions go into effect, the School System may be faced with additional federal program reductions and an increased burden to local sources of revenue for any efforts that the Board of Education chooses to preserve.

Other Governmental Funds

The School System uses capital projects funds to account for school construction and improvement projects. Since 1997, sales tax proceeds have been the primary funding source for these activities. In March of 1997 the Whitfield County voters approved the first five-year educational special purpose local option sales tax (ESPLOST) to fund capital projects. Since then, ESPLOST has been renewed by the voters two subsequent times.

The sales tax is proportionately distributed to Whitfield County Schools and Dalton Public Schools based on the full-time equivalent of students (FTE). The current ESPLOST for education construction projects and debt service began in January 2008 and was expected to generate a total of \$115 million, of which Dalton Public Schools anticipated \$37 million over its life. Due to the economic downturn, the School System has received \$29.2 million in sales tax revenue to fund capital projects and debt service. The ESPLOST fund had expenditures of \$1.8 million for the year ended June 30, 2012 and a fund balance decrease of \$1.8 million. The School System's sales tax revenue expired in January 2012.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Capital Assets and Debt Administration

Capital Assets

Capital assets decreased by 2.0% from \$84.2 million in 2011 to \$82.5 million in 2012, a decrease of \$1.7 million. This decrease was primarily due to depreciation of capital assets. Although there were some increases to capital assets for buildings that were previously reported as construction work in progress, the depreciation expense on building and equipment was greater, causing an overall decrease in capital assets. See Note 5 of the financial statement for greater detail.

	Governmental Activities	
	<u>2012</u>	<u>2011</u>
Capital assets, not depreciated		
Land	\$ 9,264,235	\$ 9,264,235
Construction in progress	786,555	14,857,726
Total	<u>10,050,790</u>	<u>24,121,961</u>
Capital assets, depreciated		
Land improvements	1,797,279	1,797,279
Buildings	97,816,256	82,563,138
Equipment	3,367,433	3,157,065
Vehicles	429,755	429,755
Total	<u>103,410,723</u>	<u>87,947,237</u>
Less accumulated depreciation		
Land improvements	(1,507,213)	(1,416,594)
Buildings	(26,928,711)	(24,240,772)
Equipment	(2,087,681)	(1,789,644)
Vehicles	(427,827)	(407,149)
Total	<u>(30,951,432)</u>	<u>(27,854,159)</u>
Total capital assets, net of depreciation	<u>72,459,291</u>	<u>60,093,078</u>
Governmental activities net capital assets	<u>\$ 82,510,081</u>	<u>\$ 84,215,039</u>

Long-Term Debt

At June 30, 2012, the School System had long-term liabilities in the form of capital leases and compensated absences. Although the School System has a policy that enables employees to accumulate sick leave, the School System does not compensate employees for unused sick leave. See Note 7 of the financial statements for greater detail.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	\$ 12,021,437	\$ -	\$ 7,930,634	\$ 4,090,803	\$ 1,264,628
Compensated absences	16,725	61,854	54,519	24,060	24,060
Total	<u>\$ 12,038,162</u>	<u>\$ 61,854</u>	<u>\$ 7,985,153</u>	<u>\$ 4,114,863</u>	<u>\$ 1,288,688</u>

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

Factors Bearing on the School System's Future

Education funding from the State of Georgia is expected to remain at a conservatively low level not only due to the weak economy, but also due to the current political agenda as it relates to public education, income tax, property tax, and sales tax revenues. The School System may lose federal revenue due to sequestration and across the board reductions in all areas of the federal government. Since 2003, school districts have been dealing with austerity revenue reductions from the State of Georgia. The School System has accumulated a total \$18.8 million loss, net of federal stimulus funding, in state revenue. Although the state legislature does not intend to impose further cuts to education, there is also no plan to remove the current austerity reductions. Dalton anticipates losing at least \$5.3 million annually from earned state revenue.

In 2011, the School System qualified for state equalization grant revenue. The School System received \$0.6 million in 2011 and \$1.1 million in 2012. However, in 2013 state officials have revised the funding formula since the state budget cannot afford to provide for the current grant. The School System is projected to receive \$0.5 million in 2013 under a revised funding formula.

As a result of a growing population of economically disadvantaged students, the School System's Title I Academic Achievement federal funding has nearly doubled in fiscal year 2012. These funds are primarily used for direct instruction, and all schools in the system benefit from the funds. These funds are to supplement, not supplant the current effort in instruction and support. Therefore, these additional funds will not be used to reduce general fund expenditures.

Dalton is the home of two of the largest carpet manufacturers in the United States. The economic downturn has hurt the housing market and construction in general. Because Dalton's economy is closely tied to the housing and construction markets, it has been adversely affected by this recession. The national unemployment rate is 8.1%, Georgia is at 8.6%, and the Dalton Metropolitan Area is at 11.6%.

Community leaders are striving to seek out ways to improve the quality of life and diversify the economy of Dalton City and Whitfield County. In order to provide some sales tax relief, the Boards of Education from both Dalton City and Whitfield County agreed to delay the continuation of ESPLOST. ESPLOST funding expired during fiscal year 2012. Additionally, the implementation of a 20% Freeport exemption on business inventory began in fiscal year 2011. This resulted in decreased revenues of \$0.7 million in 2011 and \$0.8 million in 2012. The plan is to phase in the Freeport exemption until it reaches 100% exemption on business inventory. The School System forecasts a 100% Freeport exemption will be a loss of an additional \$3.1 million in property tax revenue. Increases to the Freeport exemption will be delayed for fiscal year 2013 and possibly 2014 for the School System.

Property values have declined since 2010. As a result, the School System's property tax revenue decreased in 2010 by \$1.1 million, another \$1.7 million in 2011, and an additional \$0.2 million for 2012. Although there remains some uncertainty regarding property values, the School System is anticipating an increase of \$0.4 million due to increases in personal property values for fiscal year 2013.

While the economic picture is expected to be challenging in the short-term, the board of education and administrative staff are committed to ensuring the long-term viability of the system. To address budgetary shortfalls the system began a three year cost reduction plan in fiscal year 2010. As the national, state, and local economies declined, efforts have increased to address these funding challenges. In fiscal year 2010, actual expenditures were \$2.9 million less than in 2009. In fiscal year 2011, administrative staff were able to reduce actual expenditures by an additional \$4.0 million. These expenditure reductions are particularly challenging when considering that enrollment has averaged 2% growth each year over the last 10 years.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

The vision of Dalton Public Schools is to educate students to become contributing citizens of the world. While academics are important, we feel that integrity and creativity are also vital to the development of children. We are committed to providing our students with an education that encompasses these values. We feel that through program assessment and focused funding we will be able to achieve our vision without adversely affecting our taxpayers.

Requests for Information

This financial report is designed to provide a general overview of the City of Dalton Board of Education's finances for all those with an interest in the district's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Dalton Board of Education, Chief Financial Officer, P.O. Box 1408, Dalton, Georgia 30722-1408.

BASIC FINANCIAL STATEMENTS

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

Assets	<u>Governmental Activities</u>
Current Assets	
Cash	\$ 3,615,903
Investments	22,203,562
Receivables:	
Accounts	213,719
Intergovernmental	1,224,108
Taxes	1,668,163
Inventory	206,557
Restricted assets:	
Investments	<u>1,010,251</u>
Total Current Assets	<u>30,142,263</u>
Noncurrent Assets	
Nondepreciable capital assets	10,050,790
Depreciable capital assets, net	<u>72,459,291</u>
Total Noncurrent Assets	<u>82,510,081</u>
Total Assets	<u>112,652,344</u>
Liabilities	
Current Liabilities	
Accounts payable	1,470,441
Salaries payable	3,798,140
Accrued interest payable	23,232
Retainage payable	56,200
Capital leases payable	1,264,628
Compensated absences	<u>24,060</u>
Total Current Liabilities	<u>6,636,701</u>
Long-Term Liabilities	
Capital leases, less current portion	<u>3,366,175</u>
Total Liabilities	<u>10,002,876</u>
Net Assets	
Invested in capital assets, net of related debt	77,879,278
Restricted for capital projects	1,278,463
Restricted for debt service	1,509,170
Unrestricted	<u>21,982,557</u>
Total Net Assets	<u>\$ 102,649,468</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 45,393,555	\$ 239,459	\$ 27,070,281	\$ (18,083,815)
Support services				
Pupil services	2,032,560	-	1,407,349	(625,211)
Improvement of instructional services	2,475,309	-	2,051,518	(423,791)
Educational media services	1,144,128	-	685,612	(458,516)
General administration	814,072	-	702,771	(111,301)
School administration	2,841,510	-	1,702,757	(1,138,753)
Business administration	535,627	-	284,591	(251,036)
Maintenance and operation of plant	4,133,004	-	2,553,368	(1,579,636)
Student transportation services	2,414,863	-	1,402,828	(1,012,035)
Central support services	2,352,961	-	1,367,957	(985,004)
Other support services	764,161	-	447,884	(316,277)
Food services operation	5,026,568	432,010	4,387,677	(206,881)
Community services operations	190,296	-	114,034	(76,262)
Interest on long-term debt	318,232	-	-	(318,232)
Total Governmental Activities	<u>\$ 70,436,846</u>	<u>\$ 671,469</u>	<u>\$ 44,178,627</u>	<u>(25,586,750)</u>

General Revenues

Property taxes	26,154,663
Sales taxes	2,511,047
Unrestricted investment earnings	<u>78,177</u>
Total General Revenues	28,743,887

Changes in Net Assets 3,157,137

Net Assets Beginning of Year, Restated 99,492,331

Net Assets End of Year \$ 102,649,468

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Debt Service	Capital Projects	Special Purpose Local Option Sales Tax	Federal Programs	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 1,266,872	\$ 36,961	\$ -	\$ 1,435,863	\$ -	\$ 876,207	\$ 3,615,903
Investments	18,421,608	-	3,781,954	-	-	-	22,203,562
Receivables							
Accounts	213,719	-	-	-	-	-	213,719
Intergovernmental	12,290	6,732	-	113,441	854,793	236,852	1,224,108
Taxes	1,668,163	-	-	-	-	-	1,668,163
Due from other funds	1,276,626	478,462	3,579,891	195,074	1,929	128,213	5,660,195
Inventory	-	-	-	-	-	206,557	206,557
Restricted assets							
Investments	-	1,010,251	-	-	-	-	1,010,251
Total Assets	\$ 22,859,278	\$ 1,532,406	\$ 7,361,845	\$ 1,744,378	\$ 856,722	\$ 1,447,829	\$ 35,802,458
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 1,050,979	\$ -	\$ 42,018	\$ 149,719	\$ 95,531	\$ 132,194	\$ 1,470,441
Salaries payable	3,317,233	-	-	-	228,704	252,203	3,798,140
Due to other funds	4,707,836	4	-	259,996	532,394	159,965	5,660,195
Retainage payable	-	-	-	56,200	-	-	56,200
Deferred revenue	1,420,132	-	-	-	-	-	1,420,132
Total Liabilities	10,496,180	4	42,018	465,915	856,629	544,362	12,405,108
Fund Balances							
Nonspendable	-	-	-	-	-	206,557	206,557
Restricted	-	1,532,402	-	1,278,463	93	699,687	3,510,645
Unrestricted:							
Committed	-	-	7,319,827	-	-	-	7,319,827
Unassigned	12,363,098	-	-	-	-	(2,777)	12,360,321
Total Fund Balances	12,363,098	1,532,402	7,319,827	1,278,463	93	903,467	23,397,350
Total Liabilities and Fund Balances	\$ 22,859,278	\$ 1,532,406	\$ 7,361,845	\$ 1,744,378	\$ 856,722	\$ 1,447,829	\$ 35,802,458

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total Governmental Fund Balances	\$ 23,397,350
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Amounts reported for Governmental Activities
in the Statement of Net Assets are different because:

Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide Statement of Net Assets.

Interfund receivables	5,660,195	
Interfund payables	<u>(5,660,195)</u>	-

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.

Cost	113,461,513	
Accumulated depreciation	<u>(30,951,432)</u>	82,510,081

Amounts due from property taxpayers not collected within 60 days subsequent to year end are considered long-term assets for fund statements and are not reported. Those amounts are reported as revenues for governmental activities.

1,420,132

Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements but are reported for governmental activities.

Accrued interest payable on capital leases	(23,232)	
Capital leases payable	(4,630,803)	
Compensated absences	<u>(24,060)</u>	<u>(4,678,095)</u>

Net Assets of Governmental Activities	<u>\$ 102,649,468</u>
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CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	General	Debt Service	Capital Projects	Special Purpose Local Option Sales Tax	Federal Programs	Other Governmental Funds	Total Governmental Funds
Revenues							
Federal sources	\$ 717,281	\$ -	\$ -	\$ -	\$ 6,023,651	\$ 4,216,116	\$ 10,957,048
State sources	30,191,622	-	-	113,441	-	1,268,549	31,573,612
Local sources and other funds	27,944,523	2,551,423	4,555	7,336	-	435,599	30,943,436
On behalf payments	71,770	-	-	-	-	-	71,770
Total Revenues	<u>58,925,196</u>	<u>2,551,423</u>	<u>4,555</u>	<u>120,777</u>	<u>6,023,651</u>	<u>5,920,264</u>	<u>73,545,866</u>
Expenditures							
Current							
Instruction	37,642,330	-	-	589,258	3,144,667	1,167,139	42,543,394
Support services							
Pupil services	1,355,803	-	-	-	648,484	28,273	2,032,560
Improvement of instructional services	880,837	-	-	-	1,591,205	1,807	2,473,849
Educational media services	1,144,128	-	-	-	-	-	1,144,128
General administration	506,997	-	-	-	307,075	-	814,072
School administration	2,841,510	-	-	-	-	-	2,841,510
Business administration	474,917	-	-	60,710	-	-	535,627
Maintenance and operation of plant	4,071,678	-	42,018	-	-	-	4,113,696
Student transportation services	2,285,412	-	-	-	123,218	6,233	2,414,863
Central support services	2,282,805	-	-	3,358	-	-	2,286,163
Other support services	653,216	-	-	-	110,747	198	764,161
Food services operation	-	-	4,001	-	81,882	4,773,804	4,859,687
Community services operations	190,296	-	-	-	-	-	190,296
Capital outlay							
Instruction	16,579	-	-	1,171,288	31,772	-	1,219,639
Support services							
Maintenance and operation of plant	20,649	-	-	-	-	-	20,649
Central support services	47,352	-	-	-	-	-	47,352
Food services operation	-	-	-	-	-	104,675	104,675
Debt service							
Principal retirement	-	7,390,634	-	-	-	-	7,390,634
Interest and fiscal charges	-	425,600	-	-	-	-	425,600
Total Expenditures	<u>54,414,509</u>	<u>7,816,234</u>	<u>46,019</u>	<u>1,824,614</u>	<u>6,039,050</u>	<u>6,082,129</u>	<u>76,222,555</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,510,687</u>	<u>(5,264,811)</u>	<u>(41,464)</u>	<u>(1,703,837)</u>	<u>(15,399)</u>	<u>(161,865)</u>	<u>(2,676,689)</u>
Other Financing Sources (Uses)							
Transfers in	-	1,583,088	668,000	528,922	-	57,379	2,837,389
Transfers out	(1,725,379)	-	(528,922)	(583,088)	-	-	(2,837,389)
Total Other Financing Sources (Uses)	<u>(1,725,379)</u>	<u>1,583,088</u>	<u>139,078</u>	<u>(54,166)</u>	<u>-</u>	<u>57,379</u>	<u>-</u>
Net Changes in Fund Balances	2,785,308	(3,681,723)	97,614	(1,758,003)	(15,399)	(104,486)	(2,676,689)
Fund Balance, Beginning of Year, Restated	<u>9,577,790</u>	<u>5,214,125</u>	<u>7,222,213</u>	<u>3,036,466</u>	<u>15,492</u>	<u>1,007,953</u>	<u>26,074,039</u>
Fund Balance, End of Year	<u>\$ 12,363,098</u>	<u>\$ 1,532,402</u>	<u>\$ 7,319,827</u>	<u>\$ 1,278,463</u>	<u>\$ 93</u>	<u>\$ 903,467</u>	<u>\$ 23,397,350</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Net Changes in Fund Balances - Total Governmental Funds \$ (2,676,689)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Elimination of transfers between governmental funds.

Transfers in	(2,837,389)	
Transfers out	<u>2,837,389</u>	-

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Capital outlay	1,392,315	
Depreciation expense	<u>(3,097,273)</u>	(1,704,958)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.

Net change in deferred tax revenue		48,117
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.

Principal payments of debt	<u>7,390,634</u>	7,390,634
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Net change in accrued interest on long-term debt		107,368
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Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net change in accrued compensated absence liability		<u>(7,335)</u>
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Changes in Net Assets - Governmental Activities		<u><u>\$ 3,157,137</u></u>
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CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 355,000	\$ 699,853	\$ 717,281	\$ 17,428
State sources	29,332,630	29,350,865	30,191,622	840,757
Local sources and other funds	24,246,350	26,726,350	27,944,523	1,218,173
On behalf payments	349,555	349,555	71,770	(277,785)
Total Revenues	<u>54,283,535</u>	<u>57,126,623</u>	<u>58,925,196</u>	<u>1,798,573</u>
Expenditures				
Current				
Instruction	37,812,879	37,812,879	37,642,330	170,549
Support services				
Pupil services	1,403,791	1,408,942	1,355,803	53,139
Improvement of instructional services	725,996	793,906	880,837	(86,931)
Educational media services	1,059,959	1,103,877	1,144,128	(40,251)
General administration	647,830	536,886	506,997	29,889
School administration	2,975,526	2,994,931	2,841,510	153,421
Business administration	745,437	748,358	474,917	273,441
Maintenance and operation of plant	4,266,975	4,266,975	4,071,678	195,297
Student transportation services	2,532,913	2,533,077	2,285,412	247,665
Central support services	2,142,210	2,142,210	2,282,805	(140,595)
Other support services	165,719	165,719	653,216	(487,497)
Community services operations	-	-	190,296	(190,296)
Capital outlay				
Instruction	20,000	20,000	16,579	3,421
Support services				
Maintenance and operation of plant	20,000	20,000	20,649	(649)
Central support services	50,000	50,000	47,352	2,648
Total Expenditures	<u>54,569,235</u>	<u>54,597,760</u>	<u>54,414,509</u>	<u>183,251</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(285,700)</u>	<u>2,528,863</u>	<u>4,510,687</u>	<u>1,981,824</u>
Other Financing Sources (Uses)				
Transfers out	<u>(200,000)</u>	<u>(1,868,000)</u>	<u>(1,725,379)</u>	<u>(142,621)</u>
Total Other Financing Sources (Uses)	<u>(200,000)</u>	<u>(1,868,000)</u>	<u>(1,725,379)</u>	<u>(142,621)</u>
Net Changes in Fund Balances	<u>\$ (485,700)</u>	<u>\$ 660,863</u>	2,785,308	<u>\$ 2,124,445</u>
Fund Balance, Beginning of Year, Restated			<u>9,577,790</u>	
Fund Balance, End of Year			<u>\$ 12,363,098</u>	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	<u>Agency Funds</u>
Assets	
Intergovernmental receivable	\$ 24,224
Total Assets	<u>\$ 24,224</u>
Liabilities	
Accounts payable	\$ 6,465
Due to others	<u> 17,759</u>
Total Liabilities	<u><u>\$ 24,224</u></u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies

Reporting Entity

The City of Dalton Board of Education ("School District") provides for a system of education for the children in the City of Dalton, Georgia ("Dalton") as authorized by its charter. The School District operates under a Board/Superintendent form of government. The five member Board of Education ("Board") is elected by the public and the Board appoints the Superintendent. These five elected members have decision making authority, the power to designate management, the ability to significantly influence operations, the authority to levy taxes or incur bonded indebtedness, and to set its budget without approval by the City Government or any other entity.

Basis of Presentation

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements, and notes to the basic financial statements of the City of Dalton Board of Education.

District-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. For the year ended June 30, 2012, the School District had no activities accounted for as business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, with each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School District reports the following major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies - Continued

- The Capital Projects Fund accounts for the acquisition and construction of capital assets or improvement of major capital projects. The projects accounted for in this fund are not funded by SPLOST revenue.
- The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- The Special Purpose Local Option Sales Tax Fund is a capital projects fund which accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) to be used for building renovations, land and building acquisitions, and construction of new educational facilities.
- The Federal Programs Fund is a special revenue fund which accounts for federal dollars received and restricted as to use.

Additionally, the School District provides additional information on the following nonmajor governmental funds: the School Food Services Special Revenue Fund and the Lottery Programs Special Revenue Fund.

The School District has two funds which are accounted for as agency funds; the Student Activity Agency Fund and the Family Connection Agency Fund. Agency funds are used to account for funds that the District holds for others in an agency capacity.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The District-wide governmental fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, sales taxes, and grants. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from sales taxes is recognized in the fiscal year in which the underlying transaction (sale) takes place. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The School District uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies - Continued

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

Agency funds are not involved in the measurement of results of operations and, therefore, measurement focus is not applicable to them.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School District's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

Cash, Cash Equivalents, and Investments

The School District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. The Official Code of Georgia Annotated ("OCGA") authorizes the school District to deposit its funds in one or more solvent banks, insured by Federal savings and loan associations or insured by chartered building and loan associations.

Investments made by the School District in nonparticipating interest-earning contracts and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year and equity investments are reported at fair value. The OCGA authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following: (1) obligations issued by the State of Georgia or by other states; (2) obligations issued by the United States government; (3) obligations fully insured or guaranteed by the United States government or a United States government agency; (4) obligations of any corporation of the United States government; (5) prime banker's acceptances; (6) obligations of other political subdivisions of the State of Georgia; and (8) the Local Government Investment Pool (Georgia Fund 1) administered by the state of Georgia, Office of Treasury and Fiscal Services.

The School District has a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, and interest rate risks. Foreign currency risk does not apply to the School District.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies - Continued

Receivables and Payables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due on Federal, State, or other grants for expenditures made but not reimbursed, and other receivables disclosed from information available. Receivables are recorded when either the asset or revenue recognition criteria has been met. Receivables recorded on the basic financial statements do not include any amounts which would necessitate the need for an allowance for uncollectible receivables.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds."

Property Taxes

The City of Dalton Council members fixed the property tax levy for the 2011 tax digest year (calendar year) on January 1, 2011 (levy date). Tax bills are mailed on October 20 (lien date) and are considered due upon receipt by the taxpayer. However, the actual due date is based on a period ending sixty days after the tax billing, on December 20 (due date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. The Whitfield County Tax Commissioner bills and collects the property taxes for the School District, withholds a percentage of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, net of the collection fee, combined with penalties and interest received on delinquent taxes, at the fund reporting level, during the fiscal year ended June 30, 2012, amounted to \$26,106,546.

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to \$2,511,047 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be reauthorized at least every five years.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies - Continued

On-Behalf Payments

The School District has recognized revenues and costs in the amount of \$71,770 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education

Paid to the Teachers Retirement System of Georgia

For teachers retirement system (TRS) employer's cost

In the amount of \$27,149

Office of Treasury and Fiscal Services

Paid to the Public School Employees Retirement Ssystem

For public school employees retirement (PSERS) employer's cost

In the amount of \$44,621

Inventories

On the basic financial statements, inventories held in the School Food Services Fund of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost. The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses/expenditures are recorded as the inventory items are used.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies - Continued

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School District as assets with an initial, individual cost of more than \$5,000 (land is capitalized regardless of cost) 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. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

Capitalization thresholds and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

Category	Estimated Useful Life
Buildings - permanent	40 years
Buildings - temporary	15 years
Land Improvements	15 years
Building Improvements	15 years
Machinery and Equipment - general	20 years
Kitchen Equipment	12 years
Athletic, Recreational, and Grounds Equipment	10 years
Custodial, Instructional, and Other Equipment	5 years
Cars and Light Trucks	4 years
Buses and Heavy Trucks	6 years
Technology Equipment - regular	5 years
Technology Equipment - food services	4 years

Compensated Absences

Compensated absences represent obligations of the School District relating to an employee's rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Accumulated unpaid sick leave costs are not vested and are not accrued in any fund, but are recognized as expenditures or expenses, when paid. Accumulated unpaid vacation costs are accrued when incurred in the district-wide financial statements. All compensated absences are presented as a current liability as the district continues to limit eligibility regarding compensated absences.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies - Continued

Long-Term Obligations

The School district issues and incurs long-term obligations to provide funds for the acquisition, construction, renovation, and maintenance of major capital facilities. In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. In the fund financial statements, governmental fund types recognize premiums, discounts, bond issuance costs, and proceeds from bonds in the year the debt is issued or incurred.

Fund Equity

The School District's net assets in the District-wide Statements are classified as follows:

Invested in capital assets, net of related debt - This represents the School District's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - These represent resources for which the School District is legally or contractually obligated to spend for continuation of Federal programs, debt service, and capital projects in accordance with restrictions imposed by external third parties.

Unrestricted net assets - Unrestricted net assets represent resources derived from property taxes, sales taxes, grants and contributions not restricted to specific programs, charges for services, and miscellaneous revenues. These resources are used for transactions relating to the educational and general operations of the School District, and may be used at the discretion of the Board to meet current expenses for those purposes.

The District implemented Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of July 1, 2010. This new standard changed the overall definitions and classifications of governmental fund balance. Fund equity at the governmental fund financial reporting level is classified as "fund balance". Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The District's fund balances are classified as follows:

- 1) **Non-spendable Fund Balance** - Non-cash assets such as inventories or prepaid items.
- 2) **Restricted Fund Balance** - Funds with limitations imposed on their use by external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- 3) **Committed Fund Balance** - Amounts that can only be used for specific purposes pursuant to a formal vote of the Board of Education. Only the Board may modify or rescind the commitment. The Board approves a motion to commit, modify, or rescind fund balance commitments.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Summary of Significant Accounting Policies – Continued

4) **Assigned Fund Balance** - Amounts intended by the Board of Education for specific purposes. The Board of Education can choose to delegate this authority. No one other than the Board is authorized to assign fund balance at this time.

5) **Unassigned Fund Balance** - Residual spendable fund balance after subtracting all above amounts.

Non-spendable Fund Balances and *Restricted Fund Balances* are considered restricted net assets on the Statement of Net Assets. *Committed, Assigned, Non-Spendable, and Unassigned Fund Balances* are considered unrestricted net assets on the Statement of Net Assets.

When expenditures are incurred by the District that would qualify for payment with either restricted or unrestricted funds, they will be paid from restricted funds. When an expenditure is incurred that qualifies for payment from one of the three unrestricted fund balances categories, it will be applied in the following order: committed, assigned, unassigned.

A schedule of fund balances is as follows:

Fund Balances:	General	Capital Projects	Debt Service	SPLOST	Federal Programs	Other Governmental Funds	Total
Nonspendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 206,557	\$ 206,557
Restricted for:							
Capital Projects	-	-	-	1,278,463	-	-	1,278,463
Debt Service	-	-	1,532,402	-	-	-	1,532,402
School Nutrition	-	-	-	-	-	699,687	699,687
Instruction and Support Services	-	-	-	-	93	-	93
Committed to:							
Capital Projects	-	7,319,827	-	-	-	-	7,319,827
Unassigned	12,363,098	-	-	-	-	(2,777)	12,360,321
Total Fund Balance	<u>\$ 12,363,098</u>	<u>\$ 7,319,827</u>	<u>\$ 1,532,402</u>	<u>\$ 1,278,463</u>	<u>\$ 93</u>	<u>\$ 903,467</u>	<u>\$ 23,397,350</u>

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during reporting period. Actual results could differ from those estimates.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 Restatements of Prior Year Net Assets and Fund Balances

For fiscal year 2012, the School District restated various fund balances due to changes in the application of GAAP and for errors and omissions.

Historically, the School District has recorded a receivable at year end for QBE for the subsequent months of July and August. QBE is a continual source of funding from the Georgia Department of Education, and the School District's treatment of the receivable mirrors the State's treatment. The Government Finance Officers Association has indicated that this is an incorrect application of GAAP, as all eligibility requirements have not yet been met. The School District concurs, and will restate beginning fund balance and beginning net assets due to the incorrect application of GAAP.

The School District has reported a fund in prior years which should not be separately reported. The School Activities fund has been reported as a Special Revenue Fund for numerous years. Upon examination in the current year, the School District finds that it no longer meets the definition of a Special Revenue Fund as defined by GASB 54. The School District will restate beginning fund balance and beginning net assets due to the incorrect application of GAAP.

The School District entered in to an exchange with the City of Dalton during fiscal year 2010. The School District gave the City title to its old Central Office, and the City gave the School District title to its old jail property. The School District intends to raze the property and use the land at some point in the future. This exchange was errantly omitted in 2010. Also, the School District purchased three smart tables during fiscal year 2011 which were errantly omitted. Further, the School District included three projects as construction in progress during fiscal year 2011 which were not intended to be capitalized. The School District will restate beginning net assets due to the errors and omissions.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 2 Restatements of Prior Year Net Assets and Fund Balances - Continued

The details of the restatements are as follows:

General Fund	
Ending fund balance at June 30, 2011	\$ 13,226,406
Reduction due to removal of QBE receivable	(4,206,605)
Addition of School Activities fund balance at June 30, 2011	<u>557,989</u>
Ending fund balance at June 30, 2011, restated	<u><u>\$ 9,577,790</u></u>
School Activities Special Revenue Fund	
Ending fund balance at June 30, 2011	\$ 557,989
Reduction due to reclassification to General Fund	<u>(557,989)</u>
Ending fund balance at June 30, 2011, restated	<u><u>\$ -</u></u>
District-wide Net Assets	
Ending net assets at June 30, 2011	\$ 103,517,816
Reduction due to removal of QBE receivable	(4,206,605)
Addition of old jail property and smart tables, net of depreciation	1,018,349
Reduction due to projects errantly included in construction in progress	<u>(837,229)</u>
Ending net assets at June 30, 2011, restated	<u><u>\$ 99,492,331</u></u>

Note 2 Legal Compliance - Budgets

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds is prepared by fund, function and object. The legal level of budgetary control was established by the Board at the fund level. The budget for the General Fund was prepared in accordance with generally accepted accounting principles. The budgets are legally adopted at the aggregate District level.

The budget process begins when the School District's administration prepares a tentative budget for the Board's approval. After approval of this tentative budget by the Board, such a budget is advertised at least once in a newspaper of general circulation in the locality. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final school budget. This final budget is then submitted, in accordance with provisions of the Quality Basic Education Act, OCGA 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 Deposits and Investments

Deposits

OCGA Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. Deposits held by the School District at June 30, 2012 totaled \$5,277,155. At June 30, 2012, \$48,555 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

Acceptable security for deposits consists of any one of or any combination of the following:

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 Deposits and Investments - Continued

Investments

The School District's investments as of June 30, 2012 are presented below. Investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity <u>Less Than</u> 1 Year
Debt Securities		
U.S. Agencies	\$ 1,010,251	\$ 1,010,251
Investment Pools		
Office of Treasury and Fiscal Services		
Georgia Fund 1	<u>22,203,562</u>	<u>22,203,562</u>
	<u>\$ 23,213,813</u>	<u>\$ 23,213,813</u>

The Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of Treasury and Fiscal Services is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Georgia Fund 1 does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAM rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2012 was 48 days.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District's investment policy states that the investment portfolio shall be designed to attain a market rate of return throughout budgetary and economic cycles, taking into account the investment risk restraints and liquidity needs. A market rate of return shall be defined as a rate of return that is not less than the annual return of the Georgia Fund 1.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 3 Deposits and Investments - Continued

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2012, all of the School District's investments were properly collateralized as required by State statutes. The School District's investment policy states that safety of principal is the foremost objective of the investment program. Investment of funds shall be undertaken in a manner that seeks to ensure the preservation of capital and protection of the investment principal.

Credit Quality Risk – Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District's investment policy states that safety of principal is the foremost objective of the investment program. Investment of funds shall be undertaken in a manner that seeks to ensure the preservation of capital and protection of the investment principal.

Note 4 Nonmonetary Transactions

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value. See Note 1 for more information on inventories.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2012, is as follows:

	Beginning Balance Restated	Increases	Reclassification	Ending Balance
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 9,264,235	\$ -	\$ -	\$ 9,264,235
Construction in Progress	14,857,726	786,555	(14,857,726)	786,555
Total	<u>24,121,961</u>	<u>786,555</u>	<u>(14,857,726)</u>	<u>10,050,790</u>
Depreciable Capital Assets				
Land Improvements	1,797,279	-	-	1,797,279
Buildings and Building Improvements	82,563,138	395,392	14,857,726	97,816,256
Machinery, Equipment, and Technology	3,157,065	210,368	-	3,367,433
Vehicles	429,755	-	-	429,755
Total	<u>87,947,237</u>	<u>605,760</u>	<u>14,857,726</u>	<u>103,410,723</u>
Less Accumulated Depreciation				
Land Improvements	(1,416,594)	(90,619)	-	(1,507,213)
Buildings and Building Improvements	(24,240,772)	(2,687,939)	-	(26,928,711)
Machinery, Equipment, and Technology	(1,789,644)	(298,037)	-	(2,087,681)
Vehicles	(407,149)	(20,678)	-	(427,827)
Total	<u>(27,854,159)</u>	<u>(3,097,273)</u>	<u>-</u>	<u>(30,951,432)</u>
Depreciable Capital Assets, net	<u>60,093,078</u>	<u>(2,491,513)</u>	<u>14,857,726</u>	<u>72,459,291</u>
Governmental Activities Capital Assets, Net	<u>\$ 84,215,039</u>	<u>\$ (1,704,958)</u>	<u>\$ -</u>	<u>\$ 82,510,081</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 5 Capital Assets – Continued

Current year depreciation expense by function is as follows:

Governmental Activities:	
Instruction	\$ 2,850,161
Improvement of instructional services	1,460
Maintenance and operation of plant	11,973
Central support services	66,798
Food services operation	166,881
Total Depreciation Expense - Governmental Activities	<u>\$ 3,097,273</u>

Note 6 Interfund Balances and Transfers

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions and from interfund loans of cash. Interfund balances at June 30, 2012 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,276,626	\$ 4,707,836
Capital Projects Fund	3,579,891	-
Debt Service Fund	478,462	4
SPLOST Fund	195,074	259,996
Federal Programs Fund	1,929	532,394
Nonmajor Governmental Funds	128,213	159,965
Total Governmental Funds	<u>\$ 5,660,195</u>	<u>\$ 5,660,195</u>

Transfers are used to move revenues such as sales tax and property tax revenues as required matching funds or to provide supplemental funding for projects. Interfund transfers for the year ended June 30, 2012 consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Capital Projects Fund	SPLOST Fund	
Debt Service Fund	\$ 1,000,000	\$ -	\$ 583,088	\$ 1,583,088
SPLOST Fund	-	528,922	-	528,922
Capital Projects Fund	668,000	-	-	668,000
Nonmajor Governmental Funds	57,379	-	-	57,379
Total Governmental Funds	<u>\$ 1,725,379</u>	<u>\$ 528,922</u>	<u>\$ 583,088</u>	<u>\$ 2,837,389</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 Long Term Debt

Capital Leases - The School District has entered into four agreements with the City of Dalton Building Authority for the purpose of acquiring, constructing, and equipping buildings and facilities. Under the terms of the agreements, the School District will ensure that payments of principal and interest on the City of Dalton Building Authority Revenue Bonds (Dalton Public School System Project), Series 2005, Series 2006, and Series 2007, and the City of Dalton Building Authority Qualified Zone Academy Bonds (Dalton Public School System Project) are made in a timely manner through March 1, 2015, March 1, 2012, March 1, 2012, and May 1, 2018, respectively. Additionally, the School District has entered into an agreement with the City of Dalton, Georgia for the purpose of acquiring land on which the City and School District recreation facilities are located, with some recreation facilities to be shared by both entities and the purchase price of said land to be paid jointly. The School District has agreed to fund the cost of 40% of the purchase price of the land. Those payments will be satisfied in February, 2013 and March, 2013. The School District has also entered into an agreement and two additions to the agreement for energy saving equipment upgrades for all of the School District's buildings. Those leases will be satisfied in August, 2013, August, 2013, and December, 2013.

The following is an analysis of leased assets under the capital leases of June 30, 2012:

Land		\$	3,669,687
Buildings and building improvements	6,684,751		
Net of accumulated amortization	<u>(2,951,753)</u>		<u>3,732,998</u>
		\$	<u>7,402,685</u>

At June 30, 2012, payments due by fiscal year, which includes principal and interest, are as follows:

Year Ending June 30,	Principal	Interest
2013	\$ 1,264,628	\$ 120,931
2014	756,175	82,427
2015	610,000	68,287
2016 - 2017	-	71,263
2018	<u>2,000,000</u>	<u>59,099</u>
Total Principal and Interest	<u>\$ 4,630,803</u>	<u>\$ 402,007</u>

Compensated Absences - Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this debt. The School District uses the vesting method to compute compensated absences.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 7 Long Term Debt - Continued

Long-term liability activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Capital leases	\$ 12,021,437	\$ -	\$ (7,930,634)	\$ 4,090,803	\$ 1,264,628
Compensated absences	16,725	61,854	(54,519)	24,060	24,060
	<u>\$ 12,038,162</u>	<u>\$ 61,854</u>	<u>\$ (7,985,153)</u>	<u>\$ 4,114,863</u>	<u>\$ 1,288,688</u>

Note 8 Retirement Plans

Teachers Retirement System - Substantially all teachers, administrators, and clerical personnel employed by the School District are covered by the Teachers Retirement System of Georgia (TRS). The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS. The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers Retirement System (SRBP-TRS). SRBP-TRS was established as a qualified excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC) as a portion of TRS. The purpose of SRBP-TRS is to provide retirement benefits to employees covered by TRS whose benefits are otherwise limited by IRC Section 415. Beginning July 1, 1997, all members and retired former members in TRS are eligible to participate in the SRBP-TRS whenever their benefits under TRS exceed the IRC Section 415 imposed limitation on benefits.

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8 Retirement Plans - Continued

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary. The contribution is an actuarially determined rate. The employer contribution rate will increase to 11.41% effective July 1, 2012. The contribution requirements of plan members and the District are established and may be amended by the TRS Board of Trustees.

Employer contributions for the current fiscal year and the preceding two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2012	100%	\$ 3,497,210
2011	100%	3,235,692
2010	100%	3,621,060

Employee contributions for the years ended June 30, 2012, 2011, and 2010 were \$1,895,822, \$1,730,319, and \$1,951,595, respectively.

Public School Employees Retirement System - Substantially all bus drivers, maintenance, custodial, and lunchroom personnel employed by the School District are members of the Public School Employees Retirement System of Georgia (PSERS), which is also a cost-sharing multiple employer public employee retirement system. The Board of the Public School Employees Retirement System of Georgia issues a publicly available financial report that included financial statements and supplementary information for PSERS. That report may be obtained by writing Public School Employee Retirement System, Two Northside 75, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

Covered employees are required by state statute to contribute \$4 per month for the nine month school year. The State of Georgia makes an annual contribution to PSERS based upon an actuarial calculation. The School District makes no contribution to PSERS. Total contributions from employees of the School District made during the fiscal year ended June 30, 2012 totaled \$4,120.

Employee's Retirement System of Georgia – This plan is not available to existing or new employees of the School District unless an employee already is a member of the plan. The Employee's Retirement System of Georgia (ERS) is a cost-sharing multiple employer public employee's retirement system. The ERS Board of Trustees has the ability to establish and amend benefit provisions. The ERS issues a publicly available financials report that included financial statements and required supplementary information. That report may be obtained by writing to Employee's Retirement System of Georgia, Two Northside 75, Atlanta, Georgia 30318.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 8 Retirement Plans - Continued

Members become vested after 10 years of creditable service. Upon termination of employment, member contributions are refundable with interest. A member may retire and elect to receive normal monthly retirement benefits after completion of 10 years of creditable service and attainment of age 60 or after completion of 30 years of service regardless of age. If a member chooses, they may begin receiving reduced benefits before age 60 with a minimum of 25 years of service with a 7% benefit reduction for each year under age 60 or each year under 30 years of service, whichever is less, with a maximum reduction of 35%. Upon retirement, the member will receive a monthly benefit based on salary, age, and years of service. ERS provides death, disability, and survivor's benefits. The plan makes periodic cost of living adjustments to monthly benefits.

ERS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are set at 1.5% of compensation. Employer contributions required for fiscal year 2012 were 11.63% (increased in August 2011 from 10.41%) of compensation for participants on the new plan. Covered payroll for the year ended June 30, 2012 was \$49,407. Employer contributions for the years ended June 30, 2012, 2011, and 2010 were \$5,746, \$5,225, and \$5,429, equal to 11.6%, 10.4%, and 11.4% of covered payroll, respectively. Employee contributions for the years ended June 30, 2012, 2011, and 2010 were \$741, \$753, and \$627, equal to 1.4%, 1.5%, and 1.4% of covered payroll, respectively.

Note 9 Post-Employment Benefits

The Georgia School Personnel Post-employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 Post-Employment Benefits - Continued

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2012:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

June 2011	1.429% of covered payroll for July coverage
July 2011	18.534% of covered payroll for August coverage
August 2011 - March 2012	24.000% of covered payroll for September - April coverage
April 2012 - June 2012	3.958% of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	\$246.20 per member per month
September 2011 - June 2012	\$296.20 per member per month

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Note 9 Post-Employment Benefits - Continued

The School District's combined active and retiree contributions to the health insurance plans for the years ended June 30, 2012, 2011, and 2010 were \$5,819,810, \$5,443,791, and \$5,590,610, respectively, which equaled the required contribution.

Note 10 Risk Management

The School District is exposed to various risks of loss for claims associated with torts; theft of, damage to, and destruction of assets, errors and omissions, natural disasters, workers compensation, and unemployment compensation. The School District has obtained commercial insurance from risk of loss associated with torts, assets, errors and omissions, and job related illness or injuries to employees. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District is a participant in the City of Dalton, Georgia's self-insured workers' compensation program. The City of Dalton, Georgia maintains all administrative control over the program and requires that the School District contribute its allocable share of costs to the program annually or more frequently, as deemed necessary. The School District accounts for its contributions within the General Fund with expenditures being reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Changes in the unemployment compensation claims liability during the last three fiscal years are as follows:

	Beginning of Year Liability	Claims	Claims Paid	End of Year Liability
2010	\$ -	\$ 17,160	\$ (17,160)	\$ -
2011	-	126,463	(126,463)	-
2012	-	148,172	(148,172)	-

Note 11 Commitments and Contingencies

The School District is involved in legal matters as of the fiscal year ended June 30, 2012 in relation to workers' compensation claims. The School District feels that insurance coverage and other sources will cover any settlements and that the effect of the settlements will not have a material impact on the financials.

The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2012, may be impaired. In the opinion of the School District, the significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants have been recorded in the accompanying financial statements for such contingencies.

The School District is committed under outstanding construction contracts in the Capital Projects funds in the amount of \$1,765,120. Construction contracts include expansion and renovation of facilities.

CITY OF DALTON BOARD OF EDUCATION
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Food Services	To account for the monies and commodities received from the federal and state governments and the School Food Service's cafeteria sales for the purpose of maintaining the District's breakfast, lunch, and snack programs.
Lottery Programs	To account for the Pre-K program administered by the District.

CITY OF DALTON BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2012

	<u>Special Revenue Funds</u>		Total Nonmajor
	<u>School Food</u>	<u>Lottery</u>	<u>Governmental</u>
	<u>Services</u>	<u>Programs</u>	<u>Funds</u>
Assets			
Cash	\$ 876,207	\$ -	\$ 876,207
Receivables			
Intergovernmental	236,852	-	236,852
Due from other funds	-	128,213	128,213
Inventory	206,557	-	206,557
Total Assets	<u>\$ 1,319,616</u>	<u>\$ 128,213</u>	<u>\$ 1,447,829</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 115,907	\$ 16,287	\$ 132,194
Salaries payable	137,500	114,703	252,203
Due to other funds	159,965	-	159,965
Total Liabilities	<u>413,372</u>	<u>130,990</u>	<u>544,362</u>
Fund Balances			
Nonspendable	206,557	-	206,557
Restricted	699,687	-	699,687
Unassigned	-	(2,777)	(2,777)
Total Fund Balances	<u>906,244</u>	<u>(2,777)</u>	<u>903,467</u>
Total Liabilities and Fund Balances	<u>\$ 1,319,616</u>	<u>\$ 128,213</u>	<u>\$ 1,447,829</u>

CITY OF DALTON BOARD OF EDUCATION
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Special Revenue Funds</u>		Total Nonmajor
	<u>School Food</u>	<u>Lottery</u>	<u>Governmental</u>
	<u>Services</u>	<u>Programs</u>	<u>Funds</u>
Revenues			
Federal sources	\$ 4,216,116	\$ -	\$ 4,216,116
State sources	122,278	1,146,271	1,268,549
Local sources and other funds	<u>435,599</u>	<u>-</u>	<u>435,599</u>
Total Revenues	<u>4,773,993</u>	<u>1,146,271</u>	<u>5,920,264</u>
Expenditures			
Current			
Instruction	-	1,167,139	1,167,139
Support services			
Pupil services	-	28,273	28,273
Improvement of instructional services	-	1,807	1,807
Student transportation services	-	6,233	6,233
Other support services	-	198	198
Food services operation	4,773,804	-	4,773,804
Capital outlay			
Food services operation	<u>104,675</u>	<u>-</u>	<u>104,675</u>
Total Expenditures	<u>4,878,479</u>	<u>1,203,650</u>	<u>6,082,129</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(104,486)</u>	<u>(57,379)</u>	<u>(161,865)</u>
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>57,379</u>	<u>57,379</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>57,379</u>	<u>57,379</u>
Net Change in Fund Balances	(104,486)	-	(104,486)
Fund Balance, Beginning of Year	<u>1,010,730</u>	<u>(2,777)</u>	<u>1,007,953</u>
Fund Balance, End of Year	<u>\$ 906,244</u>	<u>\$ (2,777)</u>	<u>\$ 903,467</u>

CITY OF DALTON BOARD OF EDUCATION
AGENCY FUNDS

AGENCY FUND

Student Activities	To account for school activity funds that the District holds for others in an agency capacity.
Family Connection	To account for activities of the Family Connection Center.

CITY OF DALTON BOARD OF EDUCATION
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 AGENCY FUNDS
 JUNE 30, 2012

	<u>Student Activity</u>	<u>Family Connection</u>	<u>Totals</u>
Assets			
Intergovernmental receivable	\$ 2,366	\$ 21,858	\$ 24,224
Total Assets	<u>\$ 2,366</u>	<u>\$ 21,858</u>	<u>\$ 24,224</u>
Liabilities			
Accounts payable	\$ -	\$ 6,465	\$ 6,465
Due to others	<u> 2,366</u>	<u> 15,393</u>	<u> 17,759</u>
Total Liabilities	<u><u>\$ 2,366</u></u>	<u><u>\$ 21,858</u></u>	<u><u>\$ 24,224</u></u>

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2012

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2012</u>
<u>Student Activities Agency Fund</u>				
Assets				
Intergovernmental receivable	\$ -	\$ 27,844	\$ (25,478)	\$ 2,366
Due from others	<u>33,182</u>	<u>823,834</u>	<u>(857,016)</u>	<u>-</u>
Total Assets	<u>\$ 33,182</u>	<u>\$ 823,834</u>	<u>\$ (857,016)</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 33,182	\$ 301,234	\$ (334,416)	\$ -
Due to others	<u>-</u>	<u>2,366</u>	<u>-</u>	<u>2,366</u>
Total Liabilities	<u>\$ 33,182</u>	<u>\$ 303,600</u>	<u>\$ (334,416)</u>	<u>\$ 2,366</u>
<u>Family Connection Agency Fund</u>				
Assets				
Intergovernmental receivable	\$ 10,952	\$ 21,858	\$ (10,952)	\$ 21,858
Total Assets	<u>\$ 10,952</u>	<u>\$ 21,858</u>	<u>\$ (10,952)</u>	<u>\$ 21,858</u>
Liabilities				
Accounts payable	\$ 7,380	\$ 69,955	\$ (70,870)	\$ 6,465
Due to others	<u>3,572</u>	<u>46,588</u>	<u>(34,767)</u>	<u>15,393</u>
Total Liabilities	<u>\$ 10,952</u>	<u>\$ 116,543</u>	<u>\$ (105,637)</u>	<u>\$ 21,858</u>

CITY OF DALTON BOARD OF EDUCATION
STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Dalton Board of Education's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the District's overall financial health.

Financial Trends

These schedules contain trend information to help readers understand how the District's financial performance and well being have changed over time.

Revenue Capacity

These schedules contain information to help readers assess the District's most significant local revenue source - its property tax.

Debt Capacity

These schedules present information to help readers assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help readers understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help readers understand how the information in the District's financial report relates to the services the District provides and the activities it performs.

CITY OF DALTON BOARD OF EDUCATION
NET ASSETS BY COMPONENT
SEVEN YEAR SUMMARY
PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Governmental activities							
Invested in capital assets, net of debt	\$ 44,227,935	\$ 50,351,597	\$ 58,769,014	\$ 66,799,011	\$ 67,290,901	\$ 72,193,602	\$ 77,879,278
Restricted	16,661,177	17,855,771	17,119,101	14,646,535	11,622,778	8,250,591	2,787,633
Unrestricted	<u>7,615,182</u>	<u>10,116,289</u>	<u>9,212,694</u>	<u>5,070,327</u>	<u>12,343,906</u>	<u>19,048,138</u>	<u>21,982,557</u>
Total governmental activities	<u>\$ 68,504,294</u>	<u>\$ 78,323,657</u>	<u>\$ 85,100,809</u>	<u>\$ 86,515,873</u>	<u>\$ 91,257,585</u>	<u>\$ 99,492,331</u>	<u>\$ 102,649,468</u>
 Total percentage increase from prior year		14.3%	8.7%	1.7%	5.5%	9.0%	3.2%
 Governmental activities							
Invested in capital assets, net of debt	64.6%	64.3%	69.1%	77.2%	73.7%	72.6%	75.9%
Restricted	24.3%	22.8%	20.1%	16.9%	12.7%	8.3%	2.7%
Unrestricted	<u>11.1%</u>	<u>12.9%</u>	<u>10.8%</u>	<u>5.9%</u>	<u>13.5%</u>	<u>19.1%</u>	<u>21.4%</u>
Total governmental activities	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN NET ASSETS
SEVEN YEAR SUMMARY
PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Expenses							
Governmental activities:							
Instruction	\$ 38,396,632	\$ 42,030,924	\$ 45,510,301	\$ 46,897,774	\$ 44,949,020	\$ 44,647,133	\$ 45,393,555
Support services:							
Pupil services	1,583,369	2,014,952	3,010,776	2,663,130	2,139,030	2,064,431	2,032,560
Improvement of instructional services	1,770,203	1,791,499	1,953,519	2,521,532	2,593,505	2,046,951	2,475,309
Educational media services	1,137,661	1,087,919	1,216,252	1,121,176	1,164,142	1,125,302	1,144,128
General administration	607,728	630,752	651,384	784,947	897,271	928,161	814,072
School administration	2,506,189	2,673,157	2,805,057	2,942,937	3,051,347	2,994,948	2,841,510
Business administration	486,235	773,196	727,347	662,597	676,402	481,918	535,627
Maintenance and operation of plant	5,357,186	3,761,561	4,388,784	4,367,999	4,748,609	4,126,720	4,133,004
Student transportation services	2,432,923	3,005,214	2,832,119	2,768,436	2,870,261	2,261,218	2,414,863
Central support services	2,061,402	2,275,453	3,593,682	2,442,992	2,586,306	2,155,085	2,352,961
Other support services	551,098	86,316	85,898	86,832	504,600	628,540	764,161
Food services operation	2,681,748	3,249,025	3,759,191	4,097,768	4,824,835	4,735,358	5,026,568
Community services operations	105,404	145,929	145,297	115,038	298,337	152,171	190,296
Interest on long-term debt	861,735	907,694	1,035,443	1,350,650	906,574	632,891	318,232
Total governmental activities expenses	<u>\$ 60,539,513</u>	<u>\$ 64,433,591</u>	<u>\$ 71,715,050</u>	<u>\$ 72,823,808</u>	<u>\$ 72,210,239</u>	<u>\$ 68,980,827</u>	<u>\$ 70,436,846</u>

(continued)

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN NET ASSETS
SEVEN YEAR SUMMARY
PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Program revenues							
Governmental activities							
Charges for services							
Instruction	\$ 229,178	\$ 231,790	\$ 230,966	\$ 226,809	\$ 244,607	\$ 251,965	\$ 239,459
Food services operation	506,891	493,292	451,413	460,373	418,602	420,374	432,010
Operating grants and contributions							
Instruction	22,790,243	25,557,802	23,751,474	22,819,300	23,395,247	27,086,531	27,070,281
Support services:							
Pupil services	475,188	615,249	2,184,571	1,304,391	1,371,667	1,504,415	1,407,349
Improvement of instructional services	1,033,432	892,009	1,363,071	1,900,318	2,121,052	1,785,857	2,051,518
Educational media services	585,674	780,610	625,222	531,146	631,006	724,266	685,612
General administration	1,210,904	493,792	421,680	451,812	707,136	709,824	702,771
School administration	1,092,358	1,452,522	1,427,594	1,392,830	1,620,076	1,895,026	1,702,757
Business administration	-	-	360,041	310,950	354,786	300,979	284,591
Maintenance and operation of plant	1,652,572	1,928,061	2,714,929	1,892,957	3,129,566	2,534,933	2,553,368
Student transportation services	178,707	341,242	1,448,881	1,327,258	1,524,726	1,427,219	1,402,828
Central support services	9,439	983,021	1,844,231	1,177,297	1,320,032	1,314,349	1,367,957
Other support services	31,364	34,915	55,098	254,631	485,437	635,373	447,884
Food services operation	2,703,768	3,080,428	3,395,611	3,797,153	4,114,791	4,046,845	4,387,677
Community services operations	-	-	74,080	54,228	224,367	123,745	114,034
Capital grants and contributions							
Support services:							
Student transportation services	146,080	-	-	-	-	-	-
Total governmental activities program revenues	<u>\$ 32,645,798</u>	<u>\$ 36,884,733</u>	<u>\$ 40,348,862</u>	<u>\$ 37,901,453</u>	<u>\$ 41,663,098</u>	<u>\$ 44,761,701</u>	<u>\$ 44,850,096</u>

(continued)

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN NET ASSETS
SEVEN YEAR SUMMARY
PREPARED USING THE ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Net revenues (expenses) of governmental activities	<u>\$ (27,893,715)</u>	<u>\$ (27,548,858)</u>	<u>\$ (31,366,188)</u>	<u>\$ (34,922,355)</u>	<u>\$ (30,547,141)</u>	<u>\$ (24,219,126)</u>	<u>\$ (25,586,750)</u>
General revenues and other changes in net assets							
Governmental activities							
Property taxes	\$ 26,839,836	\$ 28,591,529	\$ 29,644,818	\$ 29,352,719	\$ 28,173,650	\$ 26,728,746	\$ 26,154,663
Sales taxes	6,293,834	6,106,623	6,199,129	5,704,504	5,560,456	5,511,970	2,511,047
Unrestricted investment earnings	1,147,673	2,192,092	1,846,208	1,135,942	536,398	213,156	78,177
Other	<u>713,653</u>	<u>477,977</u>	<u>453,185</u>	<u>144,254</u>	<u>1,018,349</u>	<u>-</u>	<u>-</u>
Total governmental activities general revenues and other changes in net assets	<u>\$ 34,994,996</u>	<u>\$ 37,368,221</u>	<u>\$ 38,143,340</u>	<u>\$ 36,337,419</u>	<u>\$ 35,288,853</u>	<u>\$ 32,453,872</u>	<u>\$ 28,743,887</u>
Change in net assets of governmental activities	<u>\$ 7,101,281</u>	<u>\$ 9,819,363</u>	<u>\$ 6,777,152</u>	<u>\$ 1,415,064</u>	<u>\$ 4,741,712</u>	<u>\$ 8,234,746</u>	<u>\$ 3,157,137</u>

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
FUND BALANCES OF GOVERNMENTAL FUNDS
SEVEN YEAR SUMMARY
PREPARED USING THE MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
General fund							
Unassigned	<u>\$ 5,053,053</u>	<u>\$ 7,316,879</u>	<u>\$ 5,978,179</u>	<u>\$ 2,035,726</u>	<u>\$ 2,486,735</u>	<u>\$ 9,577,790</u>	<u>\$ 12,363,098</u>
Total general fund	<u>\$ 5,053,053</u>	<u>\$ 7,316,879</u>	<u>\$ 5,978,179</u>	<u>\$ 2,035,726</u>	<u>\$ 2,486,735</u>	<u>\$ 9,577,790</u>	<u>\$ 12,363,098</u>
All other governmental funds							
Nonspendable	\$ 98,365	\$ 116,219	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557
Restricted	12,067,524	25,523,376	28,373,340	22,224,643	12,685,883	9,082,829	3,510,645
Committed	6,460,000	8,388,530	9,096,420	7,774,668	7,739,821	7,222,213	7,319,827
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,777)</u>	<u>(2,777)</u>
Total nonmajor governmental funds	<u>\$ 18,625,889</u>	<u>\$ 34,028,125</u>	<u>\$ 37,616,110</u>	<u>\$ 30,148,798</u>	<u>\$ 20,642,166</u>	<u>\$ 16,496,249</u>	<u>\$ 11,034,252</u>
Total governmental funds							
Nonspendable	\$ 98,365	\$ 116,219	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557
Restricted	12,067,524	25,523,376	28,373,340	22,224,643	12,685,883	9,082,829	3,510,645
Committed	6,460,000	8,388,530	9,096,420	7,774,668	7,739,821	7,222,213	7,319,827
Unassigned	<u>5,053,053</u>	<u>7,316,879</u>	<u>5,978,179</u>	<u>2,035,726</u>	<u>2,486,735</u>	<u>9,575,013</u>	<u>12,360,321</u>
Total governmental funds	<u>\$ 23,678,942</u>	<u>\$ 41,345,004</u>	<u>\$ 43,594,289</u>	<u>\$ 32,184,524</u>	<u>\$ 23,128,901</u>	<u>\$ 26,074,039</u>	<u>\$ 23,397,350</u>
Total percentage change from prior year		74.6%	5.4%	-26.2%	-28.1%	12.7%	-10.3%

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
SEVEN YEAR SUMMARY
PREPARED USING THE MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	<u>June 30, 2006</u>	<u>June 30, 2007</u>	<u>June 30, 2008</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Revenues							
Federal sources	\$ 5,777,434	\$ 6,522,700	\$ 7,135,135	\$ 7,883,717	\$ 11,912,377	\$ 10,890,836	\$ 10,957,048
State sources	25,315,449	28,385,050	30,399,890	27,523,761	27,112,298	31,350,005	31,573,612
Local sources and other funds	37,060,277	39,263,682	39,734,896	38,567,366	36,680,321	34,540,213	30,943,436
On behalf payments	<u>733,974</u>	<u>758,526</u>	<u>962,597</u>	<u>424,335</u>	<u>110,304</u>	<u>128,489</u>	<u>71,770</u>
Total Revenues	<u>68,887,134</u>	<u>74,929,958</u>	<u>78,232,518</u>	<u>74,399,179</u>	<u>75,815,300</u>	<u>76,909,543</u>	<u>73,545,866</u>
Expenditures							
Current							
Instruction	37,604,109	41,353,763	44,006,369	45,104,125	42,687,509	41,374,888	42,543,394
Support services							
Pupil services	1,583,369	2,033,402	3,013,405	2,663,190	2,141,604	2,064,431	2,032,560
Improvement of instructional services	1,770,203	1,804,003	1,940,245	2,516,004	2,590,228	2,039,938	2,473,849
Educational media services	1,137,661	1,106,150	1,216,252	1,121,176	1,164,142	1,125,302	1,144,128
General administration	607,728	670,200	650,939	782,990	900,976	928,161	814,072
School administration	2,483,576	2,651,324	2,799,981	2,948,640	3,053,434	2,994,948	2,841,510
Business administration	486,235	1,031,213	732,183	660,197	680,708	481,918	535,627
Maintenance and operation of plant	4,150,615	3,816,514	4,045,718	4,036,606	4,705,445	4,118,159	4,113,696
Student transportation services	2,432,923	3,005,678	2,832,119	2,768,436	2,870,261	2,261,218	2,414,863
Central support services	2,061,402	2,289,671	3,613,207	2,388,110	2,523,088	2,088,242	2,286,163
Other support services	551,098	86,316	85,898	86,832	504,600	628,540	764,161
Food services operation	2,775,010	3,415,121	3,772,330	3,972,096	4,624,064	4,567,929	4,859,687
Community services operations	105,404	148,248	145,297	115,038	298,337	152,171	190,296

(continued)

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
SEVEN YEAR SUMMARY
PREPARED USING THE MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Capital outlay	\$ 2,636,781	\$ 2,692,835	\$ 9,616,024	\$ 8,892,363	\$ 8,326,056	\$ 1,341,309	\$ 1,392,315
Debt service							
Principal retirement	4,952,668	5,118,353	8,415,921	6,490,499	6,811,239	7,085,009	7,390,634
Interest and fiscal charges	943,963	774,325	1,153,269	1,262,642	989,232	712,242	425,600
Total Expenditures	<u>66,282,745</u>	<u>71,997,116</u>	<u>88,039,157</u>	<u>85,808,944</u>	<u>84,870,923</u>	<u>73,964,405</u>	<u>76,222,555</u>
Excess of Revenues Over (Under)							
Expenditures	<u>2,604,389</u>	<u>2,932,842</u>	<u>(9,806,639)</u>	<u>(11,409,765)</u>	<u>(9,055,623)</u>	<u>2,945,138</u>	<u>(2,676,689)</u>
Other Financing Sources (Uses)							
Capital lease proceeds	\$ -	\$ 14,733,220	\$ 12,055,924	\$ -	\$ -	\$ -	\$ -
Transfers in	6,231,887	8,908,386	3,488,874	20,332,508	19,856,334	8,379,297	2,837,389
Transfers out	<u>(6,231,887)</u>	<u>(8,908,386)</u>	<u>(3,488,874)</u>	<u>(20,332,508)</u>	<u>(19,856,334)</u>	<u>(8,379,297)</u>	<u>(2,837,389)</u>
Total other Financing Sources (Uses)	<u>-</u>	<u>14,733,220</u>	<u>12,055,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,604,389</u>	<u>\$ 17,666,062</u>	<u>\$ 2,249,285</u>	<u>\$ (11,409,765)</u>	<u>\$ (9,055,623)</u>	<u>\$ 2,945,138</u>	<u>\$ (2,676,689)</u>
Debt Service as a % of noncapital expenditures	9.3%	8.5%	12.2%	10.1%	10.2%	10.7%	10.4%

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
PER PUPIL STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SEVEN YEAR SUMMARY
PREPARED USING THE MODIFIED ACCRUAL BASIS OF ACCOUNTING
(UNAUDITED)

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012
Revenues							
Federal sources	\$ 915	\$ 1,008	\$ 1,079	\$ 1,170	\$ 1,743	\$ 1,555	\$ 1,517
State sources	4,010	4,387	4,598	4,086	3,966	4,476	4,370
Local sources and other funds	5,870	6,069	6,010	5,726	5,366	4,931	4,283
On behalf payments	116	117	146	63	16	18	10
Total Revenues	<u>10,912</u>	<u>11,581</u>	<u>11,832</u>	<u>11,045</u>	<u>11,091</u>	<u>10,981</u>	<u>10,179</u>
Expenditures							
Current							
Instruction	5,957	6,392	6,656	6,696	6,245	5,907	5,888
Support services	2,735	2,858	3,165	2,965	3,092	2,674	2,688
Food services operation	440	528	571	590	676	652	673
Community services operations	17	23	22	17	44	22	26
Capital outlay	418	416	1,454	1,320	1,218	192	193
Debt service	934	911	1,447	1,151	1,141	1,113	1,082
Total Expenditures	<u>10,499</u>	<u>11,128</u>	<u>13,315</u>	<u>12,739</u>	<u>12,415</u>	<u>10,560</u>	<u>10,550</u>
Excess of Revenues Over (Under)							
Expenditures	<u>413</u>	<u>453</u>	<u>(1,483)</u>	<u>(1,694)</u>	<u>(1,325)</u>	<u>420</u>	<u>(370)</u>
Other Financing Sources (Uses)							
Capital lease proceeds	\$ -	\$ 2,277	\$ 1,823	\$ -	\$ -	\$ -	\$ -
Net Change in Fund Balance	<u>\$ 413</u>	<u>\$ 2,730</u>	<u>\$ 340</u>	<u>\$ (1,694)</u>	<u>\$ (1,325)</u>	<u>\$ 420</u>	<u>\$ (370)</u>

Source: Based on October Student Full-Time Equivalent information submitted annually to the Georgia Department of Education.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 SEVEN YEAR SUMMARY
 (UNAUDITED)

<u>Calendar Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utilities</u>	<u>Less Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
2005	\$ 1,842,791,190	\$ 1,403,339,300	\$ 44,522,298	\$ 130,265,366	\$ 3,160,387,422	8.565
2006	1,954,445,189	1,537,856,776	41,566,765	145,206,625	3,388,662,105	8.393
2007	2,139,401,407	1,590,117,669	42,578,173	161,443,322	3,610,653,927	8.134
2008	2,288,433,413	1,608,962,174	39,531,613	166,913,529	3,770,013,671	7.845
2009	2,261,143,928	1,562,971,156	38,765,258	173,595,248	3,689,285,094	7.845
2010	2,179,604,008	1,404,109,825	35,274,050	263,376,173	3,355,611,710	7.845
2011	2,123,448,963	1,433,785,109	32,304,213	276,731,830	3,312,806,455	7.845

Source: Whitfield County Board of Tax Assessors.

Note: Real property includes commercial and residential property. All property is assessed at 100% of estimated actual value. For this reason, assessed value is equal to estimated actual value. Tax rates are per \$1,000 of assessed value.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
SEVEN YEAR SUMMARY
(UNAUDITED)

Calendar Year	Direct Rate	Overlapping Rates			Total Direct and Overlapping Rates
	Education Millage	City of Dalton Millage	Special Districts Millage	Whitfield County Millage	
2005	8.565	3.797	3.000	5.713	21.075
2006	8.393	3.721	3.000	5.466	20.580
2007	8.134	3.606	3.000	5.242	19.982
2008	7.845	3.002	2.250	5.061	18.158
2009	7.845	2.974	1.000	5.061	16.880
2010	7.845	2.875	0.950	5.061	16.731
2011	7.845	2.780	0.950	5.061	16.636

Source: Whitfield County Board of Tax Assessors.

Note: Overlapping rates are those of the city and county governments that apply to property owners within the City of Dalton. Not all overlapping rates apply to all City of Dalton property owners. For example, the rates for special districts apply only to those property owners located within the geographic boundaries of the special district.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	Calendar Year 2011			Calendar Year 2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Shaw Industries, Inc.	\$ 490,311,618	1	14.8%	380,497,895	1	14.3%
Mohawk Industries, Inc.	121,698,863	2	3.7%	146,283,993	2	5.5%
Beaulieu of America, Inc.	116,022,028	3	3.5%	128,845,986	3	4.8%
J & J Industries, Inc.	77,415,248	4	2.3%	57,013,259	4	2.1%
TANDUS Group (formerly Collins & Aikman)	55,673,303	5	1.7%	36,536,465	5	1.4%
The Peeples Group	34,041,915	6	1.0%	-	NA	0.0%
CBL & Associates	32,532,920	7	1.0%	24,238,262	9	0.9%
Windstream Georgia, CC (formerly Alltel)	21,527,645	8	0.6%	34,384,825.00	6	1.3%
Lexmark Carpet Mills	20,350,583	9	0.6%	-	NA	0.0%
Indian Summer Carpet Mills, Inc.	16,505,286	10	0.5%	-	NA	0.0%
Synthetic Industries	-	NA	0.0%	22,279,609	10	0.8%
Mattel	-	NA	0.0%	28,640,867	7	1.1%
Callahan Properties (Cherokee Carpet)		NA	0.0%	25,739,080	8	1.0%

Source: Whitfield County Tax Commissioner

CITY OF DALTON BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
FOUR YEAR SUMMARY
(UNAUDITED)

Calendar Year	Taxes Levied		Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2008	\$	27,998,159	\$ 27,014,517	96.5%	\$ 867,458	\$ 27,881,975	99.6%
2009		27,859,000	26,904,524	96.6%	726,101	27,630,625	99.2%
2010		25,154,881	24,130,286	95.9%	628,424	24,758,710	98.4%
2011		24,774,935	23,961,602	96.7%	-	23,961,602	96.7%

Source: Whitfield County Board of Tax Assessors.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only four years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
SEVEN YEAR SUMMARY
(UNAUDITED)

Fiscal Year	Governmental Activities		Percentage of Personal Income	Per Capita
	Capital Leases	Total Primary Government		
June 30, 2006	\$ 11,245,156	\$ 11,245,156	1.3%	\$ 357
June 30, 2007	24,766,803	24,766,803	2.7%	771
June 30, 2008	32,408,184	32,408,184	3.4%	981
June 30, 2009	25,917,685	25,917,685	2.7%	776
June 30, 2010	19,106,446	19,106,446	2.3%	569
June 30, 2011	12,021,437	12,021,437	1.3%	361
June 30, 2012	4,630,803	4,630,803	Not yet available	Not yet available

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012
(UNAUDITED)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Applicable Percentage</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with revenues other than property taxes			
City of Dalton's portion of notes payable	\$ 429,721	100.0%	\$ 429,721
City of Dalton capital leases	5,375,000	100.0%	5,375,000
Whitfield County notes payable	759,680	32.3%	245,292
Whitfield County capital leases	185,451	32.3%	59,880
Whitfield County bonded debt	15,740,000	32.3%	5,082,259
Whitfield County intergovernmental liability	1,552,024	32.3%	<u>501,130</u>
Total overlapping debt			11,693,282
City of Dalton Board of Education direct debt			<u>12,021,437</u>
Total direct and overlapping debt			<u>\$ 23,714,719</u>

Note: Estimated applicable percentage for City of Dalton debt is 100% because the geographic boundaries of the City of Dalton Board of Education and the City of Dalton, Georgia are the same. The estimated applicable percentage for Whitfield County debt is 32.3% based on the percentage of estimated population within the City of Dalton, Georgia to the estimated population within Whitfield County, Georgia, as obtained from the Georgia Department of Labor website.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Dalton (and therefore with the City of Dalton Board of Education). This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Dalton, Georgia. This process recognizes that when considering the City of Dalton Board of Education's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF DALTON BOARD OF EDUCATION
LEGAL DEBT MARGIN INFORMATION
SEVEN YEAR SUMMARY
(UNAUDITED)

	Calendar Year						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit	\$ 329,065,279	\$ 353,386,873	\$ 377,209,725	\$ 360,474,151	\$ 386,288,034	\$ 361,898,788	\$ 358,953,829
Total net debt applicable to limit	<u>25,806,202</u>	<u>25,563,873</u>	<u>36,220,989</u>	<u>30,740,462</u>	<u>22,524,557</u>	<u>20,054,355</u>	<u>23,714,719</u>
Legal debt margin	<u>\$ 303,259,077</u>	<u>\$ 327,823,000</u>	<u>\$ 340,988,736</u>	<u>\$ 329,733,689</u>	<u>\$ 363,763,477</u>	<u>\$ 341,844,433</u>	<u>\$ 335,239,110</u>
Total net debt applicable to limit as a % of debt limit	7.8%	7.2%	9.6%	8.5%	5.8%	5.5%	6.6%

Legal Debt Margin Calculation for Calendar Year 2011

Assessed value	\$3,312,806,455
Add: exempt real property	<u>276,731,830</u>
Total assessed value	3,589,538,285
	<u>10%</u>
Debt limit (10% of assessed value)	<u>\$ 358,953,829</u>
Debt applicable to limit	
Total direct and overlapping debt	<u>\$ 23,714,719</u>
Total debt applicable to limit	<u>\$ 23,714,719</u>
Legal debt margin	<u>\$ 335,239,110</u>

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 SEVEN YEAR SUMMARY
 (UNAUDITED)

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2005	31,478	\$ 860,231	\$ 27,328	4.2%
2006	32,140	900,981	28,033	4.1%
2007	33,045	963,229	29,149	4.5%
2008	33,401	965,590	28,909	5.7%
2009	33,604	841,819	28,027	12.5%
2010	33,343	910,059	27,471	12.4%
2011	Not yet available	Not yet available	Not yet available	12.1%

Source: Per Capita Personal Income and Unemployment Rate information was provided by the Georgia Department of Labor. Population information was provided by the US Census Bureau.
 Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

Taxpayer	Calendar Year 2011			Calendar Year 2002		
	Employees (1)	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	4,381	1	13.1%	NA	NA	NA
Mohawk Industries, Inc.	2,168	2	6.5%	NA	NA	NA
Hamilton Medical Center	1,769	3	5.3%	NA	NA	NA
Beaulieu of America, Inc.	1,686	4	5.1%	NA	NA	NA
Dalton Public School System	855	5	2.6%	NA	NA	NA
City of Dalton, Georgia	665	6	2.0%	NA	NA	NA
TANDUS Group (formerly Collins & Aikman)	610	8	1.8%	NA	NA	NA
J & J Industries, Inc.	551	7	1.7%	NA	NA	NA
Shiroki Georgia, LLC (formerly SWM Georgia, LLC)	310	9	0.9%	NA	NA	NA
Cherokee Carpet Industries, Inc.	292	10	0.9%	NA	NA	NA

Source: Dalton-Whitfield Chamber of Commerce and City of Dalton occupation tax data.

Note: NA indicates that the information is not available.

Note: The above figures for the City of Dalton include Dalton Utilities and employees leased to joint ventures.

Note: (1) Includes City of Dalton only.

CITY OF DALTON BOARD OF EDUCATION
STUDENT ENROLLMENT BY MAJOR GRADE LEVEL
SEVEN YEAR SUMMARY
(UNAUDITED)

Grade Level	For the fiscal year ending June 30,						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
PreKindergarten	217	219	219	220	278	272	308
Elementary School Grades K-5	3,236	3,363	3,438	3,502	3,558	3,547	3,592
Middle School Grades 6-8	1,314	1,312	1,374	1,411	1,447	1,524	1,623
High School Grades 9-12	<u>1,546</u>	<u>1,576</u>	<u>1,581</u>	<u>1,603</u>	<u>1,553</u>	<u>1,661</u>	<u>1,702</u>
Total	<u>6,313</u>	<u>6,470</u>	<u>6,612</u>	<u>6,736</u>	<u>6,836</u>	<u>7,004</u>	<u>7,225</u>
Percentage Change from Prior Year		2.5%	2.2%	1.9%	1.5%	2.5%	3.2%

Source: Based on October Student Full-Time Equivalent information submitted annually to the Georgia Department of Education.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
EMPLOYEES BY FUNCTION
SEVEN YEAR SUMMARY
(UNAUDITED)

Function	For the fiscal year ending June 30,						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Instruction	570	604	637	651	617	575	590
Pupil services	36	34	30	32	33	27	28
Improvement of instructional services	11	12	10	13	13	20	20
Educational media services	19	19	18	17	17	18	19
General administration	3	3	3	3	3	3	3
School administration	36	37	38	35	34	34	34
Business administration	5	6	6	4	4	4	4
Maintenance and operation of plant	60	55	62	57	59	57	57
Student transportation services	1	1	1	1	1	1	1
Central support services	15	18	19	21	19	19	17
Other support services	-	-	-	-	1	1	2
Food services operation	<u>100</u>	<u>69</u>	<u>76</u>	<u>76</u>	<u>78</u>	<u>82</u>	<u>80</u>
Total	<u><u>856</u></u>	<u><u>858</u></u>	<u><u>900</u></u>	<u><u>910</u></u>	<u><u>879</u></u>	<u><u>841</u></u>	<u><u>855</u></u>
Percentage Change from Prior Year		0.2%	4.9%	1.1%	-3.4%	-4.3%	1.7%

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
TEACHERS' SALARIES
SEVEN YEAR SUMMARY
(UNAUDITED)

Fiscal Year	Minimum Salary School District (1)	Minimum State Salary (2)	School District's % of State Minimum	Maximum Salary School District (3)	Average Salary School District (4)	Statewide Average Salary (5)	School District's % of State Average
June 30, 2006	\$ 34,671	\$ 28,767	121%	\$ 73,572	\$ 51,496	\$ 48,247	107%
June 30, 2007	35,889	29,918	120%	76,216	52,415	49,836	105%
June 30, 2008	36,839	30,816	120%	78,277	54,251	51,466	105%
June 30, 2009	37,491	31,586	119%	79,694	56,074	52,823	106%
June 30, 2010	34,784	31,586	110%	78,543	56,497	53,155	106%
June 30, 2011	32,954	31,586	104%	74,409	54,048	52,871	102%
June 30, 2012	32,460	31,586	103%	73,296	52,958	52,871	100%

(1) Minimum Salary assumes teacher has a provisional certification with a bachelor's degree.

(2) Minimum State Salary is reported from state teacher's salary scale published by Georgia's Department of Education.

(3) Maximum Salary assumes teacher has a doctorate degree.

(4) Average school district salary is from October Certified/Classified Personnel Information submitted annually to the Georgia Department of Education.

(5) Average statewide salary is reported on the Office of Student Achievement. Data for fiscal year 2012 was not available at time of publication, so prior year information was used.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
TEACHER STUDENT RATIO BY SCHOOL
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Blue Ridge Elementary School							
Enrollment	557	567	561	708	708	713	760
Teachers	41	40	41	52	53	49	52
Teacher/student ratio	14	14	14	14	13	15	15
Brookwood Elementary School							
Enrollment	595	439	482	605	625	626	606
Teachers	42	37	38	47	45	39	40
Teacher/student ratio	14	12	13	13	14	16	15
City Park Elementary School							
Enrollment	734	837	847	717	799	785	786
Teachers	55	63	72	63	61	50	51
Teacher/student ratio	13	13	12	11	13	16	15
Park Creek Elementary School							
Enrollment	539	593	606	687	699	718	747
Teachers	43	46	51	54	54	52	53
Teacher/student ratio	13	13	12	13	13	14	14
Roan Elementary School							
Enrollment	527	595	594	444	440	437	424
Teachers	38	47	52	40	37	35	36
Teacher/student ratio	14	13	11	11	12	12	12

(continued)

CITY OF DALTON BOARD OF EDUCATION
TEACHER STUDENT RATIO BY SCHOOL
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Westwood Elementary School							
Enrollment	501	551	567	561	565	540	577
Teachers	37	41	41	43	41	34	35
Teacher/student ratio	14	13	14	13	14	16	16
Dalton Middle School							
Enrollment	1,314	1,312	1,374	1,411	1,447	1,524	1,623
Teachers	85	89	93	99	99	101	108
Teacher/student ratio	15	15	15	14	15	15	15
Dalton High School							
Enrollment	1,546	1,576	1,581	1,603	1,412	1,473	1,428
Teachers	104	104	103	108	98	90	82
Teacher/student ratio	15	15	15	15	14	16	17
Morris Innovative High School (2009)							
Enrollment	-	-	-	-	141	188	274
Teachers	-	-	-	-	7	9	16
Teacher/student ratio	-	-	-	-	20	21	17

Source: Based on October Student Full-Time Equivalent information submitted annually to the Georgia Department of Education.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
SCHOOL INFORMATION
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	2006	2007	2008	2009	2010	2011	2012
Blue Ridge Elementary School (Year Built 2005)							
Program Specific Classrooms ⁽¹⁾	12	12	12	12	12	12	12
Regular Classrooms	24	24	40	40	40	40	40
Total Classrooms	36	36	52	52	52	52	52
Building Capacity based on Regular Classrooms ^(2a)	552	504	840	840	920	920	920
Enrollment PreK - 5 ⁽³⁾	557	567	561	708	708	713	760
Enrollment as a % of Capacity	101%	113%	67%	84%	77%	78%	83%
Brookwood Elementary School (Year Built 1964)							
Program Specific Classrooms ⁽¹⁾	14	14	14	14	14	14	14
Regular Classrooms	24	24	40	40	40	40	40
Total Classrooms	38	38	54	54	54	54	54
Building Capacity based on Regular Classrooms ^(2a)	552	504	840	840	920	920	920
Enrollment PreK - 5 ⁽³⁾	595	439	482	605	625	626	606
Enrollment as a % of Capacity	108%	87%	57%	72%	68%	68%	66%
City Park School (1923)							
Program Specific Classrooms ⁽¹⁾	15	15	15	15	15	15	15
Regular Classrooms	37	37	37	37	37	37	37
Total Classrooms	52	52	52	52	52	52	52
Building Capacity based on Regular Classrooms ^(2a)	851	777	777	777	851	851	851
Enrollment PreK - 5 ⁽³⁾	734	837	847	717	799	785	786
Enrollment as a % of Capacity	86%	108%	109%	92%	94%	92%	92%

(continued)

CITY OF DALTON BOARD OF EDUCATION
SCHOOL INFORMATION
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	2006	2007	2008	2009	2010	2011	2012
Park Creek Elementary School (Year Built 2000)							
Program Specific Classrooms ⁽¹⁾	13	13	15	15	15	15	15
Regular Classrooms	29	29	42	42	42	42	42
Total Classrooms	42	42	57	57	57	57	57
Building Capacity based on Regular Classrooms ^(2a)	667	609	882	882	966	966	966
Enrollment PreK - 5 ⁽³⁾	539	593	606	687	699	718	747
Enrollment as a % of Capacity	81%	97%	69%	78%	72%	74%	77%
Roan Elementary School (Year Built 1969)							
Program Specific Classrooms ⁽¹⁾	14	14	14	14	14	14	14
Regular Classrooms	20	20	20	20	20	20	20
Total Classrooms	34	34	34	34	34	34	34
Building Capacity based on Regular Classrooms ^(2a)	460	420	420	420	460	460	460
Enrollment PreK - 5 ⁽³⁾	527	595	594	444	440	437	424
Enrollment as a % of Capacity	115%	142%	141%	106%	96%	95%	92%
Westwood Elementary School (Year Built 1974)							
Program Specific Classrooms ⁽¹⁾	15	15	15	15	15	15	15
Regular Classrooms	20	20	20	20	20	20	20
Total Classrooms	35	35	35	35	35	35	35
Building Capacity based on Regular Classrooms ^(2a)	460	420	420	420	460	460	460
Enrollment PreK - 5 ⁽³⁾	501	551	567	561	565	540	577
Enrollment as a % of Capacity	109%	131%	135%	134%	123%	117%	125%

(continued)

CITY OF DALTON BOARD OF EDUCATION
SCHOOL INFORMATION
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	2006	2007	2008	2009	2010	2011	2012
Dalton Middle School (Year Built 2001)							
Program Specific Classrooms ⁽¹⁾	48	48	48	48	48	48	48
Regular Classrooms	39	39	51	51	51	51	51
Total Classrooms	87	87	99	99	99	99	99
Building Capacity based on Regular Classrooms ^(2b)	1,248	1,092	1,428	1,428	1,428	1,530	1,530
Enrollment 6 - 8 ⁽³⁾	1,314	1,312	1,374	1,411	1,447	1,524	1,623
Enrollment as a % of Capacity	105%	120%	96%	99%	101%	100%	106%
Dalton High School (Year Built 1976)							
Program Specific Classrooms ⁽¹⁾	54	54	54	54	54	54	54
Regular Classrooms	33	33	33	33	33	61	61
Total Classrooms	87	87	87	87	87	115	115
Building Capacity based on Regular Classrooms ^(2c)	1,056	1,056	1,056	1,056	1,056	2,074	2,074
Enrollment 9 - 12 ⁽³⁾	1,546	1,576	1,581	1,603	1,412	1,473	1,428
Enrollment as a % of Capacity	146%	149%	150%	152%	134%	71%	69%

(continued)

CITY OF DALTON BOARD OF EDUCATION
SCHOOL INFORMATION
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	2006	2007	2008	2009	2010	2011	2012
Morris Innovative High School (Year Built 2009)							
Program Specific Classrooms ⁽¹⁾	-	-	-	-	8	8	8
Regular Classrooms	-	-	-	-	11	11	11
Total Classrooms	-	-	-	-	19	19	19
Building Capacity based on Regular Classrooms ^(2c)	-	-	-	-	352	374	374
Enrollment 9 - 12 ⁽³⁾	-	-	-	-	141	188	274
Enrollment as a % of Capacity	0%	0%	0%	0%	40%	50%	73%

(1) Program Specific classrooms set aside for Exceptional Student Services, Gifted, Art, Music, Physical Education, Electives (including Vocational Programs), Computer Labs, Testing, Literacy Collaborative, Language Academy, Reading Recovery, Instructional Design & Data Analysis, In-House School Suspension, etc.

(2a) Building Capacity is estimated by using student maximum class size as determined by Georgia Department of Education. Maximum class size has varied over time and varies depending on the grade level and program. For the purposes of this table, the class size used to estimate building capacity was 23 students per class in 2006, 21 students per class for years 2007 through 2009, and 23 students per class for years 2010 through 2012.

(2b) Building Capacity is estimated by using student maximum class size as determined by Georgia Department of Education. Maximum class size has varied over time and varies depending on the grade level and program. For the purposes of this table, the class size used to estimate building capacity was 32 students per class in 2006, 28 students per class for years 2007 through 2010, and 30 students per class for 2011 and 2012.

(2c) Building Capacity is estimated by using student maximum class size as determined by Georgia Department of Education. Maximum class size has varied over time and varies depending on the grade level and program. For the purposes of this table, the class size used to estimate building capacity was 32 students per class for years 2006 through 2010 and 34 students per class for 2011 and 2012.

(3) Enrollment is based on the October student full-time equivalent count.

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
FREE AND REDUCED LUNCH PROGRAM
SEVEN YEAR SUMMARY
(UNAUDITED)

School	For the fiscal year ending June 30,						
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Blue Ridge School	87.0%	87.1%	87.1%	87.1%	87.1%	87.1%	87.1%
Brookwood Elementary School	55.0%	49.8%	47.7%	60.5%	63.3%	56.8%	61.6%
City Park School	80.6%	79.9%	76.1%	85.0%	84.8%	82.0%	88.9%
Park Creek School	89.2%	89.7%	89.7%	89.7%	89.7%	89.7%	89.7%
Roan School	88.6%	87.7%	87.7%	87.7%	87.7%	87.7%	87.7%
Westwood Elementary School	47.1%	50.0%	48.0%	52.3%	51.5%	51.4%	52.3%
Dalton Middle School	72.0%	69.7%	67.5%	66.5%	78.5%	73.0%	76.8%
Morris Innovative High School	0.0%	0.0%	0.0%	0.0%	87.2%	87.2%	64.9%
Dalton High School	57.3%	58.3%	56.0%	68.0%	67.4%	63.7%	87.2%
District wide	70.0%	64.4%	71.8%	78.4%	77.5%	77.2%	77.2%

Source: October data collection

Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only seven years of information are presented, but additional years will be presented annually.

SPECIAL REPORTS SECTION

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
2007 ELOST					
Acquisition, construction, renovation, and equipping of schools	<u>\$ 37,000,000</u>	<u>\$ 29,200,000</u>	<u>\$ 26,564,722</u>	<u>\$ 1,824,614</u>	<u>\$ 28,389,336</u>
Total	<u>\$ 37,000,000</u>	<u>\$ 29,200,000</u>	<u>\$ 26,564,722</u>	<u>\$ 1,824,614</u>	<u>\$ 28,389,336</u>

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 Superintendent and Members
of the City of Dalton Board of Education
Dalton, Georgia

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education, as of and for the year ended June 30, 2012, which collectively comprise the City of Dalton Board of Education's basic financial statements and have issued our report thereon dated December 21, 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 City of Dalton Board of Education is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Dalton 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 City of Dalton Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton Board of Education's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. [FS12-1 and FS12-2]

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dalton 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item FS12-3.

We noted certain other matters that we reported to management of the City of Dalton Board of Education in a separate letter dated December 21, 2012.

The City of Dalton Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Dalton Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, 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.

Estes & Williams

Dalton, Georgia
December 21, 2012

INDEPENDENT AUDITOR'S 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 Superintendent and Members
of the Board of Education
Dalton, Georgia

Compliance

We have audited the City of Dalton 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 City of Dalton Board of Education's major federal programs for the year ended June 30, 2012. The City of Dalton 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dalton Board of Education's management. Our responsibility is to express an opinion on the City of Dalton 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 City of Dalton 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 of the City of Dalton Board of Education's compliance with those requirements.

In our opinion, the City of Dalton 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 June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA12-1, FA12-2, FA12-3, and FA12-4.

Internal Control over Compliance

Management of the City of Dalton 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 City of Dalton 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 City of Dalton 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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education as of and for the year ended June 30, 2012, and have issued our report thereon dated December 21, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the 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.

The City of Dalton Board of Education's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Dalton Board of Education's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, City Council, others within the entity, 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.

Estes & Williams

Dalton, Georgia
December 21, 2012

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Dalton Board of Education.
2. Two significant deficiencies were disclosed during the audit of the financial statements that are required to be reported in the 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*. These deficiencies were determined to be material weaknesses.
3. One instance of noncompliance material to the financial statements of the City of Dalton Board of Education was disclosed during the audit.
4. Four significant deficiencies in internal control over major federal award programs were disclosed during the audit which are required to be reported in the 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. No material weaknesses are reported.
5. The auditors' report on compliance for the major federal award programs for the City of Dalton Board of Education expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs are:
 - U.S. Department of Agriculture
 - Pass-Through Georgia Department of Education
 - Food and Nutrition Program - Food Services - Child Nutrition Cluster
 - School Breakfast Program
 - National School Lunch Program
 - CFDA # 10.553 and 10.555
 - U.S. Department of Education
 - Pass-Through Georgia Department of Education
 - Special Education Cluster (IDEA)
 - Special Education - Preschool Grants
 - Special Education Grants to States - Recovery Act
 - Special Education Grants to States
 - CFDA # 84.173, 84.391, 84.027
8. The threshold for distinguishing Type A and B programs is \$309,366.
9. The City of Dalton Board of Education was not determined to be a low risk auditee.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Findings – Financial Statement Audit

FS12-1 Condition:	Internal controls were not sufficient to detect material misstatements in the accounting records.
Criteria:	Internal controls should be in place to prevent or to detect misstatements in the accounting records on a timely basis.
Cause:	Insufficient internal controls and/or management review over items that fall outside the scope of normal accounting transactions.
Effect:	Material misstatements occurred and were not detected or were not detected on a timely basis.
Recommendation:	Additional review and approval procedures should be implemented to help detect material errors.
Management Response:	We concur. Additional review procedures will be implemented to prevent future occurrences.
FS12-2 Condition:	Internal controls were not sufficient to ensure that assets were properly capitalized.
Criteria:	Internal controls should be in place to ensure that assets are properly capitalized.
Cause:	Insufficient internal controls and/or management review over fixed asset listings.
Effect:	Completed construction in progress was not added to the depreciation schedule and depreciated and other assets greater than the capitalization threshold were not capitalized.
Recommendation:	Additional review and approval procedures should be implemented to help ensure all appropriate assets are capitalized.
Management Response:	We concur. Additional review procedures will be implemented to prevent future occurrences.
FS12-3 Condition:	Cash held in a depository account was not adequately collateralized in accordance with Georgia law.
Criteria:	Collateralization coverage should be sufficient to protect all deposits owned by the School District.
Cause:	Three bank accounts were not included in pledging pool.
Effect:	Deposits of \$48,555 were not collateralized.
Recommendation:	Management should review collateralization coverage of all bank accounts.
Management Response:	We concur. We will perform periodic verification with all financial institutions to verify the deposits are adequately collateralized.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Findings – Federal Awards Programs

U.S. Department of Agriculture
Food and Nutrition Program – Food Services – Child Nutrition Cluster
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Allowable Costs/Cost Principles
Questioned Costs: None

FA12-1 Condition: Charges to the federal program lacked appropriate supporting documentation.
Criteria: Charges to federal programs should be supported by appropriate documentation.
Cause: Documentation contained dating and other errors, lack of approval, and lack of detailed supporting records.
Effect: Charges were not properly authorized prior to the transaction taking place and support for charges was not sufficient.
Recommendation: Procedures should be implemented to ensure all charges to federal programs are supported by appropriate documentation and authorized by appropriate levels of personnel.
Management Response: We concur. Additional procedures will be implemented to prevent future occurrences.

FA12-2 Condition: Inadequate safeguarding of supporting documents.
Criteria: Appropriate documentation is to be kept for a number of years to provide support for charges to federal programs.
Cause: Hourly time sheets for summer workers were involved in a car accident and not recovered.
Effect: Payroll charges were not properly supported.
Recommendation: Procedures should be implemented to ensure all supporting documentation remains on school premises.
Management Response: We concur. Procedures will be implemented to prevent future occurrences.

U.S. Department of Agriculture
Food and Nutrition Program – Food Services – Child Nutrition Cluster
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Equipment and Real Property Management
Questioned Costs: None

FA12-3 Condition: Internal controls were not sufficient to ensure that disposed assets were properly reported.
Criteria: Internal controls should be in place to ensure that assets are properly removed from fixed asset listings.
Cause: Insufficient internal controls and/or management review over fixed asset listings.
Effect: Items sold from the food and nutrition program were not removed from the fixed asset listing.
Recommendation: Additional review and approval procedures should be implemented to help ensure assets are appropriately accounted for.
Management Response: We concur. Additional review procedures will be implemented to prevent future occurrences.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Findings – Federal Awards Programs (continued)

U.S. Department of Education
Pass-Through Georgia Department of Education
Special Education Cluster (CFDA 84.173, 84.391, 84.027)
Equipment and Real Property Management
Questioned Costs: None

FA12-4Condition:	Records improperly identified equipment purchased with ARRA funds.
Criteria:	Federal programs require that property records containing specific information be maintained for assets purchased with federal funds.
Cause:	Assets were identified as being purchased with ARRA funds when they were actually purchased with non-ARRA federal funds.
Effect:	Assets were misidentified as having been purchased with ARRA funds.
Recommendation:	Procedures need to be implemented to properly identify assets purchased with ARRA funds.
Management Response:	We concur. We have already discussed these issues, and have begun implementing procedures, as recommended above.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA #</u>	<u>Current Year Expenditures</u>
U.S. Department of Defense		
Direct Funding:		
Department of the Army - R.O.T.C. Program	12.357	\$ 54,719
Total U.S. Department of Defense		<u>54,719</u>
U.S. Department of Agriculture		
Pass-Through Georgia Department of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	1,008,752
National School Lunch Program	10.555	<u>3,207,364</u>
Total Child Nutrition Cluster		<u>4,216,116</u>
Other Programs		
GA DOE - Fresh Fruit and Vegetable Program	10.582	<u>75,376</u>
Total U.S. Department of Agriculture		<u>4,291,492</u>
		(continued)

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA #	Current Year Expenditures
U.S. Department of Education		
Pass-Through Georgia Department of Education:		
Special Education Cluster (IDEA)		
ARRA - Special Education Grants to States, Recovery Act	84.391	284,467
GA DOE - Special Education Grants to States	84.027	1,403,189
GA DOE - Special Education Preschool Grants	84.173	44,062
Total Special Education Cluster		<u>1,731,718</u>
Title I, Part A Cluster		
GA DOE - Title I Grants to Local Educational Agencies	84.010	3,452,237
Total Title I, Part A Cluster		<u>3,452,237</u>
Other Programs		
GA DOE - Career and Technical Education - Basic Grants to States	84.048	87,221
GA DOE - Education for Homeless Children and Youth	84.196	80,070
ARRA - Education Jobs Fund	84.410	17,709
GA DOE - English Language Acquisition Grants	84.365	237,046
GA DOE - Improving Teacher Quality State Grants	84.367	293,371
GA DOE - Migrant Education State Grant Program	84.011	66,614
Total Other Programs		<u>782,031</u>
Total U.S. Department of Education		<u>5,965,986</u>
Total Federal Awards Expended		<u>\$ 10,312,197</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards received by the City of Dalton Board of Education. All federal awards received directly from federal agencies and all federal awards passed through other government agencies are included in this schedule.

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the full accrual basis of accounting, which is described in Note 1 of the School District's Notes to the Financial Statements.

Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

Notes

Expenditures incurred for the Food Distribution Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year. They are included in the total for the National School Lunch Program.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Prior Year Findings:

Findings – Financial Statement Audit

FS11-1 Condition:	Internal controls were not sufficient to detect material misstatements in the accounting records.
Status:	The School District had material misstatements in the accounting records during the current fiscal year. This finding has not been resolved.
FS11-2 Condition:	Cash held in a depository account was not adequately collateralized in accordance with Georgia law.
Status:	There were two cash accounts that were not adequately collateralized in accordance with Georgia law in the current year. This finding has not been resolved.

Findings – Federal Awards Programs

U.S. Department of Education
Pass-Through Georgia Department of Education
Title III – English Language Acquisition Grants (CFDA 84.365)
Reporting
Questioned Costs: None

FA11-1 Condition:	Internal accounting records did not reconcile to reports submitted to the Georgia Department of Education.
Status:	The School District has taken steps to remedy this issue. Reports to the State are reviewed to ensure they reconcile to internal accounting records. There were no similar findings in FY 2012 for the Title III program.

U.S. Department of Education
Pass-Through Georgia Department of Education
Title III – English Language Acquisition Grants (CFDA 84.365)
Equipment and Real Property Management
Questioned Costs: None

FA11-2 Condition:	Title III (English Language Acquisition Grants) did not maintain records sufficient to verify equipment management requirements.
Status:	The School District has taken steps to remedy this issue. The district-wide fixed asset listing has been updated to include funding source, so Title III assets can be specifically identified. There were no similar findings in FY 2012 for the Title III program.