

CITY OF DALTON BOARD OF EDUCATION

DALTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2013

PREPARED BY THE FINANCE DEPARTMENT

CITY OF DALTON BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY OF DALTON BOARD OF EDUCATION
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November 15, 2013

**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 District) for the fiscal year ended June 30, 2013. 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 District'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 District as measured by the financial activity of its various funds. All necessary disclosures have been included to enable the reader to gain a reasonable understanding of the School District's financial affairs.

Estes and Williams, Certified Public Accountants, have issued an unmodified opinion on the City of Dalton Board of Education's financial statements for the year ended June 30, 2013. 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 District

The School District was established through the Charter of the City of Dalton, Georgia in 1886, and serves only the City of Dalton. The School District is an independent public pre-kindergarten (PreK) -12 grade school district and is not considered to be a component unit of any other government. The School District provides all basic services required by Georgia State law and policies of the Georgia 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 7,564 PreK through 12 grade students enrolled in the School District in the 2012-2013 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 2013-2014 school year is 7,703 students.

The School District 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 District are accredited by the Georgia Accrediting Commission (GAC). All schools in the School District have been accredited with Quality by the GAC. All schools and the School 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% 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 District employs 586 certified staff members and 322 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 2013 statistic report from Georgia Department of Labor, the manufacturing industry makes up approximately 34% of the 61,000 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 11.5%. Dalton's unemployment remains above both the national rate of 8.1% and the Georgia rate of 9.0%. 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 (the State) has been funding a smaller percentage of the total cost of education over the last several years. In 2008, the State's support for public education in Georgia was 52% of total school district revenues. In 2009 that percentage started to drop, and 2010 was the lowest level at 43% for the average school district. In 2012, that percentage is up to 49%. The School District experienced the decline in state funds in the 2009 and 2010 school years, however 2011 and 2012 shows greater dependency on state sources 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 districts based on a funding formula written in State law have been allocated to all school districts across the state to help the State provide for a balanced budget. From fiscal year 2003 through fiscal year 2013, the School District has received over \$29.6 million less than earned due to these cuts. The State offset \$5.4 million with federal stimulus funding, which brought the net reduction to \$24.1 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 expanded 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 \$685,500 in property tax revenue. Fiscal year 2013 had \$945,700 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 2014 and possibly fiscal year 2015.

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 general fund expenditures. To address this downturn, with district-wide input from employees, the Board of Education and administration implemented a three year budget reduction plan in January 2009. Fiscal year 2011 general fund expenditures were at their lowest level since the implementation of the budget reduction plan, at \$52.8 million, and the fund balance was nearly restored to \$9.6 million. However, by fiscal year 2013, general fund expenditures increased to \$60 million, the fund balance is now at \$12.2 million.

School District 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 District 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 levels. School District 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. Staff and community members are reviewing options available to reduce enrollment at Dalton High School and may also consider scenarios that reduce enrollment at Dalton Middle School. Additionally, as Morris Innovative High School's enrollment and program offerings grows, the School District is exploring facility options to best meet the secondary enrollment needs.

In 1997, the citizens of Dalton City and Whitfield County passed the first of now four 5-year Educational Special Purpose Local Option Sales Taxes (ESPLOST) of 1%. Whitfield County and Dalton Public Schools agreed to a one year delay of the fourth ESPLOST due to the financial constraints of the local tax payer. There was a lapse in sales tax revenue from January through December 2012. The newest approved ESPLOST began in January 2013.

Although the referendum provides the Board of Education flexibility to address the School District's capital needs, the fourth ESPLOST will be primarily used for the Dalton Middle School expansion. As funds are available, staff have also identified priorities for secondary facility needs, instructional technology, improving school safety, and other facility needs throughout the School District.

Relevant Financial Policies

The vision of the School District 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 District'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 District'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 District 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 District's annual single audit required to be performed in conformity with the provisions of the Single Audit Act Amendments of 1996 and the United States 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 District has complied with applicable laws and regulations.

The School District 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 authority to assign 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 District must deliver effective instruction and set high expectations that will result in continued improvement in student achievement. In 2004, the School District 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 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 District, have worked closely with the Chamber of Commerce, City of Dalton, Whitfield County, and Whitfield County School District to garner support for literacy throughout the community. The School District believes that literacy has the greatest impact on education and learning that can lead to economic development for the region.

The public has a desire to review and compare student test scores as an indicator of student, teacher, and school performance. The School District believes that a number of indicators must be identified to effectively evaluate student progress. Georgia's College and Career Ready Performance Index begins to include more indicators than what have been considered in the past. In addition, true year to year comparisons are difficult to conduct with fidelity because often times the comparisons include different groups of students, different academic standards, and in some cases, a different testing assessment. Although the following table shows the percentage of Dalton students who meet or exceed the minimum test score criteria from the 2012 and 2010 school years, the schedule is not meant to be a comparison.

Dalton Public Schools Percentage of Students Meets and Exceeds Criteria Fiscal Year 2012 and Fiscal Year 2010			
	FY 2012	FY 2010	
English Language Arts			
High School American Literature	91.0%	81.0%	
9 th Grade Literature	79.5%	78.0%	
Middle School Criterion Reference Test	93.6%	94.0%	8 th Grade Criterion Reference Test
Elementary School Criterion Reference Test	91.7%	95.0%	5 th Grade Criterion Reference Test
Mathematics			
Mathematics II	50.0%	71.0%	
Mathematics I	65.5%	75.0%	
Middle School Criterion Reference Test	86.2%	88.0%	8 th Grade Criterion Reference Test
Elementary School Criterion Reference Test	86.2%	93.0%	5 th Grade Criterion Reference Test
Science			
Biology	77.0%	67.0%	
Physical Science	77.8%	85.0%	
Middle School Criterion Reference Test	74.7%	65.0%	8 th Grade Criterion Reference Test
Elementary School Criterion Reference Test	74.4%	76.0%	5 th Grade Criterion Reference Test
Social Studies			
Economics	77.2%	79.0%	
US History	75.3%	73.0%	
Middle School Criterion Reference Test	77.5%	71.0%	8 th Grade Criterion Reference Test
Elementary School Criterion Reference Test	78.9%	74.0%	5 th Grade Criterion Reference Test
Reading			
Middle School Criterion Reference Test	95.4%	97.0%	8 th Grade Criterion Reference Test
Elementary School Criterion Reference Test	93.1%	94.0%	5 th Grade Criterion Reference Test

Dalton Public Schools 2012 test score information can be found on the Georgia Department of Education webpage pertaining to the College and Career Ready Performance Index. The 2010 information is reported on the Governor's Office of Student Achievement webpage pertaining to the Report Card.

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 District'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, 2013

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 2000
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

Dr. Celeste Martin, 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

Laura Orr
Will Esters
Directors of School Support

Rusty Lount
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:

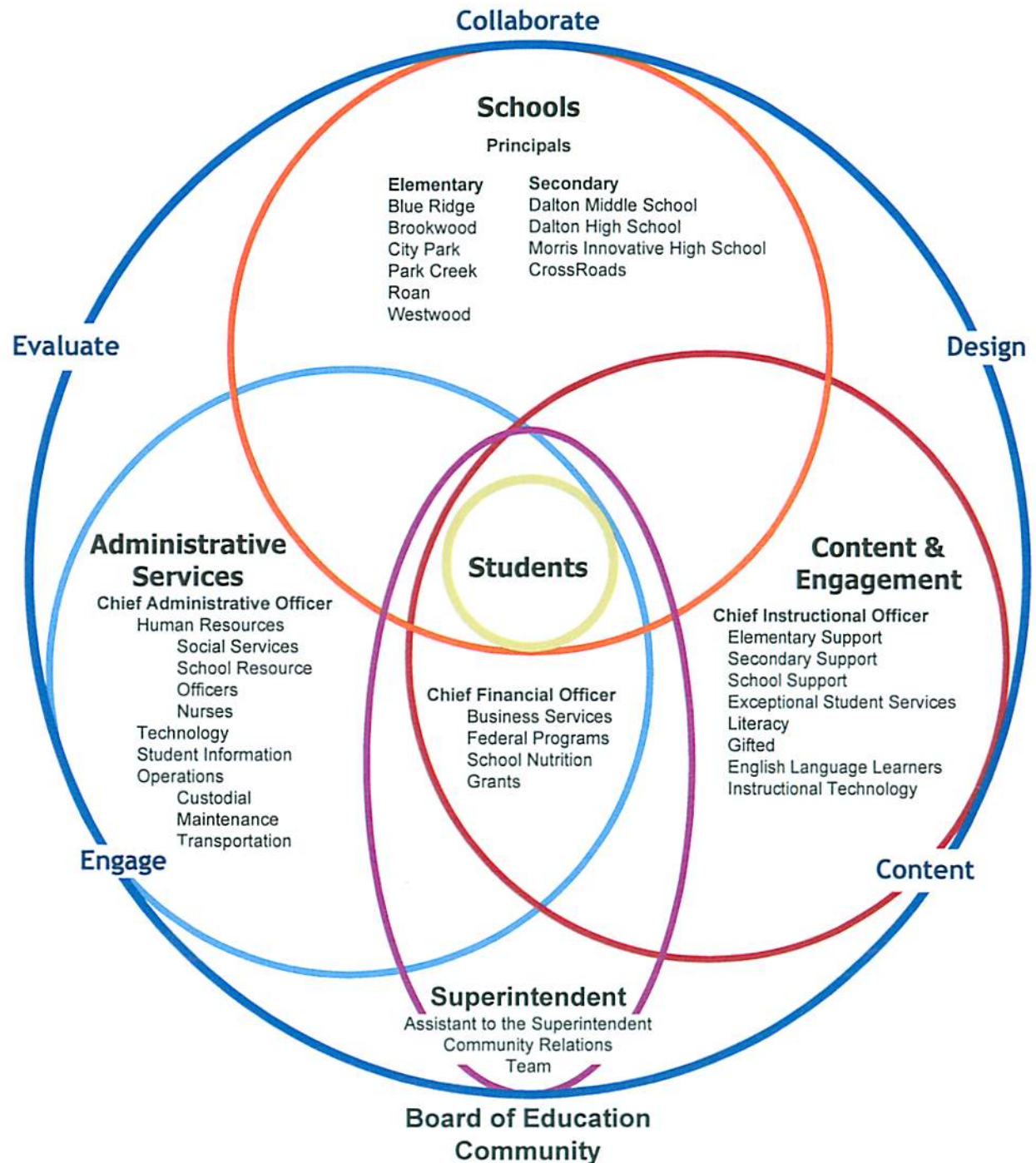
- establishing and maintaining direction;
- creating, developing, importing and exporting knowledge;
- recruiting and inducting members.

Dalton Public Schools

PO Box 1408
300 W. Waugh St.
Dalton, GA 30722-1408
706.876.4000

www.daltonpublicschools.com

Directional System Organizational Structure





Government Finance Officers Association

**Certificate of
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Presented to

**City of Dalton
Board of Education
Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education (School District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2013, and the respective changes in financial position and the respective budgetary comparison for the General Fund and for the Federal Programs Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalton Board of Education's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of expenditures of special purpose local option sales tax proceeds, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The 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 basic financial statements.

The combining and individual nonmajor fund financial statements, the schedule of expenditures of special purpose local option sales tax proceeds, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of special purpose local option sales tax proceeds, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013, 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* in considering City of Dalton Board of Education's internal control over financial reporting and compliance.

Estes & Williams

Dalton, Georgia
November 15, 2013

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

The discussion and analysis of City of Dalton Board of Education's (the School District) financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the complete financial statements, with notes, to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2013 are as follows:

- Total net position increased 1% from \$102.6 million in 2012 to \$103.7 million in 2013.
- Total revenues increased 1.8% from \$73.6 million in 2012 to \$74.9 million in 2013. The increase from 2012 to 2013 is attributable to General Fund state formula revenue and Federal Programs Fund grant revenue reimbursements tied to the School District's growing enrollment. Overall, revenue for 2013 was \$1.0 million more than expenses.
- Total expenditures increased 4.9% from \$70.4 million in 2012 to \$73.9 million in 2013, an increase of \$3.5 million. Most of this increase in expenditures is in direct instruction expenditures due to the School District's growing enrollment.
- In fiscal year 2013, instruction expenditures increased from \$45.4 million in 2012 to \$47.6 million in 2013, and school administration expenditures increased from \$2.8 million in 2012 to \$3.6 million in 2013.
- Among the major funds, the General Fund has \$61.0 million in revenues in 2013, compared to \$58.9 million in 2012, and \$58.1 million in expenditures in 2013, compared to \$54.4 million in 2012.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. The basic financial statements comprise of 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 District's finances, in a manner similar to a private-sector business.

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

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Assets		
Current and other assets	\$ 30,970,693	\$ 30,142,263
Noncurrent assets	82,717,190	82,510,081
Total assets	<u>113,687,883</u>	<u>112,652,344</u>
Liabilities		
Current liabilities	7,420,941	6,636,701
Long-term liabilities	2,610,000	3,366,175
Total liabilities	<u>10,030,941</u>	<u>10,002,876</u>
Net position		
Net investment in capital assets	79,384,982	77,879,278
Restricted	3,699,964	2,787,633
Unrestricted	20,571,996	21,982,557
Total net position	<u>\$ 103,656,942</u>	<u>\$ 102,649,468</u>

The Statement of Activities presents information showing the change in the School District's net position during the most recent fiscal year. All changes in net position 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>2013</u>	<u>2012</u>
Revenues		
Program revenues:		
Charges for services	\$ 725,340	\$ 671,469
Operating grants and contributions	45,388,919	44,178,627
General revenues:		
Property taxes	26,183,006	26,154,663
Sales taxes	2,580,426	2,511,047
Investment earnings	72,263	78,177
Total revenues	<u>74,899,954</u>	<u>73,593,983</u>
Expenses		
Instruction	47,580,376	45,393,555
Support services	20,846,527	19,508,195
Food service operation	5,156,674	5,026,568
Community service operation	280,921	190,296
Interest on long-term debt	27,982	318,232
Total expenses	<u>73,892,480</u>	<u>70,436,846</u>
Increase (decrease) in net position	1,007,474	3,157,137
Net position beginning of year	102,649,468	99,492,331
Net position end of year	<u>\$ 103,656,942</u>	<u>\$ 102,649,468</u>

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Fund balance, when compared with net position, 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 position reports all assets and all liabilities regardless of their relevance to near-term financing decisions. Net position 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 District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the School District can be divided into three types of funds – governmental funds, proprietary funds, and fiduciary funds. The School District does not have any proprietary funds.

Governmental Funds

Most of the School District'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. 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 District'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 District does not utilize proprietary funds.

Fiduciary Funds

The School District is the trustee, or fiduciary, for assets that belong to others, such as club and class funds. The School District 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 District 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 position for 2013 was \$103.7 million which represents a \$1.0 million or 1% increase from 2012. The increase in the School District's net position from the prior year was primarily due to increases to current and long-term assets. Current assets had increases in intergovernmental receivables for sales tax revenue and federal program revenue reimbursements.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Changes in Net Position from Operating Results

Revenues

The School District's total revenues increased in 2013 by 1.8%. The majority of the School District's revenues come from state sources and taxes. Operating grants from state and federal sources increased by 2.7%, or \$1.2 million, primarily due to increased funding of state formula revenue. A portion of state formula revenue is tied to student enrollment. The District's state revenue increased due to its growing enrollment.

Expenses

The School District's total expenses increased by 4.9%, or \$3.5 million when compared with fiscal year 2012. Instructional expenditures increased by 4.8% or \$2.2 million due to the addition of teaching positions to address growing enrollment. Also, school administration expenditures increased by \$796,891 due to increased levels of staffing, and improvements in technology equipment and software.

Governmental Activities

The Statement of Activities reports the total and net cost of major School District activities: instruction, pupil and instructional services, school and administrative services, maintenance and operations, transportation, and other.

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 District's taxpayers by each activity. The total cost of governmental services in 2013 was \$73.9 million. Users of the School District's programs financed \$725,340 of the costs. Federal and state grants, subsidized programs, and contributions financed the largest portion of the School District's costs at \$45.3 million. The School District taxpayers financed \$27.8 million in 2013.

The School System's Funds

The 2013 combined fund balance of all governmental funds, which includes capital projects, at \$23.3 million was nearly the same as the 2012 ending balance of \$23.4 million. The ending fund balance represents 30.9% of total expenditures. Of the governmental fund balance, \$10.2 million is restricted or committed for debt service and capital projects.

General Fund Budgetary Highlights

In developing the fiscal year 2013 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. 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 teacher capacity, preserve employment, 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.

The most significant budgeted fund is the General Fund. The original budget was amended to properly account for the local revenues and other support expenditure activity from each of the district school accounts. Additionally, the Board approved an increase to transfer General Fund money to the Capital Projects Fund for district-wide student technology devices and some athletic field improvements at the secondary level.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Actual revenues for the General Fund were 5.6% more than the final budget. Actual local property tax revenue was higher than the amended budget due to prior year collections, intangible property, and motor vehicle revenue. Additionally, the Georgia Department of Education shifted what had been state funding formula revenue to on behalf payments for a portion of employer health insurance. Actual state revenue, when combined with on behalf payments, is 4.5% more than the final budget. Since a much of Georgia's state revenue is linked to student enrollment, and the School District has had increased enrollment, actual state revenues were higher than budget.

Actual expenditures were 4.1% under the final adjusted budget. Most of the expenditure savings are in instruction for teacher salaries and employer share of health insurance. The General Fund budget maintains contingency teaching positions should the grade or program enrollment increase beyond staff projections. Also, the budget included a conservative estimate for health insurance costs based on prior mid-year cost increases for employee and employer.

The final budget projected to reduce the general fund balance by \$5.5 million. The actual result was an increase to fund balance of \$214,337, as actual revenues were greater than budget and actual expenditures were less than budget. Specifically, local sources of revenue were \$1.5 million more than budget, and state sources of revenue combined with on behalf payments were \$1.4 million more than budget. Actual expenditures were \$2.5 million under budget.

General Fund Balance

The fiscal year 2013 unassigned fund balance of \$12.6 million increased marginally from fiscal year 2012. The unrestricted unassigned fund balance of \$12.6 million gives the School District a fund balance that is equivalent to 79 days of expenditures. This fund balance remains adequate to minimize the likelihood of the School District entering the short-term debt market to pay for current operating expenditures. The unrestricted unassigned general fund ending fund balance represents 21.7% of general fund expenditures.

The high fund balance of fiscal year 2013 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; the School District does not have formal authority with decisions related to the freeport exemption.

Additionally, there could be substantial changes to the School District's federal sources of revenue in the near future. With automatic federal sequestration beginning to go into effect, the School District is starting to experience additional federal program reductions with the potential to increase the burden to local sources of revenue for any efforts that the board of education chooses to preserve.

Other Governmental Funds

The School District uses capital projects funds to account for school construction and improvement projects. Since 1997, sales tax proceeds have become 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 three 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 2013 after a one year lapse. The maximum it is expected to generate would be a total of \$105 million of which the School District could receive \$36.4 million over its life. School District plans are assuming \$28.7 million in sales tax revenue to fund capital projects and debt service. Since the School District's sales tax revenue was reinstated January 2013, there were six months of revenue totaling \$2.6 million for the fiscal year. The ESPLOST fund had expenditures of \$2.9 million for the year ended June 30, 2013 and had an ending fund deficit of \$50,876.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Capital Assets and Debt Administration

Capital Assets

Capital assets had nearly no change, with the net investment moving from \$82.5 million in 2012 to \$82.7 million in 2013, a 0.3% increase of \$207,100. Although there were \$3.2 million in increases to capital assets and construction in progress increased by \$120,200, the depreciation expense of \$3.1 million on building and equipment nearly offset these increases to capital assets. See Note 5 of the financial statement for greater detail.

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
Capital assets, not depreciated		
Land	\$ 9,264,235	\$ 9,264,235
Construction in progress	906,790	786,555
Total	<u>10,171,025</u>	<u>10,050,790</u>
Capital assets, depreciated		
Land improvements	2,415,416	1,797,279
Buildings	100,102,698	97,816,256
Equipment	3,677,856	3,367,433
Vehicles	432,255	429,755
Total	<u>106,628,225</u>	<u>103,410,723</u>
Less accumulated depreciation		
Land improvements	(1,599,270)	(1,507,213)
Buildings	(29,745,263)	(26,928,711)
Equipment	(2,318,948)	(2,087,681)
Vehicles	(418,579)	(427,827)
Total	<u>(34,082,060)</u>	<u>(30,951,432)</u>
Total capital assets, net of depreciation	<u>72,546,165</u>	<u>72,459,291</u>
Governmental activities net investment in capital assets	<u>\$ 82,717,190</u>	<u>\$ 82,510,081</u>

Long-Term Debt

At the end of June 30, 2013, the School District had long-term liabilities in the form of capital leases and compensated absences. Although the School District has a policy that enables employees to accumulate sick leave, the School District does not compensate employees for unused sick leave.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital leases	\$ 4,630,803	\$ -	\$ 1,298,595	\$ 3,332,208	\$ 722,208
Compensated absences	24,060	5,432	8,052	21,440	21,440
Total	<u>\$ 4,654,863</u>	<u>\$ 5,432</u>	<u>\$ 1,306,647</u>	<u>\$ 3,353,648</u>	<u>\$ 743,648</u>

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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 District will 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 District has accumulated a total \$24.1 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 around \$5.2 million annually from earned state revenue.

As of 2011, the School District qualified for state equalization grant revenue. The School District received \$536,900 in 2011, and \$1.1 million in 2012. In 2013, state officials revised the funding formula since the state budget cannot afford to provide for the grant. The School District received \$600,400 in 2013 under a revised funding formula, and anticipates another reduction in equalization revenue down to \$134,500 in 2014.

As a result of a growing population of economically disadvantaged students, the School District's Title I Academic Achievement federal funding 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. 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 9.0%, and the Dalton Metropolitan Area is at 11.5%.

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 for one year during the 2012 calendar year. Additionally, the implementation of a 20% freeport exemption on business inventory began with fiscal year 2011. This resulted in decreased local revenue of \$685,500 in 2011, \$787,200 in 2012, and \$945,700 in 2013. The plan is to phase in the freeport exemption until it reaches 100% exemption on business inventory. The School District forecasts a 100% freeport exemption will be a loss of an additional \$4.7 million in property tax revenue. Increases to the freeport exemption will be delayed for fiscal year 2014 and possibly 2015 for the School District.

Property values have declined since 2010. As a result, the School District's property tax revenue decreased in 2010 by \$1.2 million, another \$1.5 million in 2011, and an additional \$574,100 decrease for 2012. For the 2013, there is nearly no change from 2012. Although there remains some uncertainty regarding property values, the School District is anticipating no change for fiscal year 2014.

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 School District began a three year cost reduction plan in fiscal year 2010. As the national, state, and local economies declined, the efforts have increased to address these funding challenges. In fiscal year 2010, actual General Fund expenditures were \$2.9 million less than in 2009. In fiscal year 2011, administrative staff was able to reduce actual expenditures by \$4.2 million from the prior year. 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, 2013**

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 POSITION
JUNE 30, 2013

	Governmental Activities
Assets	
Current Assets	
Cash	\$ 4,916,999
Investments	21,825,421
Receivables:	
Accounts	123,840
Intergovernmental	1,632,003
Taxes	1,097,146
Inventory	176,335
Restricted assets:	
Investments	1,198,949
Total Current Assets	<u>30,970,693</u>
Noncurrent Assets	
Nondepreciable capital assets	10,171,025
Depreciable capital assets, net	<u>72,546,165</u>
Total Noncurrent Assets	<u>82,717,190</u>
Total Assets	<u>113,687,883</u>
Liabilities	
Current Liabilities	
Accounts payable	2,583,302
Salaries payable	3,961,044
Accrued interest payable	13,577
Retainage payable	119,370
Capital leases payable	722,208
Compensated absences	21,440
Total Current Liabilities	<u>7,420,941</u>
Long-Term Liabilities	
Capital leases, less current portion	<u>2,610,000</u>
Total Liabilities	<u>10,030,941</u>
Net Position	
Net investment in capital assets	79,384,982
Restricted for debt service	3,699,964
Unrestricted	20,571,996
Total Net Position	<u>\$ 103,656,942</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Function/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities				
Instruction	\$ 47,580,376	\$ 250,285	\$ 27,296,972	\$ (20,033,119)
Support services				
Pupil services	2,085,994	-	1,508,823	(577,171)
Improvement of instructional services	2,726,507	-	2,306,149	(420,358)
Educational media services	1,187,723	-	697,969	(489,754)
General administration	806,152	-	600,848	(205,304)
School administration	3,640,280	-	2,145,252	(1,495,028)
Business administration	565,161	-	332,098	(233,063)
Maintenance and operation of plant	4,423,979	-	2,606,783	(1,817,196)
Student transportation services	2,567,920	-	1,566,092	(1,001,828)
Central support services	1,996,949	-	1,180,330	(816,619)
Other support services	845,862	-	516,801	(329,061)
Food services operation	5,156,674	475,055	4,415,718	(265,901)
Community services operations	280,921	-	165,084	(115,837)
Interest on long-term debt	27,982	-	-	(27,982)
Total Governmental Activities	<u>\$ 73,892,480</u>	<u>\$ 725,340</u>	<u>\$ 45,338,919</u>	<u>(27,828,221)</u>

General Revenues

Property taxes	24,597,936
Vehicle taxes	1,205,150
Intangibles tax	179,982
Title ad valorem tax	199,938
Sales taxes	2,580,426
Unrestricted investment earnings	<u>72,263</u>
Total General Revenues	<u>28,835,695</u>

Change in Net Position	1,007,474
Net Position, Beginning of Year	<u>102,649,468</u>
Net Position, End of Year	<u>\$ 103,656,942</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Debt Service	Capital Projects	Special Purpose Local Option Sales Tax	Federal Programs	Other Governmental Funds	Total Governmental Funds
Assets							
Cash	\$ 2,091,598	\$ 2,248,971	\$ -	\$ -	\$ -	\$ 576,430	\$ 4,916,999
Investments	18,037,569	-	3,787,852	-	-	-	21,825,421
Receivables							
Accounts	123,840	-	-	-	-	-	123,840
Intergovernmental	104,445	320,281	-	-	1,020,712	186,565	1,632,003
Taxes	1,097,146	-	-	-	-	-	1,097,146
Due from other funds	2,304,845	113,193	3,428,930	-	1,929	119,078	5,967,975
Inventory	-	-	-	-	-	176,335	176,335
Restricted assets							
Investments	-	1,198,949	-	-	-	-	1,198,949
Total Assets	\$ 23,759,443	\$ 3,881,394	\$ 7,216,782	\$ -	\$ 1,022,641	\$ 1,058,408	\$ 36,938,668
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 1,808,623	\$ -	\$ 616,446	\$ -	\$ 84,556	\$ 73,677	\$ 2,583,302
Salaries payable	3,590,307	-	-	-	271,843	98,894	3,961,044
Due to other funds	4,808,478	167,853	-	-	668,190	323,454	5,967,975
Retainage payable	-	-	68,494	50,876	-	-	119,370
Deferred revenue	974,600	-	-	-	-	-	974,600
Total Liabilities	11,182,008	167,853	684,940	50,876	1,024,589	496,025	13,606,291
Fund Balances							
Nonspendable	-	-	-	-	-	176,335	176,335
Restricted	-	3,713,541	-	-	-	388,825	4,102,366
Unrestricted:							
Committed	-	-	6,531,842	-	-	-	6,531,842
Unassigned	12,577,435	-	-	(50,876)	(1,948)	(2,777)	12,521,834
Total Fund Balances	12,577,435	3,713,541	6,531,842	(50,876)	(1,948)	562,383	23,332,377
Total Liabilities and Fund Balances	\$ 23,759,443	\$ 3,881,394	\$ 7,216,782	\$ -	\$ 1,022,641	\$ 1,058,408	\$ 36,938,668

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 POSITION
JUNE 30, 2013

Total Governmental Fund Balances	\$ 23,332,377
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Amounts reported for Governmental Activities
in the Statement of Net Position are different because:

Interfund receivables and payables between governmental funds are reported on the fund statements but eliminated on the district-wide Statement of Net Position.

Interfund receivables	5,967,975	
Interfund payables	<u>(5,967,975)</u>	-

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

Cost	116,799,250	
Accumulated depreciation	<u>(34,082,060)</u>	82,717,190

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.

974,600

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	(13,577)	
Capital leases payable	(3,332,208)	
Compensated absences	<u>(21,440)</u>	<u>(3,367,225)</u>

Net Position of Governmental Activities	<u>\$ 103,656,942</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, 2013

	General	Debt Service	Capital Projects	Special Purpose Local Option Sales Tax	Federal Programs	Other Governmental Funds	Total Governmental Funds
Revenues							
Federal sources	\$ 601,365	\$ -	\$ -	\$ -	\$ 5,823,496	\$ 4,160,549	\$ 10,585,410
State sources	27,927,237	-	-	-	-	1,222,751	29,149,988
Local sources and other funds	28,408,346	2,619,332	5,898	147	-	475,721	31,509,444
On behalf payments	4,100,644	-	-	-	-	-	4,100,644
Total Revenues	<u>61,037,592</u>	<u>2,619,332</u>	<u>5,898</u>	<u>147</u>	<u>5,823,496</u>	<u>5,859,021</u>	<u>75,345,486</u>
Expenditures							
Current							
Instruction	39,903,984	-	174,770	696,664	2,710,275	1,121,779	44,607,472
Support services							
Pupil services	1,398,624	-	-	-	681,445	5,925	2,085,994
Improvement of instructional services	1,016,209	-	-	-	1,709,457	117	2,725,783
Educational media services	1,187,723	-	-	-	-	-	1,187,723
General administration	497,629	-	-	-	308,523	-	806,152
School administration	3,635,521	-	-	-	-	2,880	3,638,401
Business administration	565,126	-	-	35	-	-	565,161
Maintenance and operation of plant	4,404,849	-	-	-	-	-	4,404,849
Student transportation services	2,428,559	-	-	-	129,002	10,359	2,567,920
Central support services	1,980,402	-	-	-	16,547	-	1,996,949
Other support services	676,259	-	-	-	119,437	-	795,696
Food services operation	-	-	-	-	132,303	4,857,442	4,989,745
Community services operations	280,921	-	-	-	-	-	280,921
Capital outlay							
Instruction	64,938	-	813,490	2,240,288	18,548	-	3,137,264
Support services							
School administration	10,299	-	-	-	-	-	10,299
Maintenance and operation of plant	31,074	-	-	-	-	-	31,074
Food services operation	-	-	-	-	-	242,824	242,824
Debt service							
Principal retirement	-	1,298,595	-	-	-	-	1,298,595
Interest and fiscal charges	-	37,637	-	-	-	-	37,637
Total Expenditures	<u>58,082,117</u>	<u>1,336,232</u>	<u>988,260</u>	<u>2,936,987</u>	<u>5,825,537</u>	<u>6,241,326</u>	<u>75,410,459</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,955,475</u>	<u>1,283,100</u>	<u>(982,362)</u>	<u>(2,936,840)</u>	<u>(2,041)</u>	<u>(382,305)</u>	<u>(64,973)</u>
Other Financing Sources (Uses)							
Transfers in	-	1,120,521	2,699,417	1,607,501	-	41,221	5,468,660
Transfers out	(2,741,138)	(222,482)	(2,505,040)	-	-	-	(5,468,660)
Total Other Financing Sources (Uses)	<u>(2,741,138)</u>	<u>898,039</u>	<u>194,377</u>	<u>1,607,501</u>	<u>-</u>	<u>41,221</u>	<u>-</u>
Net Changes in Fund Balances	214,337	2,181,139	(787,985)	(1,329,339)	(2,041)	(341,084)	(64,973)
Fund Balance, Beginning 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>
Fund Balance, End of Year	<u>\$ 12,577,435</u>	<u>\$ 3,713,541</u>	<u>\$ 6,531,842</u>	<u>\$ (50,876)</u>	<u>\$ (1,948)</u>	<u>\$ 562,383</u>	<u>\$ 23,332,377</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, 2013

Net Changes in Fund Balances - Total Governmental Funds	\$	(64,973)
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Elimination of transfers between governmental funds.

Transfers in	(5,468,660)	
Transfers out	<u>5,468,660</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	3,421,461	
Depreciation expense	<u>(3,213,051)</u>	208,410

Write off of capital assets not reported at the fund level.		(1,301)
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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		(445,532)
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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		1,298,595
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Net change in accrued interest on long-term debt		9,655
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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>2,620</u>
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Change in Net Position - Governmental Activities	\$	<u>1,007,474</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, 2013

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 297,520	\$ 297,520	\$ 601,365	\$ 303,845
State sources	30,268,431	30,393,928	27,927,237	(2,466,691)
Local sources and other funds	25,910,700	26,867,825	28,408,346	1,540,521
On behalf payments	256,000	256,000	4,100,644	3,844,644
Total Revenues	<u>56,732,651</u>	<u>57,815,273</u>	<u>61,037,592</u>	<u>3,222,319</u>
Expenditures				
Current				
Instruction	42,053,419	42,153,859	39,903,984	2,249,875
Support services				
Pupil services	1,379,125	1,391,525	1,398,624	(7,099)
Improvement of instructional services	1,028,395	1,029,353	1,016,209	13,144
Educational media services	1,220,553	1,220,897	1,187,723	33,174
General administration	513,623	513,623	497,629	15,994
School administration	3,387,202	3,383,883	3,635,521	(251,638)
Business administration	567,519	567,519	565,126	2,393
Maintenance and operation of plant	4,567,570	4,566,070	4,404,849	161,221
Student transportation services	2,423,483	2,423,483	2,428,559	(5,076)
Central support services	2,147,092	2,147,092	1,980,402	166,690
Other support services	47,000	952,239	676,259	275,980
Community services operations	100,000	100,000	280,921	(180,921)
Capital outlay				
Instruction	64,938	64,938	64,938	-
Support services				
School administration	10,299	10,299	10,299	-
Maintenance and operation of plant	31,074	31,074	31,074	-
Total Expenditures	<u>59,541,292</u>	<u>60,555,854</u>	<u>58,082,117</u>	<u>2,473,737</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	<u>(2,808,641)</u>	<u>(2,740,581)</u>	<u>2,955,475</u>	<u>5,696,056</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,775,106)</u>	<u>(2,774,417)</u>	<u>(2,741,138)</u>	<u>(33,279)</u>
Total Other Financing Sources (Uses)	<u>(1,775,106)</u>	<u>(2,774,417)</u>	<u>(2,741,138)</u>	<u>(33,279)</u>
Net Changes in Fund Balances	<u>\$ (4,583,747)</u>	<u>\$ (5,514,998)</u>	214,337	<u>\$ 5,729,335</u>
Fund Balance, Beginning of Year			<u>12,363,098</u>	
Fund Balance, End of Year			<u>\$ 12,577,435</u>	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FEDERAL PROGRAMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 6,209,919	\$ 6,748,940	\$ 5,823,496	\$ (925,444)
Total Revenues	<u>6,209,919</u>	<u>6,748,940</u>	<u>5,823,496</u>	<u>(925,444)</u>
Expenditures				
Current				
Instruction	3,613,101	3,177,753	2,710,275	467,478
Support services				
Pupil services	646,850	661,317	681,445	(20,128)
Improvement of instructional services	1,523,103	2,010,345	1,709,457	300,888
General administration	204,997	429,387	308,523	120,864
Student transportation services	51,460	250,670	129,002	121,668
Central support services	14,000	41,000	16,547	24,453
Other support services	84,366	160,401	119,437	40,964
Food services operations	-	-	132,303	(132,303)
Capital outlay				
Instruction	<u>18,548</u>	<u>18,548</u>	<u>18,548</u>	<u>-</u>
Total Expenditures	<u>6,156,425</u>	<u>6,749,421</u>	<u>5,825,537</u>	<u>923,884</u>
Net Changes in Fund Balances	<u>\$ 53,494</u>	<u>\$ (481)</u>	(2,041)	<u>\$ (1,560)</u>
Fund Balance, Beginning of Year			<u>93</u>	
Fund Balance, End of Year			<u>\$ (1,948)</u>	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

	<u>Agency Funds</u>
Assets	
Intergovernmental receivable	\$ 15,112
Due from others	<u>34,649</u>
Total Assets	<u>\$ 49,761</u>
Liabilities	
Accounts payable	\$ 557
Due to others	<u>49,204</u>
Total Liabilities	<u>\$ 49,761</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

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 was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is comprised of five members who 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 the authority to set its budget without approval by the City government or any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity. The School District has no component units.

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 Position 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, 2013, 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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

The School District reports the following major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for and reports all financial resources of the School District not accounted for and reported in another fund.
- The Federal Programs Fund is a special revenue fund which accounts for and reports federal dollars received and restricted for expenditure for specified purposes.
- The Capital Projects Fund accounts for and reports the general 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 Special Purpose Local Option Sales Tax Fund is a capital projects fund which accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST) that are restricted, committed, or assigned to expenditure for capital outlays, including acquisition or construction of capital facilities or other capital assets.
- The Debt Service Fund accounts for and reports financial resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

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 School 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, vehicle taxes, sales taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from vehicle taxes and 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, 2013

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 one hundred twenty days after year-end (60 days for property taxes). Property taxes, vehicle 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.

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 is both restricted and unrestricted net position 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.

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

New Accounting Pronouncements

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. The adoption of this accounting pronouncement did not have an impact on the financial statements.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature. The adoption of this accounting pronouncement did not have an impact on the financial statements.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The adoption of this accounting pronouncement did not have an impact on the financial statements.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

Cash, Cash Equivalents, and Investments

The School District's cash and cash equivalents consist of 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 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) the Georgia Fund 1 (local government investment pool) administered by the State of Georgia, Office of the State Treasurer; (7) repurchase agreements, and (8) obligations of other political subdivisions of the State of Georgia;

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.

Receivables

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."

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

Sales Taxes

Education Special Purpose Local Option Sales Tax, at the fund reporting level, totaled \$2,580,426 for the year 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.

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.

Capital Assets

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). Capital assets are reported in the governmental activities column in the district-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. Purchased and constructed capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. 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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

Capital Assets - Continued

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 School District continues to limit eligibility regarding compensated absences.

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 related long-term assets and liabilities are reported as liabilities on the Statement of Net Position. 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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

On-Behalf Payments

The School District has recognized revenues and costs in the amount of \$4,100,644 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 Georgia Department of Community Health

For health insurance of certified personnel

In the amount of \$4,001,400

Paid to the Teachers Retirement System of Georgia

For teachers retirement system (TRS) employer's cost

In the amount of \$27,793

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 \$71,451

Fund Equity

Net Position

The School District's net position in the district-wide statements is classified as follows:

Net investment in capital assets – Net investment in capital assets 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 net investment in capital assets.

Restricted net position – Restricted net position represents 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 position - Unrestricted net position represents resources derived from property taxes, vehicle 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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

Fund Balances

The School District's fund balances are classified as follows:

- 1) ***Non-spendable Fund Balance*** - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- 2) ***Restricted Fund Balance*** - Constraints placed on the use of resources are either externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- 3) ***Committed*** - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- 4) ***Assigned*** - Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the Board of Education or the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.
- 5) ***Unassigned*** - The residual classification for the General Fund. This classification represents fund balances that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

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

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 1 Summary of Significant Accounting Policies - Continued

A schedule of fund balances is as follows:

Fund Balances:	General	Capital Projects	Debt Service	SPLOST	Federal Programs	Other Governmental Funds	Total
Nonspendable:							
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 176,335	\$ 176,335
Restricted for:							
Debt Service	-	-	3,713,541	-	-	-	3,713,541
School Nutrition	-	-	-	-	-	388,825	388,825
Committed to:							
Capital Projects	-	6,531,842	-	-	-	-	6,531,842
Unassigned	<u>12,577,435</u>	<u>-</u>	<u>-</u>	<u>(50,876)</u>	<u>(1,948)</u>	<u>(2,777)</u>	<u>12,521,834</u>
Total Fund Balance	<u>\$ 12,577,435</u>	<u>\$ 6,531,842</u>	<u>\$ 3,713,541</u>	<u>\$ (50,876)</u>	<u>\$ (1,948)</u>	<u>\$ 562,383</u>	<u>\$ 23,332,377</u>

Deficit Fund Balances

The School District had three funds with deficit fund balances at June 30, 2013, as follows:

Fund Type/Fund Name	Deficit Balance
Capital Projects/SPLOST Fund	\$ (50,876)
Special Revenue/Federal Programs	(1,948)
Special Revenue/Lottery	(2,777)

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 the reporting period. Actual results could differ from those estimates.

Note 2 Budgetary Data

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. The budget is legally adopted each year for the general, special revenue, debt service, and capital projects funds. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except for the various school activity (principal) accounts reported in the General Fund, is prepared and adopted by fund, function, and object. The legal level of budgetary control was established by the Board at the aggregate fund level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 2 Budgetary Data - Continued

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School District's website. 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 budget. The approved budget is then submitted, in accordance with provisions of OCGA section 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.

See the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Federal Programs Special Revenue Fund for a detail of any over/under expenditures during the fiscal year.

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% of the daily pool balance.

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

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 3 Deposits and Investments - Continued

- (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.

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District's deposit policy for custodial credit risk is as follows: Excluding bond proceeds, the maximum amount which may be invested with any one financial institution shall not be greater than 50% of the total portfolio. Before the superintendent or finance officer invests any surplus funds other than with Georgia Fund 1, a competitive bid process shall be conducted. If a specific maturity date is required, either for cash flow purposes or for compliance with maturity guidelines, bids will be requested for instruments which meet the maturity requirement. If no specified maturity is required, the superintendent or finance officer shall endeavor to obtain the best available return on the investment. The superintendent will utilize the Georgia Fund 1 anytime the rate of return is higher than the rate determined through requests from banks.

At June 30, 2013, \$353,330 of the School District's total bank deposits of \$6,421,431 were exposed to custodial credit risk as they exceeded federal depository insurance coverage and were uncollateralized. 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.

Investments

At June 30, 2013, the carrying value of the School District's unrestricted investments was \$21,825,421. This investment consisted entirely of funds invested in the Georgia Fund 1, formerly referred to as LGIP, administered by the State of Georgia, Office of the State Treasurer which 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 the State Treasurer for the Georgia Fund 1 (Primary Liquidity Portfolio and Extended Asset Portfolio) 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 at <http://www.audits.ga.gov/SGD/cafr.html>.

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, 2013, was 43 days.

The Georgia Extended Asset Pool is a variable net asset value investment pool which follows Standard and Poor's criteria for AAAf money market rated funds. The pool is not registered with the SEC as an investment company. Net Asset Value (NAV) is calculated daily to determine current share price, which at June 30, 2013 was \$2.00 per share. The duration of the fund at June 30, 2013, was .26 years.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 3 Deposits and Investments - Continued

At June 30, 2013, the carrying value of the School District's restricted investments was \$1,198,949. This investment consisted entirely of funds invested in U.S. Agency securities, as permitted by OCGA.

The School District's investments as of June 30, 2013 are presented below. Investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U.S. Agencies	\$ 1,198,949	\$ 1,198,949
Investment Pools		
Office of Treasury and Fiscal Services		
Georgia Fund 1	21,825,421	21,825,421
	<u>\$ 23,024,370</u>	<u>\$ 23,024,370</u>

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.

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, 2013, 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.

The investments subject to credit quality risk are as follows:

Rated Debt Investments	Fair Value	Quality Ratings	
		Aaa-mf	P-1
Debt Securities			
U.S. Agencies	\$ 1,198,949	\$ 1,198,533	\$ 416

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 3 Deposits and Investments - Continued

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District's policy for managing concentration of credit risk is to set the following maximum limits for each investment instrument: fully insured obligations of the U.S. government – 100%, fully insured obligations of U.S. agencies – 100%, Georgia Fund 1 (local government investment pool) – 100%, obligations of U.S. government sponsored corporations – 75%, certificates of deposit – 75%, and collateralized interest bearing demand deposits – 75%. The School District is in compliance with their policy.

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, 2013

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Governmental Activities:				
Nondepreciable Capital Assets				
Land	\$ 9,264,235	\$ -	\$ -	\$ 9,264,235
Construction in Progress	786,555	906,790	(786,555)	906,790
Total	<u>10,050,790</u>	<u>906,790</u>	<u>(786,555)</u>	<u>10,171,025</u>
Depreciable Capital Assets				
Land Improvements	1,797,279	618,137	-	2,415,416
Buildings and Building Improvements	97,816,256	2,286,442	-	100,102,698
Machinery, Equipment, and Technology	3,367,433	382,149	(71,726)	3,677,856
Vehicles	429,755	14,500	(12,000)	432,255
Total	<u>103,410,723</u>	<u>3,301,228</u>	<u>(83,726)</u>	<u>106,628,225</u>
Less Accumulated Depreciation				
Land Improvements	(1,507,213)	(92,057)	-	(1,599,270)
Buildings and Building Improvements	(26,928,711)	(2,816,552)	-	(29,745,263)
Machinery, Equipment, and Technology	(2,087,681)	(301,690)	70,423	(2,318,948)
Vehicles	(427,827)	(2,752)	12,000	(418,579)
Total	<u>(30,951,432)</u>	<u>(3,213,051)</u>	<u>82,423</u>	<u>(34,082,060)</u>
Depreciable Capital Assets, net	<u>72,459,291</u>	<u>88,177</u>	<u>(1,303)</u>	<u>72,546,165</u>
Governmental Activities Capital Assets, Net	<u>\$ 82,510,081</u>	<u>\$ 994,967</u>	<u>\$ (787,858)</u>	<u>\$ 82,717,190</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 5 Capital Assets - Continued

Current year depreciation expense by function is as follows:

Governmental Activities:	
Instruction	\$ 2,972,904
Improvement of instructional services	724
School administration	1,879
Maintenance and operation of plant	21,750
Other support services	50,166
Food services operation	165,628
Total Depreciation Expense - Governmental Activities	<u>\$ 3,213,051</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, 2013 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 2,304,845	\$ 4,808,478
Capital Projects Fund	3,428,930	-
Debt Service Fund	113,193	167,853
Federal Programs Fund	1,929	668,190
Nonmajor Governmental Funds	119,078	323,454
Total Governmental Funds	<u>\$ 5,967,975</u>	<u>\$ 5,967,975</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, 2013 consisted of the following:

Transfer To	Transfer From			Total
	General Fund	Projects Fund	Debt Service	
Debt Service Fund	\$ -	\$ 1,120,521	\$ -	\$ 1,120,521
SPLOST Fund	500	1,384,519	222,482	1,607,501
Capital Projects Fund	2,699,417	-	-	2,699,417
Nonmajor Governmental Funds	41,221	-	-	41,221
Total Governmental Funds	\$ 2,741,138	\$ 2,505,040	\$ 222,482	\$ 5,468,660

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 7 Long Term Debt

Capital Leases - The School District has entered into two 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 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 and May 1, 2018, respectively. The interest rates on those leases are 3.31% and 0%, respectively. Additionally, the School District has 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 interest rates on those leases are 5.312%, 5.312%, and 5.2%, respectively.

All cost and related amortization expense reported on the leased assets are included in depreciation expense, as disclosed in Note 5. The following is an analysis of leased assets under the capital leases of June 30, 2013:

Buildings and building improvements	\$	6,684,751
Net of accumulated amortization		(3,314,371)
	\$	<u>3,370,380</u>

At June 30, 2013, payments due by fiscal year, which includes principal and interest, are as follows:

Year Ending June 30,	Principal	Interest
2014	\$ 722,208	\$ 82,282
2015	610,000	68,287
2016	-	54,686
2017	-	16,577
2018	<u>2,000,000</u>	<u>59,099</u>
Total Principal and Interest	<u>\$ 3,332,208</u>	<u>\$ 280,931</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, 2013

Note 7 Long Term Debt - Continued

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Capital leases	\$ 4,630,803	\$ -	\$ (1,298,595)	\$ 3,332,208	\$ 722,208
Compensated absences	24,060	5,432	(8,052)	21,440	21,440
	<u>\$ 4,654,863</u>	<u>\$ 5,432</u>	<u>\$ (1,306,647)</u>	<u>\$ 3,353,648</u>	<u>\$ 743,648</u>

Note 8 Retirement Plans

Teachers Retirement System of Georgia

Plan Description - 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, 2013

Note 8 Retirement Plans - Continued

Funding Policy - TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. 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, 2013 were 6% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010 actuarial valuation. The employer contribution rate will increase to 12.28% effective July 1, 2013.

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>
2013	100%	\$ 4,066,616
2012	100%	3,497,210
2011	100%	3,235,692

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 includes 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.

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 includes 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, 2013

Note 8 Retirement Plans - Continued

On November 20, 1997, the Board created the Supplemental Retirement Benefit Plan of ERS (SRBP-ERS). SRBP-ERS was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue code as a portion of ERS. The purpose of SRBP-ERS is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by Section 415. Beginning January 1, 1998, all members and retired former members in ERS were eligible to participate in the SRBP-ERS whenever their benefits under ERS exceeded the limitation on benefits imposed by Section 415.

The benefit structure of ERS is established by the Board of Trustees under statutory guidelines. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon employment that started prior to July 1, 1982, is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982, but prior to January 1, 2009, are "new plan" members subject to the modified plan provisions. Effective January 1, 2009, newly hired employees, as well as rehired employees who did not maintain eligibility for the old or new plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). Members of the GSEPS plan may also participate in the GSEPS 401(k) defined contribution component. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60. Members become vested after 10 years of service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions the member forfeits all rights to retirement benefits.

Retirement benefits paid to members are based upon a formula adopted by the Board of Trustees for such purpose. The formula considers the monthly average of the member's highest 24 consecutive calendar months of salary, the number of years of creditable service, the applicable benefit factor, and the member's age at retirement. Post retirement cost of living adjustments may be made to members' benefits provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Member contribution rates are set by law. Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The employer is required to contribute a specified percentage of active member payroll established by the Board of Trustees and determined annually in accordance with an actuarial valuation and minimum funding standards as provided by law. These contributions are not at any time refundable to the member or his/her beneficiary. Employer contributions required for fiscal year 2013 were as follows: old plan contribution rate 6.88%; new plan contribution rate 14.9%; and GSEPS contribution rate 11.54%.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 8 Retirement Plans - Continued

Employer contributions, which were equal to the required contribution, for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Employer Contribution
2013	\$ 7,299
2012	5,746
2011	5,225

Note 9 Post-Employment Benefits

Plan Description - 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 OCGA 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.

Funding Policy - 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, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, 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, 2013, 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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 9 Post-Employment Benefits - Continued

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, 2013:

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

July 2012 - February 2013	\$912.34 per member per month
March 2013 - June 2013	\$937.34 per member per month

For non-certificated school personnel:

July 2012 - June 2013	\$446.20 per member per month
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No additional contribution was required by the Board for fiscal year 2013 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.

The School District's combined active and retiree contributions to the health insurance plans for the years ended June 30, 2013, 2012, and 2011 were \$6,563,711, \$5,819,810, and \$5,443,791, respectively, which equaled the required contribution.

Note 10 Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; natural disasters; workers compensation; and unemployment compensation. The School District has obtained commercial insurance from risk of loss associated with torts, assets, errors or omissions, job related illness or injuries to employees, and natural disasters. 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 self-insured with regard to unemployment compensation claims. A premium is charged when needed by the General Fund to each user program on the basis of the percentage of that fund's payroll to total payroll in order to cover estimated claims budgeted by management based on known claims and prior experience. The School District accounts for claims with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 10 Risk Management - Continued

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. Premiums paid to the City of Dalton, Georgia to cover workers' compensation claims liability attributable to the School District during the last three fiscal years are as follows:

	Beginning of Year Liability	Claims	Claims Paid	End of Year Liability
2011	\$ -	\$ 181,500	\$ (181,500)	\$ -
2012	-	245,600	(245,600)	-
2013	-	245,600	(245,600)	-

Note 11 Operating Leases

The School District has entered into various leases as lessee for office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013 totaled \$143,087. Substantially all leases have options to extend the terms of the lease or to purchase the asset at the lease termination date, but none include bargain purchase options. Future minimum lease payments for these leases are as follows:

Year Ending June 30,	Payment
2014	\$ 133,226
2015	117,483
2016	55,310
2017	28,694
2018	4,782
	<u>\$ 339,495</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Note 12 Commitments and Contingencies

The School District is involved in legal matters as of the fiscal year ended June 30, 2013 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, 2013 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 \$1,857,327. 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, 2013

	<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	\$ 576,430	\$ -	\$ 576,430
Receivables			
Intergovernmental	186,565	-	186,565
Due from other funds	-	119,078	119,078
Inventory	176,335	-	176,335
Total Assets	<u>\$ 939,330</u>	<u>\$ 119,078</u>	<u>\$ 1,058,408</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 50,716	\$ 22,961	\$ 73,677
Salaries payable	-	98,894	98,894
Due to other funds	323,454	-	323,454
Total Liabilities	<u>374,170</u>	<u>121,855</u>	<u>496,025</u>
Fund Balances			
Nonspendable	176,335	-	176,335
Restricted	388,825	-	388,825
Unassigned	-	(2,777)	(2,777)
Total Fund Balances	<u>565,160</u>	<u>(2,777)</u>	<u>562,383</u>
Total Liabilities and Fund Balances	<u>\$ 939,330</u>	<u>\$ 119,078</u>	<u>\$ 1,058,408</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, 2013

	<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	\$ 4,160,549	\$ -	\$ 4,160,549
State sources	122,912	1,099,839	1,222,751
Local sources and other funds	<u>475,721</u>	<u>-</u>	<u>475,721</u>
Total Revenues	<u>4,759,182</u>	<u>1,099,839</u>	<u>5,859,021</u>
Expenditures			
Current			
Instruction	-	1,121,779	1,121,779
Support services			
Pupil services	-	5,925	5,925
Improvement of instructional services	-	117	117
School administration	-	2,880	2,880
Student transportation services	-	10,359	10,359
Food services operation	4,857,442	-	4,857,442
Capital outlay			
Food services operation	<u>242,824</u>	<u>-</u>	<u>242,824</u>
Total Expenditures	<u>5,100,266</u>	<u>1,141,060</u>	<u>6,241,326</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(341,084)</u>	<u>(41,221)</u>	<u>(382,305)</u>
Other Financing Sources (Uses)			
Transfers in	<u>-</u>	<u>41,221</u>	<u>41,221</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>41,221</u>	<u>41,221</u>
Net Change in Fund Balances	(341,084)	-	(341,084)
Fund Balance, Beginning of Year	<u>906,244</u>	<u>(2,777)</u>	<u>903,467</u>
Fund Balance, End of Year	<u>\$ 565,160</u>	<u>\$ (2,777)</u>	<u>\$ 562,383</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, 2013

	Student Activity	Family Connection	Totals
Assets			
Intergovernmental receivable	\$ 3,279	\$ 11,833	\$ 15,112
Due from others	<u>34,649</u>	<u>-</u>	<u>34,649</u>
Total Assets	<u>\$ 37,928</u>	<u>\$ 11,833</u>	<u>\$ 49,761</u>
Liabilities			
Accounts payable	\$ 557	\$ -	\$ 557
Due to others	<u>37,371</u>	<u>11,833</u>	<u>49,204</u>
Total Liabilities	<u>\$ 37,928</u>	<u>\$ 11,833</u>	<u>\$ 49,761</u>

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2013

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2013</u>
<u>Student Activities Agency Fund</u>				
Assets				
Intergovernmental receivable	\$ 2,366	\$ 3,279	\$ (2,366)	\$ 3,279
Due from others	-	34,649	-	34,649
Total Assets	<u>\$ 2,366</u>	<u>\$ 37,928</u>	<u>\$ (2,366)</u>	<u>\$ 37,928</u>
Liabilities				
Accounts payable	\$ -	\$ 392,789	\$ (392,232)	\$ 557
Due to others	2,366	568,697	(533,692)	37,371
Total Liabilities	<u>\$ 2,366</u>	<u>\$ 961,486</u>	<u>\$ (925,924)</u>	<u>\$ 37,928</u>
<u>Family Connection Agency Fund</u>				
Assets				
Intergovernmental receivable	\$ 21,858	\$ 11,833	\$ (21,858)	\$ 11,833
Total Assets	<u>\$ 21,858</u>	<u>\$ 11,833</u>	<u>\$ (21,858)</u>	<u>\$ 11,833</u>
Liabilities				
Accounts payable	\$ 6,465	\$ 5,804	\$ (12,269)	\$ -
Due to others	15,393	54,492	(58,052)	11,833
Total Liabilities	<u>\$ 21,858</u>	<u>\$ 60,296</u>	<u>\$ (70,321)</u>	<u>\$ 11,833</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 POSITION BY COMPONENT
EIGHT 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>	<u>June 30, 2013</u>
Governmental activities								
Investment in capital assets	\$ 44,227,935	\$ 50,351,597	\$ 58,769,014	\$ 66,799,011	\$ 67,290,901	\$ 72,193,602	\$ 77,879,278	\$ 79,384,982
Restricted	16,661,177	17,855,771	17,119,101	14,646,535	11,622,778	8,250,591	2,787,633	3,699,964
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>	<u>20,571,996</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>	<u>\$ 103,656,942</u>
Total percentage increase from prior year		14.3%	8.7%	1.7%	5.5%	9.0%	12.5%	4.2%
Governmental activities								
Investment in capital assets	64.6%	64.3%	69.1%	77.2%	73.7%	72.6%	75.9%	76.6%
Restricted	24.3%	22.8%	20.1%	16.9%	12.7%	8.3%	2.7%	3.6%
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>	<u>19.8%</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>	<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 eight years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN NET POSITION
EIGHT 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>	<u>June 30, 2013</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	\$ 47,580,376
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	2,085,994
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	2,726,507
Educational media services	1,137,661	1,087,919	1,216,252	1,121,176	1,164,142	1,125,302	1,144,128	1,187,723
General administration	607,728	630,752	651,384	784,947	897,271	928,161	814,072	806,152
School administration	2,506,189	2,673,157	2,805,057	2,942,937	3,051,347	2,994,948	2,841,510	3,640,280
Business administration	486,235	773,196	727,347	662,597	676,402	481,918	535,627	565,161
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	4,423,979
Student transportation services	2,432,923	3,005,214	2,832,119	2,768,436	2,870,261	2,261,218	2,414,863	2,567,920
Central support services	2,061,402	2,275,453	3,593,682	2,442,992	2,586,306	2,155,085	2,352,961	1,996,949
Other support services	551,098	86,316	85,898	86,832	504,600	628,540	764,161	845,862
Food services operation	2,681,748	3,249,025	3,759,191	4,097,768	4,824,835	4,735,358	5,026,568	5,156,674
Community services operations	105,404	145,929	145,297	115,038	298,337	152,171	190,296	280,921
Interest on long-term debt	<u>861,735</u>	<u>907,694</u>	<u>1,035,443</u>	<u>1,350,650</u>	<u>906,574</u>	<u>632,891</u>	<u>318,232</u>	<u>27,982</u>
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>	<u>\$ 73,892,480</u>

(continued)

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN NET POSITION
EIGHT 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	June 30, 2013
Program revenues								
Governmental activities								
Charges for services								
Instruction	\$ 229,178	\$ 231,790	\$ 230,966	\$ 226,809	\$ 244,607	\$ 251,965	\$ 239,459	\$ 250,285
Food services operation	506,891	493,292	451,413	460,373	418,602	420,374	432,010	475,055
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	27,296,972
Support services:								
Pupil services	475,188	615,249	2,184,571	1,304,391	1,371,667	1,504,415	1,407,349	1,508,823
Improvement of instructional services	1,033,432	892,009	1,363,071	1,900,318	2,121,052	1,785,857	2,051,518	2,306,149
Educational media services	585,674	780,610	625,222	531,146	631,006	724,266	685,612	697,969
General administration	1,210,904	493,792	421,680	451,812	707,136	709,824	702,771	600,848
School administration	1,092,358	1,452,522	1,427,594	1,392,830	1,620,076	1,895,026	1,702,757	2,145,252
Business administration	-	-	360,041	310,950	354,786	300,979	284,591	332,098
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	2,606,783
Student transportation service	178,707	341,242	1,448,881	1,327,258	1,524,726	1,427,219	1,402,828	1,566,092
Central support services	9,439	983,021	1,844,231	1,177,297	1,320,032	1,314,349	1,367,957	1,180,330
Other support services	31,364	34,915	55,098	254,631	485,437	635,373	447,884	516,801
Food services operation	2,703,768	3,080,428	3,395,611	3,797,153	4,114,791	4,046,845	4,387,677	4,415,718
Community services operations	-	-	74,080	54,228	224,367	123,745	114,034	165,084
Capital grants and contributions								
Support services:								
Student transportation service	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>	<u>\$ 46,064,259</u>

(continued)

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN NET POSITION
EIGHT 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>	<u>June 30, 2013</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>	<u>\$ (27,828,221)</u>
General revenues and other changes in net position								
Governmental activities								
Property and vehicle taxes	\$ 26,839,836	\$ 28,591,529	\$ 29,644,818	\$ 29,352,719	\$ 28,173,650	\$ 26,728,746	\$ 26,154,663	\$ 25,803,086
Sales taxes	6,293,834	6,106,623	6,199,129	5,704,504	5,560,456	5,511,970	2,511,047	2,580,426
Unrestricted investment earnings	1,147,673	2,192,092	1,846,208	1,135,942	536,398	213,156	78,177	72,263
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>	<u>-</u>
Total governmental activities general revenues and other changes in net position	<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>	<u>\$ 28,455,775</u>
Change in net position 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>	<u>\$ 627,554</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 eight years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
FUND BALANCES OF GOVERNMENTAL FUNDS
EIGHT 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	June 30, 2013
General fund								
Unassigned	\$ 5,053,053	\$ 7,316,879	\$ 5,978,179	\$ 2,035,726	\$ 2,486,735	\$ 9,577,790	\$ 12,363,098	\$ 12,577,435
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>	<u>\$ 12,577,435</u>
All other governmental funds								
Nonspendable	\$ 98,365	\$ 116,219	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557	\$ 176,335
Restricted	12,067,524	25,523,376	28,373,340	22,224,643	12,685,883	9,082,829	3,510,645	4,102,366
Committed	6,460,000	8,388,530	9,096,420	7,774,668	7,739,821	7,222,213	7,319,827	6,531,842
Unassigned	-	-	-	-	-	(2,777)	(2,777)	(55,601)
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>	<u>\$ 10,754,942</u>
Total governmental funds								
Nonspendable	\$ 98,365	\$ 116,219	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557	\$ 176,335
Restricted	12,067,524	25,523,376	28,373,340	22,224,643	12,685,883	9,082,829	3,510,645	4,102,366
Committed	6,460,000	8,388,530	9,096,420	7,774,668	7,739,821	7,222,213	7,319,827	6,531,842
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>	<u>12,521,834</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>	<u>\$ 23,332,377</u>
Total percentage change from prior year		74.6%	5.4%	-26.2%	-28.1%	12.7%	-10.3%	-0.3%

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 eight 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
 EIGHT 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	June 30, 2013
Revenues								
Federal sources	\$ 5,777,434	\$ 6,522,700	\$ 7,135,135	\$ 7,883,717	\$ 11,912,377	\$ 10,890,836	\$ 10,957,048	\$ 10,585,410
State sources	25,315,449	28,385,050	30,399,890	27,523,761	27,112,298	31,350,005	31,573,612	29,149,988
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	31,509,444
On behalf payments	733,974	758,526	962,597	424,335	110,304	128,489	71,770	4,100,644
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>	<u>75,345,486</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	44,607,472
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	2,085,994
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	2,725,783
Educational media services	1,137,661	1,106,150	1,216,252	1,121,176	1,164,142	1,125,302	1,144,128	1,187,723
General administration	607,728	670,200	650,939	782,990	900,976	928,161	814,072	806,152
School administration	2,483,576	2,651,324	2,799,981	2,948,640	3,053,434	2,994,948	2,841,510	3,638,401
Business administration	486,235	1,031,213	732,183	660,197	680,708	481,918	535,627	565,161
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	4,404,849
Student transportation services	2,432,923	3,005,678	2,832,119	2,768,436	2,870,261	2,261,218	2,414,863	2,567,920
Central support services	2,061,402	2,289,671	3,613,207	2,388,110	2,523,088	2,088,242	2,286,163	1,996,949
Other support services	551,098	86,316	85,898	86,832	504,600	628,540	764,161	795,696
Food services operation	2,775,010	3,415,121	3,772,330	3,972,096	4,624,064	4,567,929	4,859,687	4,989,745
Community services operations	105,404	148,248	145,297	115,038	298,337	152,171	190,296	280,921

(continued)

CITY OF DALTON BOARD OF EDUCATION
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
EIGHT 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	June 30, 2013
Capital outlay	\$ 2,636,781	\$ 2,692,835	\$ 9,616,024	\$ 8,892,363	\$ 8,326,056	\$ 1,341,309	\$ 1,392,315	\$ 3,411,162
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	1,298,595
Interest and fiscal charges	943,963	774,325	1,153,269	1,262,642	989,232	712,242	425,600	37,637
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>	<u>75,400,160</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>	<u>(54,674)</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	5,468,660
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>	<u>(5,468,660)</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>	<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>	<u>\$ (54,674)</u>
Debt Service as a % of noncapital expenditures	9.3%	8.5%	12.2%	10.1%	10.2%	10.7%	10.4%	1.9%

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 eight 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
EIGHT 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	June 30, 2013
Revenues								
Federal sources	\$ 915	\$ 1,008	\$ 1,079	\$ 1,170	\$ 1,743	\$ 1,555	\$ 1,517	\$ 1,399
State sources	4,010	4,387	4,598	4,086	3,966	4,476	4,370	3,854
Local sources and other funds	5,870	6,069	6,010	5,726	5,366	4,931	4,283	4,166
On behalf payments	116	117	146	63	16	18	10	542
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>	<u>9,961</u>
Expenditures								
Current								
Instruction	5,957	6,392	6,656	6,696	6,245	5,907	5,888	5,897
Support services	2,735	2,858	3,165	2,965	3,092	2,674	2,688	2,747
Food services operation	440	528	571	590	676	652	673	660
Community services operations	17	23	22	17	44	22	26	37
Capital outlay	418	416	1,454	1,320	1,218	192	193	451
Debt service	934	911	1,447	1,151	1,141	1,113	1,082	177
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>	<u>9,968</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>	<u>(7)</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>	<u>\$ (7)</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 eight 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
 EIGHT 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
2012	2,084,647,818	1,551,656,253	28,039,843	298,161,930	3,366,181,984	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 information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

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 eight years of information are presented, but additional years will be presented annually.

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

Calendar Year	Direct Rate	Overlapping Rates			Total Direct and Overlapping Rates
	Education M&O 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
2012	7.845	2.697	0.950	6.061	17.553

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 information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

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 eight 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 2012			Calendar Year 2003		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Shaw Industries, Inc.	\$ 548,675,935	1	16.3%	380,487,895	1	12.3%
Mohawk Industries, Inc.	131,661,460	2	3.9%	146,283,993	2	4.7%
Beaulieu of America, Inc.	119,745,632	3	3.6%	128,845,986	3	4.2%
J & J Industries, Inc.	79,390,232	4	2.4%	57,013,259	4	1.8%
TANDUS Group (formerly Collins & Aikman)	57,359,241	5	1.7%	36,536,465	5	1.2%
The Peeples Group	39,706,166	6	1.2%	-	NA	0.0%
Lexmark Carpet Mills	30,205,298	7	0.9%	-	NA	0.0%
CBL & Associates	26,748,527	8	0.8%	24,238,262	9	0.8%
Indian Summer Carpet Mills, Inc.	17,358,563	9	0.5%	-	NA	0.0%
Shiroki Georgia, LLC	15,933,724	10	0.5%	-	NA	0.0%
Windstream Georgia, CC (formerly Alltel)	-	NA	0.0%	34,387,826	6	1.1%
Mattel	-	NA	0.0%	28,640,867	7	0.9%
Callahan Properties (Cherokee Carpet)	-	NA	0.0%	25,739,080	8	0.8%
Synthetic Industries	-	NA	0.0%	22,279,609	10	0.7%

Source: Whitfield County Tax Commissioner

Note: The information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

CITY OF DALTON BOARD OF EDUCATION
PROPERTY TAX LEVIES AND COLLECTIONS
FIVE 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%	\$ 913,032	\$ 27,927,549	99.7%
2009		27,859,000	26,904,524	96.6%	865,355	27,769,879	99.7%
2010		25,154,881	24,130,286	95.9%	929,276	25,059,562	99.6%
2011		24,774,935	23,961,602	96.7%	586,589	24,548,191	99.1%
2012		25,135,805	24,582,107	97.8%	-	24,582,107	97.8%

Source: Whitfield County Board of Tax Assessors.

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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 five years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
RATIOS OF OUTSTANDING DEBT BY TYPE
EIGHT 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	0.6%	139
June 30, 2013	3,332,208	3,332,208	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 eight 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, 2013
(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 capital leases	\$ 5,150,000	100.0%	\$ 5,150,000
Whitfield County notes payable	664,720	32.3%	214,630
Whitfield County capital leases	315,627	32.3%	101,912
Whitfield County bonded debt	14,500,000	32.3%	4,681,878
Whitfield County intergovernmental liability	1,076,277	32.3%	<u>347,517</u>
Total overlapping debt			10,495,937
City of Dalton Board of Education direct debt			<u>3,332,208</u>
Total direct and overlapping debt			<u>\$ 13,828,145</u>

Note: The information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

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
EIGHT 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>	<u>2012</u>
Debt limit	\$ 329,065,279	\$ 353,386,873	\$ 377,209,725	\$ 360,474,151	\$ 386,288,034	\$ 361,898,788	\$ 358,953,829	\$ 366,434,391
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>	<u>13,828,145</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>	<u>\$ 352,606,246</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%	3.8%

Legal Debt Margin Calculation
for Calendar Year 2012

Assessed value	\$3,366,181,984
Add: exempt real property	<u>298,161,930</u>
Total assessed value	3,664,343,914
	10%
Debt limit (10% of assessed value)	<u>\$ 366,434,391</u>
Debt applicable to limit	
Total direct and overlapping debt	<u>\$ 13,828,145</u>
Total debt applicable to limit	<u>\$ 13,828,145</u>
Legal debt margin	<u>\$ 352,606,246</u>

Note: The information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

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 eight years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 EIGHT 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	25,051	12.5%
2010	33,343	910,059	27,294	12.4%
2011	33,413	716,041	21,430	12.1%
2012	Not yet available	Not yet available	Not yet available	11.0%

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 information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

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 eight 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 2012			Calendar Year 2003		
	Employees (1)	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	4,488	1	13.4%	NA	NA	NA
Mohawk Industries, Inc.	2,028	2	6.1%	NA	NA	NA
Beaulieu of America, Inc.	1,541	3	4.6%	NA	NA	NA
Hamilton Medical Center	1,224	4	3.7%	NA	NA	NA
Dalton Public School System	908	5	2.7%	NA	NA	NA
TANDUS Group (formerly Collins & Aikman)	822	6	2.5%	NA	NA	NA
J & J Industries, Inc.	723	8	2.2%	NA	NA	NA
City of Dalton, Georgia	653	7	2.0%	NA	NA	NA
Columbia Recycling Corp.	420	9	1.3%	NA	NA	NA
Walmart	352	10	1.1%	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.

Note: The information above is presented on a calendar year basis rather than on the School District's fiscal year basis. The taxing authorities that assess, collect, and report tax information for the School District operate on a calendar year. The information is more reliable in this format, as some is only measured once per year.

CITY OF DALTON BOARD OF EDUCATION
STUDENT ENROLLMENT BY MAJOR GRADE LEVEL
EIGHT 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>	<u>2013</u>
PreKindergarten	217	219	219	220	278	272	308	329
Elementary School Grades K-5	3,236	3,363	3,438	3,502	3,558	3,547	3,592	3,664
Middle School Grades 6-8	1,314	1,312	1,374	1,411	1,447	1,524	1,623	1,677
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>	<u>1,894</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>	<u>7,564</u>
Percentage Change from Prior Year		2.5%	2.2%	1.9%	1.5%	2.5%	3.2%	4.7%

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 eight years of information are presented, but additional years will be presented annually.

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

Category	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>	<u>2013</u>
Classroom teachers	448	483	507	516	494	459	472	509
Support personnel	367	335	354	350	340	332	331	343
Administrators	<u>30</u>	<u>32</u>	<u>33</u>	<u>33</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>39</u>
Total	<u>845</u>	<u>850</u>	<u>894</u>	<u>899</u>	<u>869</u>	<u>825</u>	<u>837</u>	<u>891</u>
Percentage Change from Prior Year		0.6%	5.2%	0.6%	-3.3%	-5.1%	1.5%	6.5%

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 eight years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
TEACHERS' SALARIES
EIGHT 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)
June 30, 2006	\$ 34,671	\$ 28,767	121%	\$ 73,572	\$ 51,496
June 30, 2007	35,889	29,918	120%	76,216	52,415
June 30, 2008	36,839	30,816	120%	78,277	54,251
June 30, 2009	37,491	31,586	119%	79,694	56,074
June 30, 2010	34,784	31,586	110%	78,543	56,497
June 30, 2011	32,954	31,586	104%	74,409	54,048
June 30, 2012	32,460	31,586	103%	73,296	52,958
June 30, 2013	32,817	31,586	104%	74,107	51,714

(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.

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 eight years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
TEACHER STUDENT RATIO BY SCHOOL
EIGHT 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>	<u>2013</u>
Blue Ridge Elementary School								
Enrollment	557	567	561	708	708	713	760	781
Teachers	41	40	41	52	53	49	52	53
Teacher/student ratio	14	14	14	14	13	15	15	15
Brookwood Elementary School								
Enrollment	595	439	482	605	625	626	606	625
Teachers	42	37	38	47	45	39	40	42
Teacher/student ratio	14	12	13	13	14	16	15	15
City Park Elementary School								
Enrollment	734	837	847	717	799	785	786	817
Teachers	55	63	72	63	61	50	51	56
Teacher/student ratio	13	13	12	11	13	16	15	15
Park Creek Elementary School								
Enrollment	539	593	606	687	699	718	747	750
Teachers	43	46	51	54	54	52	53	58
Teacher/student ratio	13	13	12	13	13	14	14	13
Roan Elementary School								
Enrollment	527	595	594	444	440	437	424	442
Teachers	38	47	52	40	37	35	36	36
Teacher/student ratio	14	13	11	11	12	12	12	12

(continued)

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

<u>School</u>	<u>For the fiscal year ending June 30,</u>							
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Westwood Elementary School								
Enrollment	501	551	567	561	565	540	577	578
Teachers	37	41	41	43	41	34	35	37
Teacher/student ratio	14	13	14	13	14	16	16	16
Dalton Middle School								
Enrollment	1,314	1,312	1,374	1,411	1,447	1,524	1,623	1,677
Teachers	85	89	93	99	99	101	108	112
Teacher/student ratio	15	15	15	14	15	15	15	15
Dalton High School								
Enrollment	1,546	1,576	1,581	1,603	1,412	1,473	1,428	1,423
Teachers	104	104	103	108	98	90	82	83
Teacher/student ratio	15	15	15	15	14	16	17	17
Morris Innovative High School (2009)								
Enrollment	-	-	-	-	141	188	274	471
Teachers	-	-	-	-	7	9	16	33
Teacher/student ratio	-	-	-	-	20	21	17	14

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

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

School	For the fiscal year ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Blue Ridge Elementary School (Year Built 2005)								
Enrollment PreK - 5 ⁽¹⁾	557	567	561	708	708	713	760	781
Total classrooms ⁽²⁾	32	32	48	48	48	48	48	48
Building capacity based on total classrooms ⁽³⁾	487	487	762	762	762	762	762	762
Enrollment as a % of total capacity	114%	116%	74%	93%	93%	94%	100%	102%
Enrollment K - 5	475	444	453	629	631	652	686	711
Regular Classrooms ⁽⁴⁾	26	25	42	43	43	43	43	43
Building Capacity based on Regular Classrooms ⁽⁵⁾	425	425	725	725	725	725	725	725
Enrollment as a % of regular classroom capacity	112%	104%	62%	87%	87%	90%	95%	98%
Brookwood Elementary School (Year Built 1964)								
Enrollment PreK - 5 ⁽¹⁾	595	439	482	605	625	626	606	625
Total classrooms ⁽²⁾	32	32	48	48	48	48	48	48
Building capacity based on total classrooms ⁽³⁾	487	487	762	762	762	762	762	762
Enrollment as a % of total capacity	122%	90%	63%	79%	82%	82%	80%	82%
Enrollment K - 5	555	400	422	563	583	582	557	580
Regular Classrooms ⁽⁴⁾	29	29	44	45	45	45	45	45
Building Capacity based on Regular Classrooms ⁽⁵⁾	450	450	700	700	700	700	700	700
Enrollment as a % of regular classroom capacity	123%	89%	60%	80%	83%	83%	80%	83%

(continued)

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

School	For the fiscal year ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
City Park School (1923)								
Enrollment PreK - 5 ⁽¹⁾	734	837	847	717	799	785	786	817
Total classrooms ⁽²⁾	54	54	54	54	54	54	54	54
Building capacity based on total classrooms ⁽³⁾	875	875	875	875	875	875	875	875
Enrollment as a % of total capacity	84%	96%	97%	82%	91%	90%	90%	93%
Enrollment K - 5	734	837	847	717	759	740	737	768
Regular Classrooms ⁽⁴⁾	53	53	53	53	51	51	51	51
Building Capacity based on Regular Classrooms ⁽⁵⁾	800	800	800	800	800	800	800	800
Enrollment as a % of regular classroom capacity	92%	105%	106%	90%	95%	93%	92%	96%
Park Creek Elementary School (Year Built 2000)								
Enrollment PreK - 5 ⁽¹⁾	539	593	606	687	699	718	747	750
Total classrooms ⁽²⁾	34	34	49	49	49	49	49	49
Building capacity based on total classrooms ⁽³⁾	525	525	787	787	787	787	787	787
Enrollment as a % of total capacity	103%	113%	77%	87%	89%	91%	95%	95%
Enrollment K - 5	497	553	566	646	659	646	679	680
Regular Classrooms ⁽⁴⁾	29	29	44	44	44	43	43	43
Building Capacity based on Regular Classrooms ⁽⁵⁾	438	438	675	675	675	675	675	675
Enrollment as a % of regular classroom capacity	113%	126%	84%	96%	98%	96%	101%	101%

(continued)

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

School	For the fiscal year ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Roan Elementary School (Year Built 1969)								
Enrollment PreK - 5 ⁽¹⁾	527	595	594	444	440	437	424	442
Total classrooms ⁽²⁾	31	31	31	31	31	31	31	31
Building capacity based on total classrooms ⁽³⁾	475	475	475	475	475	475	475	475
Enrollment as a % of total capacity	111%	125%	125%	93%	93%	92%	89%	93%
Enrollment K - 5	467	595	594	386	381	396	377	397
Regular Classrooms ⁽⁴⁾	30	30	30	30	30	30	30	30
Building Capacity based on Regular Classrooms ⁽⁵⁾	450	450	450	450	450	450	450	450
Enrollment as a % of regular classroom capacity	104%	132%	132%	86%	85%	88%	84%	88%
Westwood Elementary School (Year Built 1974)								
Enrollment PreK - 5 ⁽¹⁾	501	551	567	561	565	540	577	578
Total classrooms ⁽²⁾	31	31	31	31	31	31	31	31
Building capacity based on total classrooms ⁽³⁾	475	475	475	475	475	475	475	475
Enrollment as a % of total capacity	105%	116%	119%	118%	119%	114%	121%	122%
Enrollment K - 5	501	512	527	519	524	499	529	528
Regular Classrooms ⁽⁴⁾	30	30	30	30	30	30	30	30
Building Capacity based on Regular Classrooms ⁽⁵⁾	450	450	450	450	450	450	450	450
Enrollment as a % of regular classroom capacity	111%	114%	117%	115%	116%	111%	118%	117%

(continued)

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

School	For the fiscal year ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Dalton Middle School (Year Built 2001)								
Enrollment 6-8 ⁽¹⁾	1,314	1,312	1,374	1,411	1,447	1,524	1,623	1,677
Total classrooms ⁽²⁾	85	85	97	97	97	97	97	97
Building capacity based on total classrooms ⁽³⁾	1,400	1,400	1,612	1,612	1,612	1,612	1,612	1,612
Enrollment as a % of total capacity	94%	94%	85%	88%	90%	95%	101%	104%
Regular Classrooms ⁽⁴⁾	83	83	95	95	95	95	95	95
Building Capacity based on Regular Classrooms ⁽⁵⁾	1,350	1,350	1,550	1,550	1,550	1,550	1,550	1,550
Enrollment as a % of regular classroom capacity	97%	97%	89%	91%	93%	98%	105%	108%
Dalton High School (Year Built 1976)								
Enrollment 9-12 ⁽¹⁾	1,546	1,576	1,581	1,603	1,412	1,473	1,428	1,423
Total classrooms ⁽²⁾	71	71	71	71	71	99	99	99
Building capacity based on total classrooms ⁽³⁾	1,350	1,350	1,350	1,350	1,350	1,925	1,925	1,925
Enrollment as a % of total capacity	115%	117%	117%	119%	105%	77%	74%	74%
Regular Classrooms ⁽⁴⁾	69	69	69	69	69	97	97	97
Building Capacity based on Regular Classrooms ⁽⁵⁾	1,300	1,300	1,300	1,300	1,300	1,875	1,875	1,875
Enrollment as a % of regular classroom capacity	119%	121%	122%	123%	109%	79%	76%	76%

(continued)

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

School	For the fiscal year ending June 30,							
	2006	2007	2008	2009	2010	2011	2012	2013
Morris Innovative High School ⁽⁶⁾ (Year Built 2009)								
Enrollment 9-12 ⁽¹⁾	-	-	-	-	141	188	274	471
Total classrooms ⁽²⁾	-	-	-	-	18	18	18	26
Building capacity based on total classrooms ⁽³⁾	-	-	-	-	287	287	287	450
Enrollment as a % of total capacity	-	-	-	-	49%	66%	95%	105%
Regular Classrooms ⁽⁴⁾	-	-	-	-	17	17	17	26
Building Capacity based on Regular Classrooms ⁽⁵⁾	-	-	-	-	250	250	250	438
Enrollment as a % of regular classroom capacity	-	-	-	-	56%	75%	110%	108%

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

(2) Total classrooms is a count of classrooms as defined by the Georgia department of Education Facility Services Unit standards. Minimum square footage requirements for classrooms and instructional units have been established by grade level and determine whether a space is included in the total classroom count.

(3) Building capacity is the student enrollment allowed based on the count of total classrooms as defined by the Georgia Department of Education Facility Services Unit standards. The Facility Services Unit establishes the number of classrooms needed for a given student enrollment that may determine if a school district earns capital funding reimbursement. For the purposes of this schedule, the upper range of student enrollment as defined by the Georgia Department of Education is used to determine building capacity.

(4) Regular classrooms meet the Georgia Department of Education's minimum square footage requirements. The School District has set aside classroom spaces from total classrooms for Pre-kindergarten, bookrooms, exceptional student services, instructional partnerships, and in-school suspension.

(5) Building capacity is the student enrollment allowed based on the count of regular classrooms, as defined by the School District, utilizing the Georgia Department of Education Facility Services Unit standards. For the purposes of this schedule, the midpoint of student enrollment as defined by the Georgia Department of Education is used to determine building capacity.

(6) Morris Innovative High School was located at the Morris Street building for years 2010, 2011, and 2012 and was located at the Fort Hill building for year 2013. Both facilities were built in 2009.

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 eight years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION
FREE AND REDUCED LUNCH PROGRAM
EIGHT 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>	<u>2013</u>
Blue Ridge School	87.0%	87.1%	87.1%	87.1%	87.1%	87.1%	87.1%	89.8%
Brookwood Elementary School	55.0%	49.8%	47.7%	60.5%	63.3%	56.8%	61.6%	61.1%
City Park School	80.6%	79.9%	76.1%	85.0%	84.8%	82.0%	88.9%	87.8%
Park Creek School	89.2%	89.7%	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%	87.6%
Westwood Elementary School	47.1%	50.0%	48.0%	52.3%	51.5%	51.4%	52.3%	54.8%
Dalton Middle School	72.0%	69.7%	67.5%	66.5%	78.5%	73.0%	76.8%	79.7%
Morris Innovative High School	0.0%	0.0%	0.0%	0.0%	87.2%	87.2%	64.9%	66.4%
Dalton High School	57.3%	58.3%	56.0%	68.0%	67.4%	63.7%	87.2%	86.8%
District wide	70.0%	64.4%	71.8%	78.4%	77.5%	77.2%	77.2%	77.6%

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 eight 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, 2013

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
2012 ELOST					
Acquisition, construction, renovation, and equipping of schools	\$ 36,351,000	\$ 28,700,000	\$ -	\$ 167,850	\$ 167,850
2007 ELOST					
Acquisition, construction, renovation, and equipping of schools	<u>\$ 37,000,000</u>	<u>\$ 29,200,000</u>	<u>\$ 29,501,709</u>	<u>\$ 54,632</u>	<u>\$ 29,556,341</u>
Total	<u>\$ 73,351,000</u>	<u>\$ 57,900,000</u>	<u>\$ 29,501,709</u>	<u>\$ 222,482</u>	<u>\$ 29,724,191</u>

Note: Current year expenditures on this schedule, totaling \$222,482, are less than the total current year expenditures in the SPLOST Capital Projects Fund, which total \$2,936,987. The remaining expenditures were funded by other sources, including transfers from the Capital Projects Fund of \$1,384,519, transfers from the General Fund of \$500, interest income of \$147, and the utilization of fund balance of \$1,329,339.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Dalton Board of Education's basic financial statements and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dalton Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dalton Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton Board of Education's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (2013-001, 2013-002, 2013-003)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dalton Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs. (2013-004)

City of Dalton Board of Education's Response to Findings

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. The City of Dalton Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Estes & Williams

Dalton, Georgia
November 15, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dalton Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Dalton Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Dalton Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2013-005, 2013-006, 2013-007, 2013-008, 2013-009, and 2013-010. Our opinion on each major federal program is not modified with respect to these matters.

The City of Dalton Board of Education's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Dalton Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dalton Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Estes & Williams

Dalton, Georgia
November 15, 2013

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Summary of Audit Results

1. The auditors' report expresses an unmodified opinion on the financial statements of the City of Dalton Board of Education.
2. Three 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*. Findings 2013-001 and 2013-002 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. No 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.
5. The auditors' report on compliance for the major federal award programs for the City of Dalton Board of Education expresses an unmodified 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
 - CFDA # 84.027 and 84.173
8. The threshold for distinguishing Type A and B programs is \$301,410.
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, 2013

Findings – Financial Statement Audit

2013-001	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.
2013-002	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, depreciable and other assets greater than the capitalization threshold were not capitalized, and assets were capitalized at incorrect costs.
	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.
2013-003	Condition:	Internal controls related to school activities accounts, frequently referred to as principal's accounts, are insufficient.
	Criteria:	Internal controls should be in place to ensure that all revenues and expenditures are properly received and recorded, and that substantiating documentation is maintained.
	Cause:	Proper documentation processes are not in place, and other bookkeeping procedures are not uniform across schools.
	Effect:	Revenues and expenditures may be overstated or understated, and the lack of required documentation increases the risk of asset misappropriation.
	Recommendation:	New procedures, checklists, and training should be provided to all bookkeepers and principals.
	Management Response:	We concur. We will investigate procedures to implement to improve the internal controls over the principal's accounts.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Findings – Financial Statement Audit (continued)

2013-004	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:	Five bank accounts held at one bank were over the FDIC threshold and were not collateralized.
	Effect:	Deposits of \$353,330 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.

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

2013-005	Condition:	Charges to the federal program lacked appropriate supporting documentation.
	Criteria:	Charges to federal programs should be supported by appropriate documentation.
	Cause:	Documentation contained 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.

2013-006	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.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Findings – Federal Awards Programs (continued)

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

2013-007	Condition:	One exception was noted in our testing of documentation of student free and reduced price meal eligibility.
	Criteria:	The School District is required to maintain documentation substantiating free and reduced price meal eligibility determinations on all students.
	Cause:	In one instance, we noted that the School District did not have substantiation for a child receiving free and reduced price meals.
	Effect:	The School District may distribute free and reduced price meal benefits inappropriately if eligibility information is not properly collected, cataloged, and retained.
	Recommendation:	Procedures should be implemented to ensure that all eligibility information is maintained for all students.
	Management Response:	We concur. Additional 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)
Procurement, Suspension, and Debarment
Questioned Costs: None

2013-008	Condition:	Evidence could not be provided that the School District verified that a party to a covered transaction was not debarred, suspended, or otherwise excluded.
	Criteria:	The School District is required to verify that parties with whom they conduct covered transactions are not restricted by the Federal government.
	Cause:	The School District did not check sam.gov to assure vendors were not on the excluded parties list.
	Effect:	The School District may inadvertently engage in business with a party who is not in good standing with the Federal government.
	Recommendation:	Procedures should be implemented to ensure that sam.gov is checked and documented for all covered transactions.
	Management Response:	We concur. Additional 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, 2013

Findings – Federal Awards Programs (continued)

U.S. Department of Agriculture
Food and Nutrition Program – Food Services – Child Nutrition Cluster
Child Nutrition Cluster (CFDA 10.553 and 10.555)
Special Tests and Provisions
Questioned Costs: None

2013-009	Condition:	Evidence could not be provided related to paid lunch equity calculations.
	Criteria:	Paid lunch equity calculations are required annually to ensure sufficient funds are provided to school food service accounts from lunches served to students not eligible for free or reduced price meals.
	Cause:	Calculations were not preformed to verify no adjustment was necessary.
	Effect:	Amounts charged for paid lunches may have been over or under the amount that should have been charged per the calculation.
	Recommendation:	Procedures should be implemented to ensure that paid lunch equity calculations are performed annually.
	Management Response:	We concur. Additional procedures will be implemented to prevent future occurrences.

U.S. Department of Education
Pass-Through Georgia Department of Education
Special Education Cluster (CFDA 84.173, 84.391, 84.027)
Allowable Costs/Cost Principles
Questioned Costs: None

2013-010	Condition:	Charges to the federal program lacked appropriate supporting documentation.
	Criteria:	Charges to federal programs should be supported by appropriate documentation.
	Cause:	Documentation contained 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.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<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	\$ 60,090
Total U.S. Department of Defense		<u>60,090</u>
U.S. Department of Agriculture		
Pass-Through Georgia Department of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	1,029,864
National School Lunch Program	10.555	<u>3,130,685</u>
Total Child Nutrition Cluster		<u>4,160,549</u>
Other Programs		
GA DOE - Fresh Fruit and Vegetable Program	10.582	<u>130,261</u>
Total U.S. Department of Agriculture		<u>4,290,810</u>
		(continued)

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA #</u>	<u>Current Year Expenditures</u>
U.S. Department of Education		
Pass-Through Georgia Department of Education:		
Special Education Cluster (IDEA)		
GA DOE - Special Education Grants to States	84.027	1,719,382
GA DOE - Special Education Preschool Grants	84.173	<u>29,808</u>
Total Special Education Cluster		<u>1,749,190</u>
Title I, Part A Cluster		
GA DOE - Title I Grants to Local Educational Agencies	84.010	<u>3,346,998</u>
Total Title I, Part A Cluster		<u>3,346,998</u>
Other Programs		
GA DOE - Migrant Education State Grant Program	84.011	86,699
GA DOE - Career and Technical Education - Basic Grants to States	84.048	65,514
GA DOE - Education for Homeless Children and Youth	84.196	36,126
ARRA - Education Jobs Fund	84.410	2,865
GA DOE - English Language Acquisition Grants	84.365	188,481
GA DOE - Improving Teacher Quality State Grants	84.367	<u>220,227</u>
Total Other Programs		<u>599,912</u>
Total U.S. Department of Education		<u>5,696,100</u>
Total Federal Awards Expended		<u>\$ 10,047,000</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013

Prior Year Findings

Findings – Financial Statement Audit

FS12-1	Condition:	Internal controls were not sufficient to detect material misstatements in the accounting records.
	Status:	A similar finding occurred this year. Management intends to assure that, going forward, internal controls are in place to prevent or to detect misstatements in the accounting records on a timely basis.
FS12-2	Condition:	Internal controls were not sufficient to ensure that assets were properly capitalized.
	Status:	A similar finding occurred this year. Management intends to assure that, going forward, internal controls are in place to ensure that assets are properly capitalized.
FS12-3	Condition:	Cash held in a depository account was not adequately collateralized in accordance with Georgia law.
	Status:	A similar finding occurred this year. Management intends to assure that, going forward, collateralization coverage is sufficient to protect all deposits owned by the School District.

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

FS12-4	Condition:	Charges to the federal program lacked appropriate supporting documentation.
	Status:	A similar finding occurred this year. Management intends to assure that, going forward, charges to federal programs are supported by appropriate documentation.
FS12-5	Condition:	Inadequate safeguarding of supporting documents.
	Status:	A similar finding occurred this year. Management intends to assure that, going forward, appropriate documentation is kept for a number of years to provide support for charges to federal programs.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prior Year Findings (continued)

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

FS12-6	Condition:	Internal controls were not sufficient to ensure that disposed assets were properly reported.
	Status:	We did not note any similar findings this year. Internal controls should be in place to ensure that assets are properly removed from fixed asset listings.

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

FS12-7	Condition:	Records improperly identified equipment purchased with ARRA funds.
	Status:	We did not note any similar findings this year. Federal programs require that property records containing specific information be maintained for assets purchased with federal funds.