

**CITY OF DALTON BOARD OF EDUCATION**  
**DALTON, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**PREPARED BY THE FINANCE DEPARTMENT**

CITY OF DALTON BOARD OF EDUCATION  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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November 20, 2014

**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 (School District) for the fiscal year ended June 30, 2014. 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, 2014. 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 in 1886, and serves only the City of Dalton. The School District is an independent public PreKindergarten (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 career technology education.

The board of education (School Board) 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 7,703 PreK through 12<sup>th</sup> grade students enrolled in the School District in the 2013-2014 school year. The ethnic make-up of the students is as follows: 70 percent hispanic, 21 percent white, 4 percent black, 2 percent asian, and 3 percent multi-racial. Projected PreK-12 enrollment for the 2014-2015 school year is 7,858 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 district are also members of AdvancEd, formerly known as the Southern Association of Colleges and Schools (SACS), and are accredited through District Accreditation.

The School District has one of the highest levels of staff training and experience of any PreK-12 school system in Georgia. About 78 percent of all teaching staff have a master's degree or higher. The high percentage of employees with advanced degrees and the high retention rate for teachers translates into a highly trained and qualified staff at every school. The School District employs 648 certified staff members and 302 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 percent of the goods that make up the United States carpet market. According to the 2014 statistic report from Georgia Department of Labor, the manufacturing industry makes up approximately 37 percent of the 62,000 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 10.4 percent. Dalton's unemployment remains above both the national rate of 7.4 percent and the Georgia rate of 8.2 percent. This trend reflects some reduction from the previous year.

The national economic downturn presents challenges in funding PreK-12 public education in Georgia. The State of Georgia has been funding a smaller percentage of the total cost of education over the last several years. In 2008, the State's support for public education in Georgia was 52 percent of total school district revenues. In 2009 that percentage started to drop, and 2010 was the lowest level at 43 percent for the average school district. In 2012, that percentage is up to 49 percent. Dalton Public Schools experienced the decline in state funds in the 2009 and 2010 school years; however 2011 and 2012 show 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 systems based on a funding formula written in State law have been allocated to all systems in Georgia to help the State provide for a balanced budget. From fiscal year 2003 through fiscal year 2014, Dalton Public Schools has received over \$34.7 million less than earned due to these cuts. The State offset \$5.4 million with federal stimulus funding, which brought the net reduction to \$29.2 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 of 6 percent from fiscal year 2010 to fiscal year 2011, 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 percent exemption. The fiscal year 2011 implementation provided a 20 percent freeport tax exemption that resulted in a loss of \$685,500 in property tax revenue. Fiscal year 2014 had \$905,100 reduction in property tax revenue from the 20 percent freeport tax exemption. It is anticipated that the freeport exemption will stay at the 20 percent level for fiscal year 2015 with the possibility of an increase to 40 percent in a future fiscal year.

### **Planning for the Future**

Several years ago, the School Board set a target for unreserved general fund balance of 15 percent of the current year's budget to 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 percent of general fund expenditures. At the end of fiscal year 2010 this figure has dropped to \$6.4 million, which is 11.2 percent of the general fund expenditures. To address this downturn with district-wide input from employees, the School Board and the administration implemented a three-year budget reduction plan in January 2009. Fiscal year 2011 general fund expenditures were at the lowest level of \$52.8 million, and the fund balance reached nearly \$9.6 million. By fiscal year 2014, general fund expenditures increased to \$62 million, and the fund balance was \$10.7 million.

School District enrollment continues to grow, and over the last 10 years has averaged 2.5 percent 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 administrators are committed to providing appropriate instructional space for the educational programming needs of Dalton's students.

The School Board 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 Dalton Middle School. Additionally, the School District is exploring facility options to best meet the secondary enrollment needs for Morris Innovative High School.

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 cent. Whitfield County Schools and the School District 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.

Although the current referendum provides the School Board flexibility to address the School District's capital needs, the fourth ESPLOST is being used for the Dalton Middle School expansion. If additional funds are available, staff have also identified priorities for secondary facility needs, instructional technology, school safety improvements, 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 School Board. 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 School Board 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 School Board decides the committed fund balance through board action, and delegates the assigned fund balance to the Superintendent or designee.

## **Major Initiatives**

To realize the vision of educating students to become contributing citizens of the world, the School 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 has been in effect for math instruction. This process includes an expanded use of technology, tutoring support for students, and use of collaborative teacher teams for planning, designing, and evaluating the student progress.

In 2013, district staff implemented 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 System 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 has begun 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 are different groups of students, different academic standards, and in some cases using 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 2013, 2012, and 2011 school years, the schedule is not meant to be a comparison.

Dalton Public Schools Percentage of Students Meets and Exceeds Criteria Fiscal Years 2013, 2012, and 2011			
	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>
<b>English Language Arts</b>			
High School American Literature	92.5%	90.7%	89.6%
9 <sup>th</sup> Grade Literature	83.1%	79.0%	88.6%
Middle School Criterion Reference Test	93.5%	94.4%	94.2%
Elementary School Criterion Reference Test	91.2%	91.2%	88.4%
<b>Mathematics</b>			
Mathematics II	56.2%	49.9%	61.3%
Coordinated Algebra (Mathematics I for FY 2012 & 2011)	24.4%	64.2%	69.0%
Middle School Criterion Reference Test	86.3%	86.0%	87.1%
Elementary School Criterion Reference Test	86.2%	84.7%	83.2%
<b>Science</b>			
Biology	72.8%	76.6%	77.6%
Physical Science	80.6%	77.8%	82.5%
Middle School Criterion Reference Test	73.9%	74.0%	71.7%
Elementary School Criterion Reference Test	76.9%	73.3%	73.3%
<b>Social Studies</b>			
Economics	66.8%	76.7%	81.5%
US History	72.3%	74.2%	76.7%
Middle School Criterion Reference Test	82.0%	76.6%	78.4%
Elementary School Criterion Reference Test	82.5%	77.8%	76.7%
<b>Reading</b>			
Middle School Criterion Reference Test	96.4%	96.3%	95.8%
Elementary School Criterion Reference Test	94.2%	92.2%	91.2%

*Dalton Public Schools test score information can be found on the Governor's Office of Student Achievement webpage pertaining to K-12 Public Schools 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 School District's financial records and the preparation of this report.

We would also like to thank the members of the School Board 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, 2014

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Elected Officials

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

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

Tulley Johnson, Treasurer  
In office since January 2000  
Current term expires December 2015

Sherwood Jones, III  
In office since January 2014  
Current term expires December 2017

Steve Laird  
In office since January 2014  
Current term expires December 2017

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School Administration

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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

Steve Bartoo, Principal  
Dalton High School

George Kopcsak, Principal  
Morris Innovative High School

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Centralized Administration

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Don Amonett  
Assistant to the Superintendent

Craig Harper  
Chief Administrative Officer

Theresa Perry  
Chief Financial Officer

Laura Orr  
Jennifer Phinney  
Directors of School Support

Rusty Lount  
Director of Operations



**Dalton Public Schools**

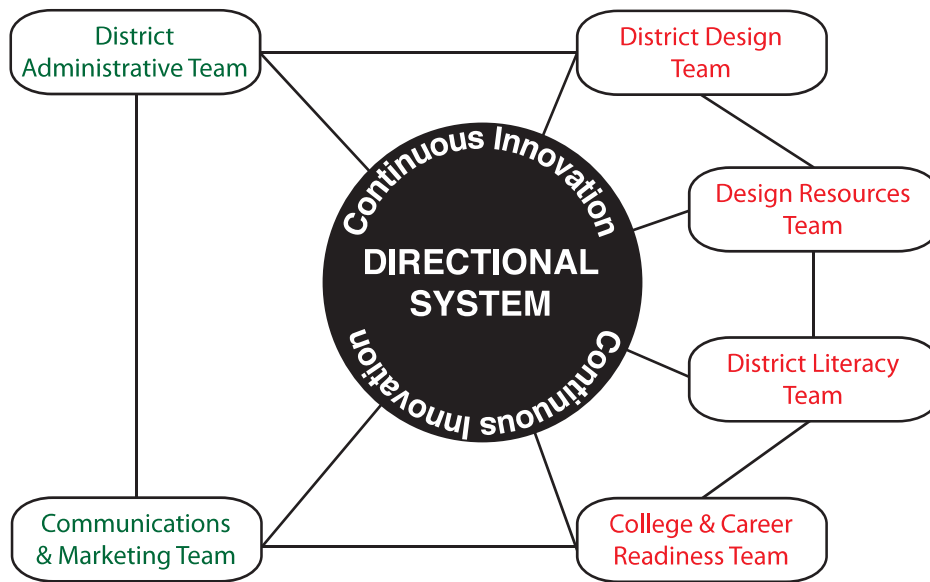
Educating students to become  
contributing citizens of the world

**LYNX Mission**

Lynx supports Dalton Public Schools by maintaining direction, building capacity, and integrating resources to nurture and sustain networked learning communities.

ADMINISTRATION & OPERATIONS

CORE BUSINESS & CAPACITY BUILDING





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Dalton Board of Education  
Georgia**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

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, 2014, 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, 2014, and the respective changes in financial position and the respective budgetary comparison information for the general 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 4-12 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 nonmajor fund financial statements, schedule of expenditures of education 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 nonmajor fund financial statements, the schedule of expenditures of education 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 nonmajor fund financial statements, the schedule of expenditures of education 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 20, 2014, 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 the City of Dalton Board of Education's internal control over financial reporting and compliance.

*Estes & Williams*

Dalton, Georgia  
November 20, 2014



**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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The discussion and analysis of the City of Dalton Board of Education's ("School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2014. 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 2014 are as follows:

- Total net position increased 1.5% from \$103.7 million in 2013 to \$105.2 million in 2014.
- Total revenues increased 4.7% from \$74.9 million in 2013 to \$78.4 million in 2014. The increase is attributable to increased sales tax revenue from an education special purpose local option sales tax and a 2% increase in property tax revenue. Overall, revenues exceeded expenses by \$1.6 million in fiscal year 2014.
- Total expenses increased 4.0% from \$73.9 million in 2013 to \$76.9 million in 2014. Instruction expenditures increased by \$3.0 million in 2014. Most of this increase is attributable to direct instruction expenditures due to the School District's growing enrollment.
- The general fund has \$61.8 million in revenues in 2014 compared to \$61.0 million in revenues in 2013, and \$61.7 million in expenditures in 2014 compared to \$58.1 million in expenditures in 2013.

**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 are comprised 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.

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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**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.

	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 28,403,613	\$ 30,970,693
Capital assets	<u>88,682,735</u>	<u>82,717,190</u>
Total assets	<u>117,086,348</u>	<u>113,687,883</u>
Liabilities		
Current liabilities	9,841,171	7,420,941
Long-term liabilities	<u>2,014,188</u>	<u>2,610,000</u>
Total liabilities	<u>11,855,359</u>	<u>10,030,941</u>
Net position		
Net investment in capital assets	86,072,735	79,384,982
Restricted	2,899,660	3,699,964
Unrestricted	<u>16,258,594</u>	<u>20,571,996</u>
Total net position	<u>\$ 105,230,989</u>	<u>\$ 103,656,942</u>

Total net position for 2014 was \$105.2 million, which represents a \$1.6 million or 1.5% increase from 2013. The increase in the School District's net position from the prior year was primarily due to increased capital projects activity. Capital asset construction and purchases totaled \$9.2 million during the year; \$7.5 million of that total was for education special purpose local option sales tax ("ESPLOST") projects. Additionally, current liabilities increased due to increases in capital asset related accounts payables and retainage payables and due to the timing of payroll at year end and related accrued salaries and benefits.

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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).

	<u>2014</u>	<u>2013</u>
Revenues		
Program revenues:		
Charges for services	\$ 726,017	\$ 725,340
Operating grants and contributions	45,631,423	45,338,919
General revenues:		
Property taxes	25,061,074	24,597,936
Other taxes	6,858,792	4,165,496
Donations	84,000	-
Investment earnings	67,113	72,263
Total revenues	<u>78,428,419</u>	<u>74,899,954</u>
Expenses		
Instruction	50,572,344	47,580,376
Support services	21,581,155	20,846,527
Food service operation	4,371,273	5,156,674
Community service operation	295,762	280,921
Interest on long-term debt	33,838	27,982
Total expenses	<u>76,854,372</u>	<u>73,892,480</u>
Increase in net position	1,574,047	1,007,474
Net position, beginning of year	<u>103,656,942</u>	<u>102,649,468</u>
Net position, end of year	<u>\$ 105,230,989</u>	<u>\$ 103,656,942</u>

*Revenues*

The School District's total revenue increased in 2014 by 4.7%, or \$3.5 million. The majority of the School District's revenues come from state sources and taxes. Property tax revenue increased by \$463,000, primarily due to a higher collection rate on current year taxes than has been experienced in previous years. Sales tax revenue increased by \$2.6 million. In the 2013 fiscal year, the School District received six months of sales tax revenue from the voter approved education special purpose local option sales tax referendum that was reinstated in January 2013. In fiscal year 2014, the School District received a full year of sales tax revenue.

*Expenses*

The School District's total expenses increased by 4.0%, or \$3.0 million. Instructional expenditures increased by 6.3%, or \$3.0 million, due to adding teaching positions to address growing enrollment. Also, maintenance and operation expenditures increased \$430,900 due to increased energy costs and usage as well as previously deferred facility improvements. Food service operations had \$785,400 in expenditure reductions due to decreased staffing levels in fiscal year 2014.

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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## **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.

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.

All funds of the School District can be divided into three types of funds - governmental funds, propriety funds, and fiduciary funds. The School District does not have any propriety 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.

## **The School System's Funds**

The 2014 combined fund balance of all governmental funds totaled \$18.4 million. This is a 21% or \$4.9 million decrease from the \$23.3 million fund balance from fiscal year 2013. The fund balance was reduced by debt service payments of \$722,200 that reduce long-term debt obligations and by planned capital project expenditures of \$9.2 million at Dalton Middle School, Dalton High School, and Morris Innovative High School at Fort Hill. The ending fund balance represents 22.1% of total expenditures. Of the governmental fund balance, \$6.0 million is reserved for debt service and capital projects.

## **General Fund Budgetary Highlights**

In developing the fiscal year 2014 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 School Board 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.

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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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 categories of state revenues and on-behalf payments. Expenditure budgets were amended to account for the expenditure of state grants. Additionally, the original budget was amended as the School Board approved a transfer from the general fund to the capital projects fund for school security improvements and other minor building improvements at the elementary level.

Actual revenues were 1.9% more than the final budget. Federal revenues were 54.8% more than budget as actual Medicaid revenue received was higher than budget estimates. Actual state revenue, when combined with on behalf payments, is 2.0% more than the final budget. Since much of Georgia's state revenue is linked to student enrollment, and the School District had increased enrollment, actual state revenues were higher than budget. Local revenues were 1.1% higher than budget. Property tax collections were higher than in prior years, resulting in higher revenue than anticipated. Further, budgets for the school activity account revenues and expenditures were not updated during the year, and revenues and expenditures for those accounts were higher than anticipated.

Actual expenditures were 2.9% under the final adjusted budget. Most of the expenditure savings are in instruction for teacher salaries and 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 previous mid-year cost increases.

### **General Fund Highlights**

Generally, the general fund current revenues covered current expenditures, and some incidental capital outlay activity. There were no significant changes in regards to funding sources, programs, or operations within the general fund from the prior year.

The fiscal year 2014 unassigned fund balance of \$11.0 million reflected a 12.7% decrease from fiscal year 2013. The fund balance reduction was intentional. The reduction was primarily achieved through transfers to the debt service fund and the capital projects fund to support the payment of existing obligations and to increase capital projects. In previous years, the School Board had allowed for a higher fund balance to prepare for uncertainty related to all sources of revenue.

The unrestricted, unassigned fund balance of \$11.0 million gives the School District a fund balance that is equivalent to 65 days of general fund 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.

### **Other Major Funds**

The School District uses capital projects funds to account for school construction and improvement projects. The School District has two major capital projects funds – the capital projects fund, which reports general construction activity of the School District, and the ESPLOST fund, which reports construction activity funded by education special purpose local option sales tax.

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The capital projects fund is funded by investment earnings, donations, and transfers from the general fund to support capital undertakings. One major project dominated the fund this year; a track and turf project at Dalton High School which totaled \$1.4 million. Other additions and general capital outlays that did not meet capitalization requirements were also reported in this fund. Significant purchases not capitalized included technology upgrades at several schools.

Since 1997, the School District has utilized ESPLOST proceeds to fund capital projects. In March, 1997 the Whitfield County voters approved the first five-year education special purpose local option sales tax to fund capital projects. Since then, ESPLOST has been renewed by the voters three subsequent times. The School Board allowed ESPLOST to lapse for a one year period; calendar year 2012; amid concerns about decreasing local taxes. The current ESPLOST was voted back in effective January 2013, and will continue for five years from that date.

The sales tax is proportionately distributed to Whitfield County Schools and the School District based on the full-time equivalent of students ("FTE"). The county-wide maximum the current ESPLOST it is expected to generate totals \$105 million; the School District could receive up to \$36.4 million over the life of this five year tax. School District plans assume a conservative \$27.5 million in sales tax revenue will be allocated to the School District and available to fund capital projects and debt service.

Due to the lapse in ESPLOST funding during calendar year 2012, revenues and related capital project expenditures increased significantly in fiscal year 2014. Sales tax revenue totaled \$5.2 million and \$2.6 million for fiscal years 2014 and 2013, respectively. One major project dominated the fund's expenditures for fiscal year 2014; Dalton Middle School received significant additions to its facility which totaled approximately \$7.5 million. This project was not completed in fiscal year 2014. The additions were funded by current and prior year ESPLOST revenues collected and by transfers from the capital projects fund. In the prior year, the main project undertaken in the ESPLOST fund was improvements and renovations to the heating and air systems at Morris Innovative High School at Fort Hill. That project was finalized in fiscal year 2013 at a cost of \$1.6 million, but was not funded by ESPLOST proceeds. Transfers from the general fund and capital projects were used to fund that project. A small amount of ESPLOST proceeds were spent in the prior year on the beginning stages of the Dalton Middle School additions project.

The School District maintains a debt service fund to facilitate the payment of debt obligations. The fund receives revenues from investment earnings and transfers from the general fund. Several debt obligations were paid off during the current year. The School District paid off three leases on energy saving equipment upgrades early in fiscal year 2014, which reduced fund expenditures 42.9% from the prior year. The School District will pay off an additional obligation in fiscal year 2015, leaving only one remaining obligation, a Qualified Zone Academy Bond. Payments on this bond are being made in accordance with a set amortization schedule to a sinking fund, which is reported as restricted investments on the debt service balance sheet. At the end of the fiscal year, \$1.4 million was in the sinking fund and is reserved to satisfy the \$2.0 million debt when it is due in 2018.

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**Capital Assets and Debt Administration**

*Capital Assets*

Capital assets had an increase of 7.2% or \$6.0 million from \$82.7 million in 2013 to \$88.7 million in 2014. The increase is due to the completion of the athletic field improvements at Dalton High School, building improvements for the Morris Innovative High School program at Fort Hill, and the construction in progress additions at Dalton Middle School. See Note 5 of the financial statement for greater detail.

	2014	2013
Capital assets, not depreciable		
Land	\$ 9,264,235	\$ 9,264,235
Construction in progress	7,501,781	906,790
Total	<u>16,766,016</u>	<u>10,171,025</u>
Capital assets, depreciable		
Land improvements	3,893,191	2,415,416
Buildings and building improvements	101,021,725	100,102,698
Machinery, equipment, and technology	3,770,986	3,677,856
Vehicles	450,128	432,255
Total	<u>109,136,030</u>	<u>106,628,225</u>
Less accumulated depreciation		
Land improvements	(1,770,397)	(1,599,270)
Buildings and building improvements	(32,583,811)	(29,745,263)
Machinery, equipment, and technology	(2,431,276)	(2,318,948)
Vehicles	(433,827)	(418,579)
Total	<u>(37,219,311)</u>	<u>(34,082,060)</u>
Depreciable capital assets, net	<u>71,916,719</u>	<u>72,546,165</u>
Net investment in capital assets	<u>\$ 88,682,735</u>	<u>\$ 82,717,190</u>

**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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*Long-Term Debt*

At the end of June 30, 2014, 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	Disposals	Ending balance	Due within one year
Capital leases	\$ 3,332,208	\$ -	\$ (722,208)	\$ 2,610,000	\$ 610,000
Compensated absences	21,440	6,407	(6,659)	21,188	7,000
Total	<u>\$ 3,353,648</u>	<u>\$ 6,407</u>	<u>\$ (728,867)</u>	<u>\$ 2,631,188</u>	<u>\$ 617,000</u>

**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 of \$29.3 million loss net of federal stimulus funding in state revenue. The state legislature does not intend to impose further cuts to education, and fiscal year 2015 includes about 28% alleviation from the previous year's austerity reductions.

Since 2011, the School District has qualified for state equalization grant revenue. The School District received \$600,400 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 \$536,900 in 2013 under a revised funding formula, and after another reduction in equalization revenue, is down to \$134,500 in 2014. Due to growing enrollment and a relatively flat property tax digest, the School District anticipates an increase to \$625,500 in equalization revenue for fiscal year 2015.

As a result of a growing population of economically disadvantaged students, the School District's Title I Academic Achievement federal funding has nearly doubled since fiscal year 2012. These funds are primarily used for direct instruction, and all schools in the district benefit from the funds. These funds are to supplement, not supplant, the current effort in instruction and support. Therefore, these additional funds can not and 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 7.4%, Georgia is at 8.2%, and the Dalton Metropolitan Area is at 10.4%.

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 school boards from both the School District and Whitfield County agreed to delay the continuation of ESPLOST in 2012. ESPLOST funding expired during the 2012 calendar year, but began again in January 2013. Additionally, the implementation of a 20% freeport exemption on business inventory began in fiscal year 2011. These reductions resulted in a revenue losses for each of these years; \$685,500 in fiscal year 2011, \$787,200 in fiscal year 2012, and over \$900,000 each in fiscal years 2013 and 2014. 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 result in the loss of an additional \$3.9 million in property tax revenue. Increases to the freeport exemption will be delayed for fiscal year 2015 for the School District. There is some consideration for a 20% increase in a future fiscal year.



**CITY OF DALTON BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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Real property values have declined since 2010. As a result, the School District's property tax revenue decreased in 2010 by \$638,900, and another \$1.7 million in 2011. There was nearly no change in 2012, and 2013 showed an increase in personal property adding \$461,800 in property tax revenue. Fiscal year 2014 had a decrease in values resulting in a decrease in revenue of \$297,400. Although there remains some uncertainty regarding property values, the School District is anticipating no change to the tax digest for fiscal year 2015.

While the economic picture is expected to be challenging in the short-term, the School Board and administrative staff are committed to ensuring the long-term viability of the system. To address budgetary shortfalls the system began a three year cost reduction plan in fiscal year 2010. As the national, state and local economies declined, 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 expenditure by \$4.2 million less than fiscal year 2010. These expenditure reductions are particularly challenging when considering that enrollment has averaged 2% growth each year over the last 10 years.

The vision of the School District 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, 2014

	Governmental Activities
Assets	
Current assets	
Cash	\$ 4,059,447
Investments	19,545,893
Receivables:	
Accounts	25,291
Intergovernmental	2,262,372
Taxes	940,910
Inventory	175,820
Restricted assets - investments	1,393,880
Total current assets	<u>28,403,613</u>
Noncurrent assets	
Nondepreciable capital assets	16,766,016
Depreciable capital assets, net	71,916,719
Total noncurrent assets	<u>88,682,735</u>
Total assets	<u>117,086,348</u>
Liabilities	
Current liabilities	
Accounts payable	3,609,326
Salaries payable	4,694,058
Unearned revenue	9,327
Accrued interest payable	6,693
Retainage payable	904,767
Capital leases payable	610,000
Compensated absences	7,000
Total current liabilities	<u>9,841,171</u>
Long-term liabilities	
Compensated absences, less current portion	14,188
Capital leases, less current portion	2,000,000
Total long-term liabilities	<u>2,014,188</u>
Total liabilities	<u>11,855,359</u>
Net position	
Net investment in capital assets	86,072,735
Restricted for capital projects	92,405
Restricted for debt service	1,387,176
Restricted for food services	1,420,079
Unrestricted	16,258,594
Total net position	<u>\$ 105,230,989</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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	\$ 50,572,344	\$ 268,423	\$ 27,785,038	\$ (22,518,883)
Support services:				
Pupil services	1,975,150	-	1,278,059	(697,091)
Improvement of instructional services	2,883,481	-	2,352,230	(531,251)
Educational media services	1,246,295	-	697,697	(548,598)
General administration	746,813	-	539,728	(207,085)
School administration	3,694,235	-	2,066,407	(1,627,828)
Business administration	584,065	-	326,715	(257,350)
Maintenance and operation of plant	4,854,873	-	2,688,910	(2,165,963)
Student transportation services	2,606,202	-	1,534,176	(1,072,026)
Central support services	2,153,085	-	1,226,600	(926,485)
Other support services	836,956	-	538,210	(298,746)
Food services operations	4,371,273	457,594	4,432,080	518,401
Community services operations	295,762	-	165,573	(130,189)
Interest on long-term debt	33,838	-	-	(33,838)
Total governmental activities	<u>\$ 76,854,372</u>	<u>\$ 726,017</u>	<u>\$ 45,631,423</u>	<u>(30,496,932)</u>

General revenues	
Property taxes	25,061,074
Vehicle taxes	1,553,100
Intangibles tax	108,962
Sales taxes	5,196,730
Donations	84,000
Unrestricted investment earnings	67,113
Total general revenues	<u>32,070,979</u>
Change in net position	1,574,047
Net position, beginning of year	<u>103,656,942</u>
Net position, end of year	<u>\$ 105,230,989</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General	Debt Service	Capital Projects	Education Special Purpose Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash	\$ 1,126,280	\$ -	\$ -	\$ 2,053,863	\$ 879,304	\$ 4,059,447
Investments	15,753,768	-	3,792,125	-	-	19,545,893
Receivables:						
Accounts	25,177	-	114	-	-	25,291
Intergovernmental	170,841	-	-	450,346	1,641,185	2,262,372
Taxes	940,910	-	-	-	-	940,910
Due from other funds	2,418,015	-	1,233,828	-	325,223	3,977,066
Inventory	-	-	-	-	175,820	175,820
Restricted assets - investments	-	1,393,880	-	-	-	1,393,880
<b>Total assets</b>	<b>\$ 20,434,991</b>	<b>\$ 1,393,880</b>	<b>\$ 5,026,067</b>	<b>\$ 2,504,209</b>	<b>\$ 3,021,532</b>	<b>\$ 32,380,679</b>
<b>Liabilities</b>						
Accounts payable	\$ 1,417,876	\$ 11	\$ 244,364	\$ 1,712,691	\$ 234,384	\$ 3,609,326
Salaries payable	4,216,231	-	-	-	477,827	4,694,058
Due to other funds	3,075,693	-	11,500	7,181	882,692	3,977,066
Retainage payable	-	-	212,835	691,932	-	904,767
Unearned revenue	-	-	-	-	9,327	9,327
<b>Total liabilities</b>	<b>8,709,800</b>	<b>11</b>	<b>468,699</b>	<b>2,411,804</b>	<b>1,604,230</b>	<b>13,194,544</b>
<b>Deferred inflows of resources</b>						
Unavailable revenue - property taxes	747,978	-	-	-	-	747,978
<b>Fund balances</b>						
Nonspendable	-	-	-	-	175,820	175,820
Restricted	-	1,393,869	-	92,405	1,244,259	2,730,533
Unrestricted:						
Committed	-	-	4,557,368	-	-	4,557,368
Unassigned	10,977,213	-	-	-	(2,777)	10,974,436
<b>Total fund balances</b>	<b>\$ 10,977,213</b>	<b>\$ 1,393,869</b>	<b>\$ 4,557,368</b>	<b>\$ 92,405</b>	<b>\$ 1,417,302</b>	<b>\$ 18,438,157</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 20,434,991</b>	<b>\$ 1,393,880</b>	<b>\$ 5,026,067</b>	<b>\$ 2,504,209</b>	<b>\$ 3,021,532</b>	<b>\$ 32,380,679</b>

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, 2014

Total governmental fund balances		\$ 18,438,157
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	3,977,066	
Interfund payables	<u>(3,977,066)</u>	-
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.		
Cost	125,902,046	
Accumulated depreciation	<u>(37,219,311)</u>	88,682,735
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.		747,978
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	(6,693)	
Capital leases payable	(2,610,000)	
Compensated absences	<u>(21,188)</u>	<u>(2,637,881)</u>
Net position of governmental activities		<u>\$ 105,230,989</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General	Debt Service	Capital Projects	Education Special Purpose Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
Revenues						
Federal sources	\$ 499,111	\$ -	\$ -	\$ -	\$ 9,756,848	\$ 10,255,959
State sources	28,951,614	-	-	-	1,332,857	30,284,471
Local sources and other funds	28,768,517	44,931	88,437	5,197,561	457,594	34,557,040
On behalf payments	3,557,571	-	-	-	-	3,557,571
Total revenues	61,776,813	44,931	88,437	5,197,561	11,547,299	78,655,041
Expenditures						
Current:						
Instruction	42,577,100	-	984,484	21,638	3,994,730	47,577,952
Support services:						
Pupil services	1,583,606	-	-	-	391,544	1,975,150
Improvement of instructional services	1,207,905	-	-	-	1,675,576	2,883,481
Educational media services	1,246,295	-	-	-	-	1,246,295
General administration	470,682	-	-	-	276,131	746,813
School administration	3,691,219	-	-	-	-	3,691,219
Business administration	583,611	-	-	454	-	584,065
Maintenance and operation of plant	4,785,545	-	-	-	-	4,785,545
Student transportation services	2,451,677	-	-	-	154,525	2,606,202
Central support services	2,136,596	-	-	-	16,489	2,153,085
Other support services	610,184	-	-	-	196,546	806,730
Food services operations	-	-	-	-	4,196,912	4,196,912
Community services operations	295,762	-	-	-	-	295,762
Capital outlay:						
Instruction	5,379	-	1,677,301	7,484,719	13,485	9,180,884
Support services:						
Maintenance and operation of plant	17,650	-	-	-	-	17,650
Student transportation services	13,575	-	-	-	-	13,575
Central support services	25,011	-	-	-	-	25,011
Debt service:						
Principal retirement	-	722,208	-	-	-	722,208
Interest and fiscal charges	-	40,722	-	-	-	40,722
Total expenditures	61,701,797	762,930	2,661,785	7,506,811	10,915,938	83,549,261
Excess (deficiency) of revenues over (under) expenditures	75,016	(717,999)	(2,573,348)	(2,309,250)	631,361	(4,894,220)
Other financing sources (uses)						
Transfers in	1,933	799,736	1,578,067	2,452,531	227,435	5,059,702
Transfers out	(1,677,171)	(2,401,409)	(979,193)	-	(1,929)	(5,059,702)
Total other financing sources (uses)	(1,675,238)	(1,601,673)	598,874	2,452,531	225,506	-
Net changes in fund balances	(1,600,222)	(2,319,672)	(1,974,474)	143,281	856,867	(4,894,220)
Fund balance, beginning of year	12,577,435	3,713,541	6,531,842	(50,876)	560,435	23,332,377
Fund balance, end of year	\$ 10,977,213	\$ 1,393,869	\$ 4,557,368	\$ 92,405	\$ 1,417,302	\$ 18,438,157

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, 2014

Net changes in fund balances - governmental funds \$ (4,894,220)

Amounts reported for governmental activities in the statement of activities are different because:

Elimination of transfers between governmental funds:

Transfers in	(5,059,702)	
Transfers out	<u>5,059,702</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 capital outlays exceeded depreciation expense in the current period.

Capital outlay	9,237,120	
Depreciation expense	<u>(3,263,396)</u>	5,973,724

Write off of capital assets not reported at the fund level. (8,179)

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	(226,622)
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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	722,208
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Net change in accrued interest on long-term debt	6,884
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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>252</u>
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Change in net position - governmental activities	<u>\$ 1,574,047</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, 2014

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 322,520	\$ 322,520	\$ 499,111	\$ 176,591
State sources	31,688,409	28,268,434	28,951,614	683,180
Local sources and other funds	28,459,870	28,459,870	28,768,517	308,647
On behalf payments	143,570	3,594,350	3,557,571	(36,779)
Total revenues	<u>60,614,369</u>	<u>60,645,174</u>	<u>61,776,813</u>	<u>1,131,639</u>
Expenditures				
Current:				
Instruction	44,355,804	43,916,045	42,577,100	1,338,945
Support services:				
Pupil services	1,859,693	1,859,693	1,583,606	276,087
Improvement of instructional services	1,236,117	1,250,238	1,207,905	42,333
Educational media services	1,262,866	1,267,681	1,246,295	21,386
General administration	541,904	541,904	470,682	71,222
School administration	3,594,050	3,595,279	3,691,219	(95,940)
Business administration	550,391	550,391	583,611	(33,220)
Maintenance and operation of plant	4,783,137	4,783,137	4,785,545	(2,408)
Student transportation services	2,424,471	2,424,471	2,451,677	(27,206)
Central support services	2,410,861	2,410,861	2,136,596	274,265
Other support services	824,196	824,196	610,184	214,012
Community services operations	104,736	153,000	295,762	(142,762)
Capital outlay:				
Instruction	-	-	5,379	(5,379)
Support services:				
Maintenance and operation of plant	-	-	17,650	(17,650)
Student transportation services	-	-	13,575	(13,575)
Central support services	-	-	25,011	(25,011)
Total expenditures	<u>63,948,226</u>	<u>63,576,896</u>	<u>61,701,797</u>	<u>1,875,099</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,333,857)</u>	<u>(2,931,722)</u>	<u>75,016</u>	<u>3,006,738</u>
Other financing sources (uses)				
Transfers in	-	-	1,933	(1,933)
Transfers out	(1,145,904)	(1,595,904)	(1,677,171)	81,267
Total other financing sources (uses)	<u>(1,145,904)</u>	<u>(1,595,904)</u>	<u>(1,675,238)</u>	<u>79,334</u>
Net change in fund balances	<u>\$ (4,479,761)</u>	<u>\$ (4,527,626)</u>	<u>(1,600,222)</u>	<u>\$ 2,927,404</u>
Fund balance, beginning of year			<u>12,577,435</u>	
Fund balance, end of year			<u>\$ 10,977,213</u>	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION  
STATEMENT OF ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
JUNE 30, 2014

	<u>Agency Funds</u>
Assets	
Intergovernmental receivable	\$ 14,838
Due from others	<u>44,048</u>
Total assets	<u><u>\$ 58,886</u></u>
Liabilities	
Accounts payable	\$ 12,180
Due to others	<u>46,706</u>
Total liabilities	<u><u>\$ 58,886</u></u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 ("School Board") and a Superintendent appointed by the School Board. The School 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, 2014, 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, 2014

**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 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 ESPLOST revenue.
- The education special purpose local option sales tax fund is a capital projects fund which accounts for and reports financial resources including education special purpose local option sales tax ("ESPLOST") 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 federal programs special revenue fund, 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, 2014

**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 120 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.

**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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1 Summary of Significant Accounting Policies - Continued**

**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 other funds and due from other funds.

**Property Taxes**

The Mayor and Council of the City of Dalton, Georgia, fixed the property tax levy for the 2013 tax digest year (calendar year) on January 1, 2013 (levy date). Tax bills were mailed on October 20, 2013 (lien date) and are considered due upon receipt by the taxpayer. The actual due date is based on a period ending 60 days after the tax billing, on December 20, 2013 (due date). Taxes collected within the current fiscal year or within 60 days after year end on the 2013 tax digest are reported as revenue in the governmental funds for the year ended June 30, 2014. The Whitfield County, Georgia Tax Commissioner bills and collects the property taxes for the School District, withholds a percentage of taxes collected as a fee, and remits the remaining amount to the School District. Property tax revenues, net of the collection fee, combined with penalties and interest received on delinquent taxes, at the fund reporting level, totaled \$25,287,696 for the year ended June 30, 2014.

**Sales Taxes**

Education special purpose local option sales tax, at the fund reporting level, totaled \$5,196,730 for the year ended June 30, 2014, and is to be used for capital outlay for educational purposes. 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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1 Summary of Significant Accounting Policies - Continued**

**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.

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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1 Summary of Significant Accounting Policies - Continued**

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to future periods and therefore will not be recognized as an outflow or resources (expense/expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.

In addition to liabilities, the net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to future periods and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of this item that qualifies for reporting in this category, which arises only under the modified accrual basis of accounting. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

**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.

**On-Behalf Payments**

The School District has recognized revenues and costs in the amount of \$3,557,571 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 \$3,450,780

Paid to the Teachers Retirement System of Georgia ("TRS")

For teachers retirement system employer's cost

In the amount of \$25,828

Office of Treasury and Fiscal Services

Paid to the Public School Employees Retirement System ("PSERS")

For public school employees retirement system employer's cost

In the amount of \$80,963



CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1 Summary of Significant Accounting Policies - Continued**

**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 School Board to meet current expenses for those purposes.

**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 fund balance** - Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School Board. The School Board 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 School 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 fund balance** - 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 School Board or the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.
- 5) **Unassigned fund balance** - 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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 1 Summary of Significant Accounting Policies - Continued**

**Fund Equity - Continued**

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.

A schedule of fund balances is as follows:

Fund Balances:	General	Debt Service	Capital Projects	ESPLOST Capital Projects	Other Governmental Funds	Total
Nonspendable:						
Inventory	\$ -	\$ -	\$ -	\$ -	\$ 175,820	\$ 175,820
Restricted for:						
Capital projects	-	-	-	92,405	-	92,405
Debt service	-	1,393,869	-	-	-	1,393,869
School nutrition	-	-	-	-	1,244,259	1,244,259
Committed to:						
Capital projects	-	-	4,557,368	-	-	4,557,368
Unassigned	10,977,213	-	-	-	(2,777)	10,974,436
Total Fund Balance	<u>\$ 10,977,213</u>	<u>\$ 1,393,869</u>	<u>\$ 4,557,368</u>	<u>\$ 92,405</u>	<u>\$ 1,417,302</u>	<u>\$ 18,438,157</u>

**Deficit Fund Balances**

The School District had one fund with a deficit fund balance at June 30, 2014, as follows:

Fund Type/Fund Name	Deficit Balance
Special Revenue/Lottery Programs	\$ (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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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 accounts (commonly referred to as 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 School 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.

The budgetary process begins with the School District's administration presenting an initial budget for the School Board's review. The administration makes revisions as necessary based on the School Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the School 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 School Board after advertisement, the School 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 School 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 change in fund balances - budget and actual - general 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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 3 Deposits and Investments - Continued**

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

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

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, 2014, \$432,703 of the School District's total bank deposits of \$6,459,068 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, 2014, the carrying value of the School District's unrestricted investments was \$19,545,893, with \$15,396,893 invested in Georgia Fund 1 and \$4,149,000 invested in a portfolio of fixed income securities composed of certificates of deposit.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 3 Deposits and Investments - Continued**

Georgia Fund 1 (a local government investment pool) is administered by the State of Georgia, Office of the State Treasurer, and 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 online from the Georgia Department of Audits and Accounts.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AAAf 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, 2014 was 62 days.

The Georgia Extended Asset Pool is a variable net asset value investment pool which follows Standard and Poor's criteria for money market rated funds and was rated AA+f at June 30, 2014. 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, 2014 was \$1.99 per share. The weighted average maturity of the fund at June 30, 2014 was .22 years.

At June 30, 2014, the carrying value of the School District's restricted investments was \$1,393,880. 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, 2014 are presented below. Investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity <hr/> Less Than 1 Year
Certificates of deposit	\$ 4,149,000	\$ 4,149,000
Debt securities - U.S. Agencies	1,393,880	1,393,880
Investment pools - Georgia Fund 1	15,396,893	15,396,893
	<hr/> <u>\$ 16,790,773</u>	<hr/> <u>\$ 16,790,773</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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 3 Deposits and Investments - Continued**

Custodial credit risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2014, 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:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Aaa-mf</u>	<u>P-1</u>	<u>Unrated</u>
Certificates of deposit	\$ 4,149,000	\$ -	\$ -	\$ 4,149,000
Debt securities - U.S. Agencies	<u>1,393,880</u>	<u>298</u>	<u>1,393,582</u>	<u>-</u>
	<u>\$ 5,542,880</u>	<u>\$ 298</u>	<u>\$ 1,393,582</u>	<u>\$ 4,149,000</u>

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, 2014

**Note 5 Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2014, 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	906,790	8,029,461	(1,434,470)	7,501,781
Total	<u>10,171,025</u>	<u>8,029,461</u>	<u>(1,434,470)</u>	<u>16,766,016</u>
Depreciable capital assets				
Land improvements	2,415,416	43,305	1,434,470	3,893,191
Buildings and building improvements	100,102,698	919,027	-	101,021,725
Machinery, equipment, and technology	3,677,856	245,327	(152,197)	3,770,986
Vehicles	432,255	-	17,873	450,128
Total	<u>106,628,225</u>	<u>1,207,659</u>	<u>1,300,146</u>	<u>109,136,030</u>
Less accumulated depreciation				
Land improvements	(1,599,270)	(171,127)	-	(1,770,397)
Buildings and building improvements	(29,745,263)	(2,838,548)	-	(32,583,811)
Machinery, equipment, and technology	(2,318,948)	(248,309)	135,981	(2,431,276)
Vehicles	(418,579)	(5,412)	(9,836)	(433,827)
Total	<u>(34,082,060)</u>	<u>(3,263,396)</u>	<u>126,145</u>	<u>(37,219,311)</u>
Depreciable capital assets, net	<u>72,546,165</u>	<u>(2,055,737)</u>	<u>1,426,291</u>	<u>71,916,719</u>
Governmental activities capital assets, net	<u>\$ 82,717,190</u>	<u>\$ 5,973,724</u>	<u>\$ (8,179)</u>	<u>\$ 88,682,735</u>

Current year depreciation expense by function is as follows:

Governmental activities:	
Instruction	\$ 2,994,392
School administration	3,016
Maintenance and operation of plant	69,580
Other support services	30,226
Food services operation	<u>166,182</u>
Total depreciation expense - governmental activities	<u>\$ 3,263,396</u>

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014 consisted of the following:

	Due From Other Funds	Due To Other Funds
General fund	\$ 2,418,015	\$ 3,075,693
Capital projects fund	1,233,828	11,500
ESPLOST fund	-	7,181
Nonmajor governmental funds	325,223	882,692
Total governmental funds	<u>\$ 3,977,066</u>	<u>\$ 3,977,066</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, 2014 consisted of the following:

Transfer To	Transfer From				Total
	General fund	Debt service fund	Capital projects fund	Nonmajor governmental funds	
General fund	\$ -	\$ 4	\$ -	\$ 1,929	\$ 1,933
Debt service fund	799,736	-	-	-	799,736
Capital projects fund	650,000	928,067	-	-	1,578,067
ESPLOST fund	-	1,473,338	979,193	-	2,452,531
Nonmajor governmental funds	227,435	-	-	-	227,435
Total governmental funds	<u>\$ 1,677,171</u>	<u>\$ 2,401,409</u>	<u>\$ 979,193</u>	<u>\$ 1,929</u>	<u>\$ 5,059,702</u>

**Note 7 Long Term Debt**

**Capital Leases** - The School District 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 entered into an agreement and two amendments to the agreement for energy saving equipment upgrades for all of the School District's buildings. Those leases were satisfied in August 2013, August 2013, and December 2013. The interest rates on those leases were 5.312%, 5.312%, and 5.2%, respectively.



CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 7 Long Term Debt - Continued**

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 as of June 30, 2014:

Buildings and building improvements	\$ 1,992,781
Net of accumulated amortization	<u>(548,151)</u>
	<u>\$ 1,444,630</u>

At June 30, 2014, payments due by fiscal year, which includes principal and interest, are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>
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>\$ 2,610,000</u>	<u>\$ 198,649</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.

Long-term liability activity for the year ended June 30, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Capital leases	\$ 3,332,208	\$ -	\$ (722,208)	\$ 2,610,000	\$ 610,000
Compensated absences	<u>21,440</u>	<u>6,407</u>	<u>(6,659)</u>	<u>21,188</u>	<u>7,000</u>
	<u>\$ 3,353,648</u>	<u>\$ 6,407</u>	<u>\$ (728,867)</u>	<u>\$ 2,631,188</u>	<u>\$ 617,000</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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 8 Retirement Plans - Continued**

On October 25, 1996, the Board of Trustees 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.

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, 2014 were 6% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011 actuarial valuation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	\$ 4,649,691
2013	100%	4,066,616
2012	100%	3,497,210

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 8 Retirement Plans - Continued**

**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 financial 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.

On November 20, 1997, the ERS Board of Trustees 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.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 8 Retirement Plans - Continued**

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 2014 were as follows: old plan contribution rate 6.88%; new plan contribution rate 14.9%; and GSEPS contribution rate 11.54%.

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
2014	\$ 9,565
2013	7,299
2012	5,746

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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. 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 of Community Health in accordance with the current Appropriations Act and may be amended by the Board of Community Health. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board of Community Health resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board of Community Health may be changed at any time by Board of Community Health 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 of Community Health. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board of Community Health for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2014: For certificated teachers, librarians and regional educational service agencies and certain other eligible participants, for the period July 1, 2013 through June 30, 2014, the contribution rate was \$945 per member per month. For non-certificated school personnel, for the period July 1, 2013 through June 30, 2014, the contribution rate was \$596.20 per member per month.

No additional contribution was required by the Board of Community Health for fiscal year 2014 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board of Community Health in accordance with the School plan for other post-employment benefits and are subject to appropriation.

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**Note 9 Post-Employment Benefits - Continued**

The School District's combined active and retiree contributions to the health insurance plans for the years ended June 30, 2014, 2013, and 2012 were \$7,478,743, \$6,563,711, and \$5,819,810, 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; 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. Unemployment claims paid to the State of Georgia to satisfy unemployment claims liability during the last three years are as follows:

Fiscal Year	Beginning of Year Liability	Claims	Claims Paid	End of Year Liability
2014	\$ -	\$ 12,704	\$ (12,704)	\$ -
2013	-	4,298	(4,298)	-
2012	-	33,870	(33,870)	-

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 years are as follows:

Calendar Year	Beginning of Year Liability	Premiums and Other Charges	Charges Paid	End of Year Liability
2013	\$ -	\$ 192,000	\$ (192,000)	\$ -
2012	-	245,600	(245,600)	-
2011	-	245,600	(245,600)	-

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
JUNE 30, 2014

**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, 2014 totaled \$159,777. 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
2015	\$ 67,924
2016	43,622
2017	31,206
2018	31,206
2019	5,790
	<u>\$ 179,748</u>

**Note 12 Commitments and Contingencies**

The School District is involved in legal matters as of the fiscal year ended June 30, 2014 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, 2014 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 fund and the ESPLOST capital projects fund in the amount of \$4,868,028. Construction contracts include expansion and renovation of facilities.

CITY OF DALTON BOARD OF EDUCATION  
NONMAJOR GOVERNMENTAL FUNDS

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SPECIAL REVENUE FUNDS

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School Food Services	To account for the monies and commodities received from the federal and state governments and 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.
Federal Programs	To account for the majority of federally funded programs administered by the District.



CITY OF DALTON BOARD OF EDUCATION  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Food Services	Lottery Programs	Federal Programs	
Assets				
Cash	\$ 879,304	\$ -	\$ -	\$ 879,304
Intergovernmental receivables	535,252	-	1,105,933	1,641,185
Due from other funds	172,747	152,476	-	325,223
Inventory	175,820	-	-	175,820
Total assets	<u>\$ 1,763,123</u>	<u>\$ 152,476</u>	<u>\$ 1,105,933</u>	<u>\$ 3,021,532</u>
Liabilities				
Accounts payable	\$ 65,127	\$ 39,782	\$ 129,475	\$ 234,384
Salaries payable	147,207	106,144	224,476	477,827
Unearned revenue	-	9,327	-	9,327
Due to other funds	130,710	-	751,982	882,692
Total liabilities	<u>343,044</u>	<u>155,253</u>	<u>1,105,933</u>	<u>1,604,230</u>
Fund balances				
Nonspendable	175,820	-	-	175,820
Restricted	1,244,259	-	-	1,244,259
Unassigned	-	(2,777)	-	(2,777)
Total fund balances	<u>1,420,079</u>	<u>(2,777)</u>	<u>-</u>	<u>1,417,302</u>
Total liabilities and fund balances	<u>\$ 1,763,123</u>	<u>\$ 152,476</u>	<u>\$ 1,105,933</u>	<u>\$ 3,021,532</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, 2014

	Special Revenue Funds			Total Nonmajor Governmental Funds
	School Food Services	Lottery Programs	Federal Programs	
Revenues				
Federal sources	\$ 4,195,607	\$ -	\$ 5,561,241	\$ 9,756,848
State sources	124,579	1,208,278	-	1,332,857
Local sources and other funds	457,594	-	-	457,594
Total revenues	<u>4,777,780</u>	<u>1,208,278</u>	<u>5,561,241</u>	<u>11,547,299</u>
Expenditures				
Current:				
Instruction	-	1,255,331	2,739,399	3,994,730
Support services:				
Pupil services	-	3,147	388,397	391,544
Improvement of instructional services	-	3,324	1,672,252	1,675,576
General administration	-	-	276,131	276,131
Student transportation services	-	9,877	144,648	154,525
Central support services	-	-	16,489	16,489
Other support services	-	-	196,546	196,546
Food services operations	4,085,059	-	111,853	4,196,912
Capital outlay				
Instruction	-	-	13,485	13,485
Total expenditures	<u>4,085,059</u>	<u>1,271,679</u>	<u>5,559,200</u>	<u>10,915,938</u>
Excess (deficiency) of revenues over (under) expenditures	<u>692,721</u>	<u>(63,401)</u>	<u>2,041</u>	<u>631,361</u>
Other financing sources (uses)				
Transfers in	162,198	63,401	1,836	227,435
Transfers out	-	-	(1,929)	(1,929)
Total other financing sources (uses)	<u>162,198</u>	<u>63,401</u>	<u>(93)</u>	<u>225,506</u>
Net change in fund balances	854,919	-	1,948	856,867
Fund balance, beginning of year	<u>565,160</u>	<u>(2,777)</u>	<u>(1,948)</u>	<u>560,435</u>
Fund balance, end of year	<u>\$ 1,420,079</u>	<u>\$ (2,777)</u>	<u>\$ -</u>	<u>\$ 1,417,302</u>

CITY OF DALTON BOARD OF EDUCATION  
AGENCY FUNDS

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AGENCY FUNDS

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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, 2014

	Student Activity	Family Connection	Total
Assets			
Intergovernmental receivable	\$ 3,275	\$ 11,563	\$ 14,838
Due from others	<u>44,048</u>	<u>-</u>	<u>44,048</u>
Total assets	<u>\$ 47,323</u>	<u>\$ 11,563</u>	<u>\$ 58,886</u>
Liabilities			
Accounts payable	\$ 12,040	\$ 140	\$ 12,180
Due to others	<u>35,283</u>	<u>11,423</u>	<u>46,706</u>
Total liabilities	<u>\$ 47,323</u>	<u>\$ 11,563</u>	<u>\$ 58,886</u>

CITY OF DALTON BOARD OF EDUCATION  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 AGENCY FUNDS  
 JUNE 30, 2014

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2014</u>
<u>Student Activities Agency Fund</u>				
Assets				
Intergovernmental receivable	\$ 3,279	\$ 3,275	\$ (3,279)	\$ 3,275
Due from others	<u>34,649</u>	<u>736,027</u>	<u>(726,628)</u>	<u>44,048</u>
Total assets	<u>\$ 37,928</u>	<u>\$ 739,302</u>	<u>\$ (729,907)</u>	<u>\$ 47,323</u>
Liabilities				
Accounts payable	\$ 557	\$ 309,580	\$ (298,097)	\$ 12,040
Due to others	<u>37,371</u>	<u>27,052</u>	<u>(29,140)</u>	<u>35,283</u>
Total liabilities	<u>\$ 37,928</u>	<u>\$ 336,632</u>	<u>\$ (327,237)</u>	<u>\$ 47,323</u>
<u>Family Connection Agency Fund</u>				
Assets				
Intergovernmental receivable	<u>\$ 11,833</u>	<u>\$ 11,563</u>	<u>\$ (11,833)</u>	<u>\$ 11,563</u>
Total assets	<u>\$ 11,833</u>	<u>\$ 11,563</u>	<u>\$ (11,833)</u>	<u>\$ 11,563</u>
Liabilities				
Accounts payable	\$ -	\$ 33,610	\$ (33,470)	\$ 140
Due to others	<u>11,833</u>	<u>77,165</u>	<u>(77,575)</u>	<u>11,423</u>
Total liabilities	<u>\$ 11,833</u>	<u>\$ 110,775</u>	<u>\$ (111,045)</u>	<u>\$ 11,563</u>

CITY OF DALTON BOARD OF EDUCATION  
STATISTICAL SECTION

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STATISTICAL SECTION

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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  
NINE 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>	<u>June 30, 2014</u>
Governmental activities									
Net 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	\$ 86,072,735
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	2,899,660
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>20,571,966</u>	<u>16,258,594</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>\$103,656,912</u>	<u>\$105,230,989</u>
Total percentage increase from prior year		14.3%	8.7%	1.7%	5.5%	9.0%	12.5%	4.2%	2.5%
Governmental activities									
Net investment in capital assets	64.6%	64.3%	69.1%	77.2%	73.7%	72.6%	75.9%	76.6%	81.8%
Restricted	24.3%	22.8%	20.1%	16.9%	12.7%	8.3%	2.7%	3.6%	2.8%
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>	<u>15.5%</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>	<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 nine years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION  
CHANGES IN NET POSITION  
NINE 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	June 30, 2014
Expenses									
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	\$ 50,572,344
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	1,975,150
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	2,883,481
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	1,246,295
General administration	607,728	630,752	651,384	784,947	897,271	928,161	814,072	806,152	746,813
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	3,694,235
Business administration	486,235	773,196	727,347	662,597	676,402	481,918	535,627	565,161	584,065
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	4,854,873
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	2,606,202
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	2,153,085
Other support services	551,098	86,316	85,898	86,832	504,600	628,540	764,161	845,862	836,956
Food services operations	2,681,748	3,249,025	3,759,191	4,097,768	4,824,835	4,735,358	5,026,568	5,156,674	4,371,273
Community services operations	105,404	145,929	145,297	115,038	298,337	152,171	190,296	280,921	295,762
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>	<u>33,838</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>	<u>\$ 76,854,372</u>

(continued)



CITY OF DALTON BOARD OF EDUCATION  
CHANGES IN NET POSITION  
NINE 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	June 30, 2014
Program revenues									
Charges for services									
Instruction	\$ 229,178	\$ 231,790	\$ 230,966	\$ 226,809	\$ 244,607	\$ 251,965	\$ 239,459	\$ 250,285	\$ 268,423
Food services operations	506,891	493,292	451,413	460,373	418,602	420,374	432,010	475,055	457,594
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	27,785,038
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	1,278,059
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	2,352,230
Educational media services	585,674	780,610	625,222	531,146	631,006	724,266	685,612	697,969	697,697
General administration	1,210,904	493,792	421,680	451,812	707,136	709,824	702,771	600,848	539,728
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	2,066,407
Business administration	-	-	360,041	310,950	354,786	300,979	284,591	332,098	326,715
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	2,688,910
Student transportation services	178,707	341,242	1,448,881	1,327,258	1,524,726	1,427,219	1,402,828	1,566,092	1,534,176
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	1,226,600
Other support services	31,364	34,915	55,098	254,631	485,437	635,373	447,884	516,801	538,210
Food services operations	2,703,768	3,080,428	3,395,611	3,797,153	4,114,791	4,046,845	4,387,677	4,415,718	4,432,080
Community services operations	-	-	74,080	54,228	224,367	123,745	114,034	165,084	165,573
Capital grants and contributions									
Support services:									
Student transportation services	146,080	-	-	-	-	-	-	-	-
Total governmental activities program revenues	<u>\$ 32,645,798</u>	<u>\$ 36,884,733</u>	<u>\$ 40,348,862</u>	<u>\$ 37,901,453</u>	<u>\$ 41,663,098</u>	<u>\$ 44,761,701</u>	<u>\$ 44,850,096</u>	<u>\$ 46,064,259</u>	<u>\$ 46,357,440</u>

(continued)

CITY OF DALTON BOARD OF EDUCATION  
CHANGES IN NET POSITION  
NINE 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	June 30, 2014
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>	<u>\$ (30,496,932)</u>
General revenues and other changes in net position									
Property taxes	\$ 26,839,836	\$ 28,591,529	\$ 29,644,818	\$ 29,352,719	\$ 28,173,650	\$ 26,728,746	\$ 26,154,663	\$ 24,597,936	\$ 25,061,074
Other taxes	6,293,834	6,106,623	6,199,129	5,704,504	5,560,456	5,511,970	2,511,047	4,165,496	6,858,792
Unrestricted investment earnings	1,147,673	2,192,092	1,846,208	1,135,942	536,398	213,156	78,177	72,263	67,113
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>	<u>84,000</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>\$ 28,835,695</u>	<u>\$ 32,070,979</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>\$ 1,007,474</u>	<u>\$ 1,574,047</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 nine years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION  
FUND BALANCES OF GOVERNMENTAL FUNDS  
NINE 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	June 30, 2014
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	\$ 10,977,213
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>	<u>\$ 10,977,213</u>
Other governmental funds									
Nonspendable	\$ 98,365	\$ 116,219	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557	\$ 176,335	\$ 175,820
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	2,730,533
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	4,557,368
Unassigned	-	-	-	-	-	(2,777)	(2,777)	(55,601)	(2,777)
Total other 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>	<u>\$ 7,460,944</u>
Total governmental funds									
Nonspendable	\$ 98,365	\$ 116,219	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557	\$ 176,335	\$ 175,820
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	2,730,533
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	4,557,368
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>	<u>10,974,436</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>	<u>\$ 18,438,157</u>
Total percentage change from prior year		74.6%	5.4%	-26.2%	-28.1%	12.7%	-10.3%	-0.3%	-21.0%

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 nine 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  
NINE 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	June 30, 2014
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	\$ 10,255,959
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	30,284,471
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	34,557,040
On behalf payments	733,974	758,526	962,597	424,335	110,304	128,489	71,770	4,100,644	3,557,571
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>	<u>78,655,041</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	47,577,952
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	1,975,150
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	2,883,481
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	1,246,295
General administration	607,728	670,200	650,939	782,990	900,976	928,161	814,072	806,152	746,813
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	3,691,219
Business administration	486,235	1,031,213	732,183	660,197	680,708	481,918	535,627	565,161	584,065
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	4,785,545
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	2,606,202
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	2,153,085
Other support services	551,098	86,316	85,898	86,832	504,600	628,540	764,161	795,696	806,730
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	4,196,912
Community services operations	105,404	148,248	145,297	115,038	298,337	152,171	190,296	280,921	295,762

(continued)

CITY OF DALTON BOARD OF EDUCATION  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
NINE 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	June 30, 2014
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	\$ 9,237,120
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	722,208
Interest and fiscal charges	<u>943,963</u>	<u>774,325</u>	<u>1,153,269</u>	<u>1,262,642</u>	<u>989,232</u>	<u>712,242</u>	<u>425,600</u>	<u>37,637</u>	<u>40,722</u>
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>	<u>83,549,261</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>	<u>(4,894,220)</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	5,059,702
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>	<u>(5,059,702)</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>	<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>	<u>\$ (4,894,220)</u>
Debt service as a % of noncapital expenditures	9.3%	8.5%	12.2%	10.1%	10.2%	10.7%	10.4%	1.9%	1.0%

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 nine 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  
NINE 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	June 30, 2014
Revenues									
Federal sources	\$ 915	\$ 1,008	\$ 1,079	\$ 1,170	\$ 1,743	\$ 1,555	\$ 1,517	\$ 1,399	\$ 1,331
State sources	4,010	4,387	4,598	4,086	3,966	4,476	4,370	3,854	3,932
Local sources and other funds	5,870	6,069	6,010	5,726	5,366	4,931	4,283	4,166	4,486
On behalf payments	116	117	146	63	16	18	10	542	462
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>	<u>10,211</u>
Expenditures									
Current:									
Instruction	5,957	6,392	6,656	6,696	6,245	5,907	5,888	5,897	6,177
Support services	2,735	2,858	3,165	2,965	3,092	2,674	2,688	2,747	2,788
Food services operation	440	528	571	590	676	652	673	660	545
Community services operations	17	23	22	17	44	22	26	37	38
Capital outlay	418	416	1,454	1,320	1,218	192	193	451	1,199
Debt service	934	911	1,447	1,151	1,141	1,113	1,082	177	99
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>	<u>10,846</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>	<u>(635)</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>	<u>\$ (635)</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 nine 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  
 NINE YEAR SUMMARY  
 (UNAUDITED)

Calendar Year	Real Property	Personal Property	Public Utilities	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2013	2,056,904,020	1,543,923,211	20,583,698	297,794,168	3,323,616,761	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 nine years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION  
DIRECT AND OVERLAPPING PROPERTY TAX RATES  
NINE 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
2013	7.845	2.616	0.950	6.061	17.472

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 nine 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 2013			Calendar Year 2004		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Shaw Industries, Inc.	\$ 544,892,653	1	16.4%	\$ 414,478,913	1	13.5%
Mohawk Industries, Inc.	105,658,748	2	3.2%	160,834,733	2	5.2%
Beaulieu of America, Inc.	105,471,603	3	3.2%	127,613,530	3	4.1%
J & J Industries, Inc.	79,710,625	4	2.4%	55,396,442	4	1.8%
TANDUS Group (formerly Collins & Aikman)	60,409,748	5	1.8%	40,921,413	6	1.3%
The Peeples Group	34,442,865	6	1.0%	-	NA	0.0%
Lexmark Carpet Mills, Inc.	31,126,540	7	0.9%	-	NA	0.0%
Shiroki Georgia, LLC	29,195,072	8	0.9%	-	NA	0.0%
CBL & Associates	26,748,527	9	0.8%	24,416,435	8	0.8%
Ashland Acqualon	18,544,138	10	0.6%	-	NA	0.0%
Alltel	-	NA	0.0%	43,404,535	5	1.4%
Mattel	-	NA	0.0%	22,792,691	9	0.7%
Synthetic Industries	-	NA	0.0%	27,184,198	7	0.9%
SWM Georgia, LLC	-	NA	0.0%	20,541,223	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  
SIX 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%	\$ 891,253	\$ 27,905,770	99.7%
2009	27,859,000	26,904,524	96.6%	901,671	27,806,195	99.8%
2010	25,154,881	24,130,286	95.9%	992,284	25,122,570	99.9%
2011	24,774,935	23,961,602	96.7%	749,077	24,710,679	99.7%
2012	25,135,805	24,582,107	97.8%	330,043	24,912,150	99.1%
2013	24,906,297	24,430,803	98.1%	-	24,430,803	98.1%

Source: Whitfield County Board of Tax Assessors.

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

CITY OF DALTON BOARD OF EDUCATION  
RATIOS OF OUTSTANDING DEBT BY TYPE  
NINE 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	0.3%	100
June 30, 2014	2,610,000	2,610,000	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 nine 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, 2014  
(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	\$ 5,927,179	100.0%	\$ 5,927,179
Whitfield County notes payable	569,760	32.3%	183,969
Whitfield County capital leases	205,213	32.3%	66,261
Whitfield County bonded debt	20,385,000	32.3%	6,582,075
Whitfield County intergovernmental liability	680,839	32.3%	219,835
Total overlapping debt			<u>12,979,318</u>
City of Dalton Board of Education direct debt			<u>2,610,000</u>
Total direct and overlapping debt			<u>\$ 15,589,318</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  
NINE 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>	<u>2013</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	\$362,141,093
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>	<u>15,589,318</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>	<u>\$346,551,775</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%	4.3%

Legal Debt Margin Calculation  
for Calendar Year 2013

Assessed value	\$3,323,616,761
Add: exempt real property	<u>297,794,168</u>
Total assessed value	3,621,410,929
	<u>10%</u>
Debt limit (10% of assessed value)	<u>\$ 362,141,093</u>
Debt applicable to limit	
Total direct and overlapping debt	<u>\$ 15,589,318</u>
Total debt applicable to limit	<u>\$ 15,589,318</u>
Legal debt margin	<u>\$ 346,551,775</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 nine years of information are presented, but additional years will be presented annually.

CITY OF DALTON BOARD OF EDUCATION  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
NINE 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	33,413	953,874	28,548	11.4%
2013	Not yet available	Not yet available	Not yet available	10.4%

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 nine 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 2013			Calendar Year 2004		
	Employees (1)	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	4,506	1	13.5%	NA	NA	NA
Mohawk Industries, Inc.	1,890	2	5.7%	NA	NA	NA
Beaulieu of America, Inc.	1,477	3	4.4%	NA	NA	NA
Hamilton Medical Center	1,220	4	3.7%	NA	NA	NA
Dalton Public School System	890	5	2.7%	NA	NA	NA
TANDUS Group (formerly Collins & Aikman)	837	6	2.5%	NA	NA	NA
J & J Industries, Inc.	717	7	2.1%	NA	NA	NA
City of Dalton, Georgia	680	8	2.0%	NA	NA	NA
Shiroki, Georgia, LLC	402	9	1.2%	NA	NA	NA
Columbia Recycling Corp.	395	10	1.2%	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  
NINE 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>	<u>2014</u>
PreKindergarten	217	219	219	220	278	272	308	329	334
Elementary School Grades K-5	3,236	3,363	3,438	3,502	3,558	3,547	3,592	3,664	3,674
Middle School Grades 6-8	1,314	1,312	1,374	1,411	1,447	1,524	1,623	1,677	1,697
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>	<u>1,998</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>	<u>7,703</u>
Percentage Change from Prior Year		2.5%	2.2%	1.9%	1.5%	2.5%	3.2%	4.7%	1.8%

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



CITY OF DALTON BOARD OF EDUCATION  
EMPLOYEES BY FUNCTION  
NINE 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>	<u>2014</u>
Classroom teachers	448	483	507	516	494	459	472	509	535
Support personnel	367	335	354	350	340	332	331	343	354
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>	<u>40</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>	<u>929</u>
Percentage Change from Prior Year		0.6%	5.2%	0.6%	-3.3%	-5.1%	1.5%	6.5%	4.3%

Source: Based on 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 nine years of information are presented, but additional years will be presented annually.

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

Fiscal Year	Minimum Salary School District (1)	Minimum State Salary (2)	School District's % of State Minimum	Maximum Salary School District (3)	Average Salary School District (4)	Statewide Average Salary (5)	School District's % of State Average
June 30, 2006	\$ 32,764	\$ 28,767	114%	\$ 73,572	\$ 51,496	\$ 48,247	107%
June 30, 2007	33,915	29,918	113%	76,216	52,415	49,836	105%
June 30, 2008	34,813	30,816	113%	78,277	54,251	51,466	105%
June 30, 2009	35,583	31,586	113%	80,046	56,074	52,823	106%
June 30, 2010	34,784	31,586	110%	78,543	56,497	53,155	106%
June 30, 2011	32,954	31,586	104%	74,409	54,048	52,871	102%
June 30, 2012	32,460	31,586	103%	73,296	52,958	53,077	100%
June 30, 2013	32,817	31,586	104%	74,107	51,714	53,031	98%
June 30, 2014	33,128	31,586	105%	74,841	52,020	NA	NA

(1) Minimum salary is from School District salary scales; 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 is from School District salary scales and is reported on the Dalton Public Schools' website; salary assumes teacher has a doctorate degree.

(4) Average school district salary is from October certified/classified personnel information submitted annually to the Georgia Department of Education.

(5) Average statewide salary is reported on the Office of Student Achievement. State data for fiscal year 2014 was not available at the time of publication.

NA- 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 nine years of information are presented, but additional years will be presented annually.

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

<u>School</u>	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>	<u>2014</u>
Blue Ridge Elementary School									
Enrollment	557	567	561	708	708	713	760	781	734
Teachers	41	40	41	52	53	49	52	53	50
Teacher/student ratio	14	14	14	14	13	15	15	15	15
Brookwood Elementary School									
Enrollment	595	439	482	605	625	626	606	625	648
Teachers	42	37	38	47	45	39	40	42	44
Teacher/student ratio	14	12	13	13	14	16	15	15	15
City Park Elementary School									
Enrollment	734	837	847	717	799	785	786	817	800
Teachers	55	63	72	63	61	50	51	56	59
Teacher/student ratio	13	13	12	11	13	16	15	15	14
Park Creek Elementary School									
Enrollment	539	593	606	687	699	718	747	750	732
Teachers	43	46	51	54	54	52	53	58	58
Teacher/student ratio	13	13	12	13	13	14	14	13	13
Roan Elementary School									
Enrollment	527	595	594	444	440	437	424	442	516
Teachers	38	47	52	40	37	35	36	36	40
Teacher/student ratio	14	13	11	11	12	12	12	12	13

(continued)

CITY OF DALTON BOARD OF EDUCATION  
TEACHER STUDENT RATIO BY SCHOOL  
NINE 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>	<u>2014</u>
Westwood Elementary School									
Enrollment	501	551	567	561	565	540	577	578	578
Teachers	37	41	41	43	41	34	35	37	36
Teacher/student ratio	14	13	14	13	14	16	16	16	16
Dalton Middle School									
Enrollment	1,314	1,312	1,374	1,411	1,447	1,524	1,623	1,677	1,697
Teachers	85	89	93	99	99	101	108	112	122
Teacher/student ratio	15	15	15	14	15	15	15	15	14
Dalton High School									
Enrollment	1,546	1,576	1,581	1,603	1,412	1,473	1,428	1,423	1,640
Teachers	104	104	103	108	98	90	82	83	91
Teacher/student ratio	15	15	15	15	14	16	17	17	18
Morris Innovative High School (2009)									
Enrollment	-	-	-	-	141	188	274	471	358
Teachers	-	-	-	-	7	9	16	33	35
Teacher/student ratio	-	-	-	-	20	21	17	14	10

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

CITY OF DALTON BOARD OF EDUCATION  
SCHOOL INFORMATION  
NINE 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>	<u>2014</u>
Blue Ridge Elementary School (Year Built 2005)									
Square feet	68,428	68,428	84,521	84,521	84,521	84,521	84,521	84,521	84,521
Total classrooms <sup>(1)</sup>	32	32	48	48	48	48	48	48	48
Building capacity based on total classrooms <sup>(2)</sup>	487	487	762	762	762	762	762	762	762
Enrollment K - 5 <sup>(3)</sup>	475	444	453	629	631	652	686	711	665
Enrollment as a % of total capacity	98%	91%	59%	83%	83%	86%	90%	93%	87%
Regular Classrooms <sup>(4)</sup>	30	31	47	47	47	46	46	46	46
Building Capacity based on Regular Classrooms <sup>(5)</sup>	450	463	738	738	738	725	725	725	725
Enrollment PreK - 5 <sup>(3)</sup>	557	567	561	708	708	713	760	781	734
Enrollment as a % of regular classroom capacity	124%	122%	76%	96%	96%	98%	105%	108%	101%
Brookwood Elementary School (Year Built 1964)									
Square feet	61,778	61,778	84,938	84,938	84,938	84,938	84,938	84,938	84,938
Total classrooms <sup>(1)</sup>	32	32	48	48	48	48	48	48	48
Building capacity based on total classrooms <sup>(2)</sup>	487	487	762	762	762	762	762	762	762
Enrollment K - 5 <sup>(3)</sup>	555	400	422	563	583	582	557	580	600
Enrollment as a % of total capacity	114%	82%	55%	74%	77%	76%	73%	76%	79%
Regular Classrooms <sup>(4)</sup>	31	31	47	47	47	47	47	47	47
Building Capacity based on Regular Classrooms <sup>(5)</sup>	463	463	738	738	738	738	738	738	738
Enrollment PreK - 5 <sup>(3)</sup>	595	439	482	605	625	626	606	625	648
Enrollment as a % of regular classroom capacity	129%	95%	65%	82%	85%	85%	82%	85%	88%

(continued)

CITY OF DALTON BOARD OF EDUCATION  
SCHOOL INFORMATION  
NINE 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>	<u>2014</u>
City Park School (Year Built 1956)									
Square feet	143,614	143,614	143,614	143,614	143,614	143,614	143,614	143,614	143,614
Total classrooms <sup>(1)</sup>	54	54	54	54	54	54	54	54	54
Building capacity based on total classrooms <sup>(2)</sup>	875	875	875	875	875	875	875	875	875
Enrollment K - 5 <sup>(3)</sup>	734	837	847	717	759	740	737	768	746
Enrollment as a % of total capacity	84%	96%	97%	82%	87%	85%	84%	88%	85%
Regular Classrooms <sup>(4)</sup>	53	53	53	53	53	53	53	53	53
Building Capacity based on Regular Classrooms <sup>(5)</sup>	850	850	850	850	850	850	850	850	850
Enrollment PreK - 5 <sup>(3)</sup>	734	837	847	717	799	785	786	817	800
Enrollment as a % of regular classroom capacity	86%	98%	100%	84%	94%	92%	92%	96%	94%
Park Creek Elementary School (Year Built 2000)									
Square feet	83,447	83,447	104,682	104,682	104,682	104,682	104,682	104,682	104,682
Total classrooms <sup>(1)</sup>	34	34	49	49	49	49	49	49	49
Building capacity based on total classrooms <sup>(2)</sup>	525	525	787	787	787	787	787	787	787
Enrollment K - 5 <sup>(3)</sup>	497	553	566	646	659	646	679	680	664
Enrollment as a % of total capacity	95%	105%	72%	82%	84%	82%	86%	86%	84%
Regular Classrooms <sup>(4)</sup>	31	31	46	46	46	46	46	46	46
Building Capacity based on Regular Classrooms <sup>(5)</sup>	463	463	725	725	725	725	725	725	725
Enrollment PreK - 5 <sup>(3)</sup>	539	593	606	687	699	718	747	750	732
Enrollment as a % of regular classroom capacity	116%	128%	84%	95%	96%	99%	103%	103%	101%

(continued)

CITY OF DALTON BOARD OF EDUCATION  
SCHOOL INFORMATION  
NINE 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>	<u>2014</u>
Roan Elementary School (Year Built 1969)									
Square feet	66,147	66,147	66,147	66,147	66,147	66,147	66,147	66,147	66,147
Total classrooms <sup>(1)</sup>	31	31	31	31	31	31	31	31	31
Building capacity based on total classrooms <sup>(2)</sup>	475	475	475	475	475	475	475	475	475
Enrollment K - 5 <sup>(3)</sup>	467	595	594	386	381	396	377	397	471
Enrollment as a % of total capacity	98%	125%	125%	81%	80%	83%	79%	84%	99%
Regular Classrooms <sup>(4)</sup>	30	30	30	30	30	30	30	30	30
Building Capacity based on Regular Classrooms <sup>(5)</sup>	450	450	450	450	450	450	450	450	450
Enrollment PreK - 5 <sup>(3)</sup>	527	595	594	444	440	437	424	442	516
Enrollment as a % of regular classroom capacity	117%	132%	132%	99%	98%	97%	94%	98%	115%
Westwood Elementary School (Year Built 1959)									
Square feet	55,597	55,597	55,597	55,597	55,597	55,597	55,597	55,597	55,597
Total classrooms <sup>(1)</sup>	31	31	31	31	31	31	31	31	31
Building capacity based on total classrooms <sup>(2)</sup>	475	475	475	475	475	475	475	475	475
Enrollment K - 5 <sup>(3)</sup>	501	512	527	519	524	499	529	528	528
Enrollment as a % of total capacity	105%	108%	111%	109%	110%	105%	111%	111%	111%
Regular Classrooms <sup>(4)</sup>	30	30	30	30	30	30	30	30	30
Building Capacity based on Regular Classrooms <sup>(5)</sup>	450	450	450	450	450	450	450	450	450
Enrollment PreK - 5 <sup>(3)</sup>	501	551	567	561	565	540	577	578	578
Enrollment as a % of regular classroom capacity	111%	122%	126%	125%	126%	120%	128%	128%	128%

(continued)

CITY OF DALTON BOARD OF EDUCATION  
SCHOOL INFORMATION  
NINE 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>	<u>2014</u>
Dalton Middle School (Year Built 2001)									
Square feet	180,424	180,424	196,144	196,144	196,144	196,144	196,144	196,144	196,144
Total classrooms <sup>(1)</sup>	85	85	97	97	97	97	97	97	97
Building capacity based on total classrooms <sup>(2)</sup>	1,400	1,400	1,612	1,612	1,612	1,612	1,612	1,612	1,612
Enrollment 6-8 <sup>(3)</sup>	1,314	1,312	1,374	1,411	1,447	1,524	1,623	1,677	1,697
Enrollment as a % of total capacity	94%	94%	85%	88%	90%	95%	101%	104%	105%
Regular Classrooms <sup>(4)</sup>	83	83	95	95	95	95	95	95	95
Building Capacity based on Regular Classrooms <sup>(5)</sup>	1,350	1,350	1,550	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%	109%
Dalton High School (Year Built 1976)									
Square feet	258,411	258,411	258,411	258,411	258,411	332,144	332,144	332,144	334,484
Total classrooms <sup>(1)</sup>	71	71	71	71	71	99	99	99	99
Building capacity based on total classrooms <sup>(2)</sup>	1,350	1,350	1,350	1,350	1,350	1,925	1,925	1,925	1,925
Enrollment 9-12 <sup>(3)</sup>	1,546	1,576	1,581	1,603	1,412	1,473	1,428	1,423	1,640
Enrollment as a % of total capacity	115%	117%	117%	119%	105%	77%	74%	74%	85%
Regular Classrooms <sup>(4)</sup>	69	69	69	69	69	97	97	97	97
Building Capacity based on Regular Classrooms <sup>(5)</sup>	1,300	1,300	1,300	1,300	1,300	1,875	1,875	1,875	1,875
Enrollment as a % of regular classroom capacity	119%	121%	122%	123%	109%	79%	76%	76%	87%

(continued)



CITY OF DALTON BOARD OF EDUCATION  
SCHOOL INFORMATION  
NINE 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>	<u>2014</u>
Morris Innovative High School <sup>(6)</sup> (Year Built 1911)									
Square feet	-	-	-	-	61,814	61,814	61,814	54,044	54,044
Total classrooms <sup>(1)</sup>	-	-	-	-	18	18	18	26	26
Building capacity based on total classrooms <sup>(2)</sup>	-	-	-	-	287	287	287	450	450
Enrollment 9-12 <sup>(3)</sup>	-	-	-	-	141	188	274	471	358
Enrollment as a % of total capacity	-	-	-	-	49%	66%	95%	105%	80%
Regular Classrooms <sup>(4)</sup>	-	-	-	-	17	17	17	26	26
Building Capacity based on Regular Classrooms <sup>(5)</sup>	-	-	-	-	250	250	250	438	438
Enrollment as a % of regular classroom capacity	-	-	-	-	56%	75%	110%	108%	82%

(1) 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.

(2) Building capacity is the student enrollment allowed for based on the count of total classrooms as defined by the Georgia Department of Education Facility Services Unit tables. The Facility Services Unit establishes the number of classrooms needed for a given student enrollment that may determine if a school system 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.

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

(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 tables. 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 years 2013 and forward. The Morris Street building was built in 1952.

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

CITY OF DALTON BOARD OF EDUCATION  
FREE AND REDUCED LUNCH PROGRAM  
NINE 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>	<u>2014</u>
Blue Ridge School	87.0%	87.1%	87.1%	87.1%	87.1%	87.1%	87.1%	89.8%	95.8%
Brookwood Elementary School	55.0%	49.8%	47.7%	60.5%	63.3%	56.8%	61.6%	61.1%	61.7%
City Park School	80.6%	79.9%	76.1%	85.0%	84.8%	82.0%	88.9%	87.8%	92.9%
Park Creek School	89.2%	89.7%	89.7%	89.7%	89.7%	89.7%	89.7%	89.7%	98.8%
Roan School	88.6%	87.7%	87.7%	87.7%	87.7%	87.7%	87.7%	87.6%	95.4%
Westwood Elementary School	47.1%	50.0%	48.0%	52.3%	51.5%	51.4%	52.3%	54.8%	55.7%
Dalton Middle School	72.0%	69.7%	67.5%	66.5%	78.5%	73.0%	76.8%	79.7%	80.1%
Morris Innovative High School	0.0%	0.0%	0.0%	0.0%	87.2%	87.2%	64.9%	66.4%	70.1%
Dalton High School	57.3%	58.3%	56.0%	68.0%	67.4%	63.7%	87.2%	86.8%	84.4%
District wide	70.0%	64.4%	71.8%	78.4%	77.5%	77.2%	77.2%	77.6%	78.5%

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 nine 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 EDUCATION SPECIAL PURPOSE  
LOCAL OPTION SALES TAX PROCEEDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
<b>2012 ESPLOST</b>					
Acquisition, construction, renovation, and equipping of schools	<u>\$ 36,351,000</u>	<u>\$ 28,700,000</u>	<u>\$ 167,850</u>	<u>\$ 6,670,068</u>	<u>\$ 6,837,918</u>

Note: Current year expenditures on this schedule, totaling \$6,670,068, are less than the total current year expenditures in the ESPLOST capital projects fund, which total \$7,506,811. The remaining expenditures were funded by other sources, including transfers from the capital projects fund of \$979,193, net of the increase in fund balance of \$143,281; and interest income of \$831.

# ESTES & WILLIAMS

## CERTIFIED PUBLIC ACCOUNTANTS

### 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, 2014, 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 20, 2014.

#### **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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2014-001

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. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. 2014-002, 2014-003

## **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs. 2014-004

### **The City of Dalton Board of Education 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 20, 2014

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, 2014. 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, 2014.

## ***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 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010. 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-005, 2014-006, 2014-007, 2014-008, 2014-009, and 2014-010 to be significant deficiencies.

The City of Dalton Board of Education's response to the internal control over compliance 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.



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 20, 2014

CITY OF DALTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 (2014-001, 2014-002, and 2014-003) were disclosed during the audit of the financial statements that are required to be reported in the 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*. Finding 2014-001 was determined to be material weaknesses.
3. One instance (2014-004) of noncompliance material to the financial statements of the City of Dalton Board of Education was disclosed during the audit.
4. Six significant deficiencies (2014-005 through 2014-010) in internal control over major federal award programs were disclosed during the audit which are required to be reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133. None of these were determined to be material weaknesses.
5. The auditors' report on compliance for the major federal award programs 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
    - 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 Grants to States
      - Special Education - Preschool Grants
    - CFDA # 84.027 and 84.173
  - Title I, Part A Cluster
    - Title I Grants to Local Educational Agencies
    - CFDA # 84.010
8. The threshold for distinguishing Type A and B programs is \$300,000.
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, 2014

Findings – Financial Statement Audit

2014-001	Criteria:	Internal controls should be in place to prevent or to detect misstatements in the accounting records on a timely basis.
	Condition:	Internal controls were not sufficient to detect material misstatements in the accounting records.
	Cause:	A material adjusting entry was required to adjust fund balance and related expenses in the debt service fund. At the end of fiscal year 2013, payables related to construction contracts were not recorded by the School District, but were recorded during the audit. Fiscal year 2014 balances were errantly reported as they had not been adjusted for the prior year audit entry.
	Effect:	Capital projects fund balance and expenditures were misstated by approximately \$700,000.
	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.
2014-002	Criteria:	Internal controls should be in place to ensure that assets are properly capitalized and depreciated in accordance with the School Districts capitalization policy and in accordance with the guidelines of federal programs.
	Condition:	Internal controls were not sufficient to ensure that assets were properly capitalized.
	Cause:	Capital assets totaling approximately \$1,400,000 were completed and put in service during the year but were not added to the depreciation schedule and depreciated. Further, certain assets meeting the capitalization criteria were not added to the depreciation schedule and depreciated.
	Effect:	Capital assets and related depreciation expense and accumulated depreciation were misstated in the School District records and the School District was not in compliance with their capitalization policy.
	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.

CITY OF DALTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Findings – Financial Statement Audit (continued)

2014-003	Criteria:	Internal controls should be in place to ensure that all revenues and expenditures are properly received and recorded, that substantiating documentation is sufficient and is maintained, and that journal entries are supported by underlying information.
	Condition:	Internal controls related to school activities accounts, frequently referred to as principal accounts, are insufficient.
	Cause:	One school bookkeeper errantly made numerous journal entries during the year when her intended purpose was to make budget amendments; some documentation supporting expenditures of school funds was unavailable.
	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 continue the process undertaken to improve the internal controls over the principal's accounts.
2014-004	Criteria:	Collateralization coverage should be sufficient to protect all deposits owned by the School District and to comply with the provisions outlined in OCGA.
	Condition:	Cash held in a depository account was not adequately collateralized in accordance with Georgia law.
	Cause:	Five bank accounts held at one bank were over the FDIC threshold and were not collateralized.
	Effect:	Deposits of \$432,703 were not collateralized.
	Recommendation:	Management should review collateralization coverage of all bank accounts.
	Management Response:	We concur. We will perform periodic verification with all financial institutions to verify the deposits are adequately collateralized.

CITY OF DALTON BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Findings – Federal Awards Programs

U.S. Department of Agriculture  
Pass-Through Georgia Department of Education  
Child Nutrition Cluster - School Breakfast Program and National School Lunch Program  
CFDA 10.553 and 10.555  
Activities Allowed, Allowable Costs/Cost Principles, and Procurement  
Questioned Costs: None

2014-005	Criteria:	Charges to federal programs should comply with federal requirements of the program, be supported by appropriate documentation, and comply with School District internal control policies and procedures.
	Condition:	Charges to the federal program did not comply with existing internal control policies in place to assure compliance with program requirements.
	Cause:	Noted several instances of inadequate substantiation of charges to the program. Specific deficiencies noted include inadequate documentation of approval on purchase orders, inadequate documentation of approval on mileage reimbursements, lack of purchase orders, and inadequate documentation of approval of timesheets.
	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.

U.S. Department of Agriculture  
Pass-Through Georgia Department of Education  
Child Nutrition Cluster - School Breakfast Program and National School Lunch Program  
CFDA 10.553 and 10.555  
Allowable Costs/Cost Principles  
Questioned Costs: None

2014-006	Criteria:	Charges to federal programs should adhere to federal guidelines for the program as they relate to allowable expenses.
	Condition:	Charges to the federal program did not meet the criteria for allowable costs under program guidelines.
	Cause:	Noted two instances of errors on reimbursements to employees; one reimbursed sales tax paid by the employee and one reimbursed mileage at an inappropriate rate. Noted two instances of payroll charged to the federal program in error.
	Effect:	Ineligible charges were paid by the federal program.
	Recommendation:	Procedures should be implemented to ensure all charges to federal programs are allowable costs.
	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, 2014

Findings – Federal Awards Programs (continued)

U.S. Department of Education  
Pass-Through Georgia Department of Education  
Special Education Cluster – Special Education Grants to States and Special Education Preschool Grants  
CFDA 84.027 and 84.173  
Activities Allowed, Allowable Costs/Cost Principles, and Procurement  
Questioned Costs: None

2014-007	Criteria:	Charges to federal programs should comply with federal requirements of the program, be supported by appropriate documentation, and comply with School District internal control policies and procedures.
	Condition:	Charges to the federal program did not comply with existing internal control policies in place to assure compliance with program requirements.
	Cause:	Noted several instances of inadequate substantiation of charges to the program. Specific deficiencies noted include lack of purchase orders, purchase orders dated after the time of purchase, and inadequate documentation of approval of timesheets.
	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.

U.S. Department of Education  
Pass-Through Georgia Department of Education  
Special Education Cluster – Special Education Grants to States and Special Education Preschool Grants  
CFDA 84.027 and 84.173  
Allowable Costs/Cost Principles  
Questioned Costs: None

2014-008	Criteria:	Charges to federal programs should adhere to federal guidelines for the program as they relate to allowable expenses.
	Condition:	Charges to the federal program did not meet the criteria for allowable costs under program guidelines.
	Cause:	Noted an error in a mileage reimbursement to a vendor, a payment for a conference that was not attended and was not refunded, and inadequate supporting documentation on a credit card purchase.
	Effect:	Ineligible charges were paid by the federal program.
	Recommendation:	Procedures should be implemented to ensure all charges to federal programs are allowable costs.
	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, 2014

Findings – Federal Awards Programs (continued)

U.S. Department of Education  
Pass-Through Georgia Department of Education  
Title I, Part A Cluster – Title I Grants to Local Educational Agencies  
CFDA 84.010  
Activities Allowed, Allowable Costs/Cost Principles, and Procurement  
Questioned Costs: None

2014-009	Criteria:	Charges to federal programs should comply with federal requirements of the program, be supported by appropriate documentation, and comply with School District internal control policies and procedures.
	Condition:	Charges to the federal program did not comply with existing internal control policies in place to assure compliance with program requirements.
	Cause:	Noted several instances of inadequate substantiation of charges to the program. Specific deficiencies noted include purchase orders dated after the time of purchase, errors on purchase orders, inadequate documentation supporting expense reimbursements, and late semi-annual certifications for personnel expenses charged to the program.
	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.

U.S. Department of Education  
Pass-Through Georgia Department of Education  
Title I, Part A Cluster – Title I Grants to Local Educational Agencies  
CFDA 84.010  
Allowable Costs/Cost Principles  
Questioned Costs: None

2014-010	Criteria:	Charges to federal programs should adhere to federal guidelines for the program as they relate to allowable expenses.
	Condition:	Charges to the federal program did not comply with existing internal control policies in place to assure compliance with program requirements.
	Cause:	Noted inadequate supporting documentation on an expense reimbursement.
	Effect:	Ineligible charges were paid by the federal program.
	Recommendation:	Procedures should be implemented to ensure all charges to federal programs are allowable costs.
	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, 2014

<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:		
ROTC Language and Culture Training Grants	12.357	\$ <u>56,827</u>
Total U.S. Department of Defense		<u>56,827</u>
U.S. Department of Agriculture		
Pass-Through Georgia Department of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	998,418
National School Lunch Program	10.555	<u>3,197,189</u>
Total Child Nutrition Cluster		<u>4,195,607</u>
Other Programs		
Fresh Fruit and Vegetable Program	10.582	<u>113,894</u>
Total U.S. Department of Agriculture		<u>4,309,501</u>
		(continued)



CITY OF DALTON BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<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)		
Special Education Grants to States	84.027	1,140,744
Special Education Preschool Grants	84.173	<u>28,015</u>
Total Special Education Cluster		<u>1,168,759</u>
Title I, Part A Cluster		
Title I Grants to Local Educational Agencies	84.010	<u>3,602,934</u>
Total Title I, Part A Cluster		<u>3,602,934</u>
Other Programs		
Migrant Education State Grant Program	84.011	79,250
Career and Technical Education - Basic Grants to States	84.048	61,992
Education for Homeless Children and Youth	84.196	48,456
English Language Acquisition Grants	84.365	231,216
Improving Teacher Quality State Grants	84.367	<u>254,740</u>
Total Other Programs		<u>675,654</u>
Total U.S. Department of Education		<u>5,447,347</u>
Total Federal Awards Expended		<u>\$ 9,813,675</u>

CITY OF DALTON BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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.

Noncash Awards

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. The value of donated commodities distributed totaled \$208,687 for the year ended June 30, 2014.

CITY OF DALTON BOARD OF EDUCATION  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prior Year Findings – Financial Statement Audit

2013-001	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.
2013-002	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.
2013-003	Condition:	Internal controls related to school activities accounts, frequently referred to as principal's accounts, are insufficient.
	Status:	A similar finding occurred this year. Management will continue to train and monitor bookkeepers at each school location, and will continue to create and implement new controls to foster a better control environment.
2013-004	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.

Prior Year Findings – Federal Awards Programs

U.S. Department of Agriculture  
Pass-Through Georgia Department of Education  
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.
	Status:	A similar finding occurred this year. Management intends to increase training in regards to federal program compliance and will increase monitoring activities to remedy this finding.
2013-006	Condition:	Inadequate safeguarding of supporting documents.
	Status:	Corrective action was taken and no similar findings were noted in the current year audit.

CITY OF DALTON BOARD OF EDUCATION  
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prior Year Findings – Federal Awards Programs (continued)

U.S. Department of Agriculture  
Pass-Through Georgia Department of Education  
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.
	Status:	Corrective action was taken and no similar findings were noted in the current year audit.

U.S. Department of Agriculture  
Pass-Through Georgia Department of Education  
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.
	Status:	Corrective action was taken and no similar findings were noted in the current year audit.

U.S. Department of Agriculture  
Pass-Through Georgia Department of Education  
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.
	Status:	Corrective action was taken and no similar findings were noted in the current year audit.

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.
	Status:	Management intends to increase training in regards to federal program compliance and will increase monitoring activities to remedy this finding.