

CITY OF DALTON BOARD OF EDUCATION

DALTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2017

PREPARED BY THE FINANCE DEPARTMENT

CITY OF DALTON BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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November 7, 2017

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

We are pleased to submit to you the Comprehensive Annual Financial Report (“CAFR”) of the City of Dalton Board of Education (the “School District”) for the fiscal year ended June 30, 2017. 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 Walcott, 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, 2017. The independent auditors’ report is located at the front of the financial section of this report.

Management’s discussion and analysis (“MD&A”) immediately follows the independent auditors’ 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”)-12th grade school district and is not considered to be a component unit of any other government. The School District provides all basic services required of a public school district by Georgia law and in accordance with the policies and regulations 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 remedial education, gifted education, career technology education, and English language learners education.

The Dalton Board of Education is made up of five members, each 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 operations is the responsibility of the superintendent of schools and his staff.

There are 8,148 PreK through 12th grade students enrolled in the School District in the 2016-2017 school year. The ethnic make-up of the students is 69 percent Hispanic, 21 percent white, 5 percent black, 2 percent Asian, and 3 percent multi-racial. Projected PreK-12 enrollment for the 2017-2018 school year is 7,899 students.

The School District consists of six elementary schools, one middle school, and two high schools. All schools and the district are members of AdvancEd, formerly known as the Southern Association of Colleges and Schools (“SACS”), and are accredited through District Accreditation. The School District has well-maintained facilities that provide space to support its educational programs. A schedule of building information is provided in the statistical section of the CAFR.

The School District has one of the highest levels of staff training and experience of any public PreK-12 school system in Georgia. About 74 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 603 certified staff members and 369 support staff for a total of 972 employees.

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 September 2017 statistic report from Georgia Department of Labor, the manufacturing industry makes up approximately 37 percent of the 70,800 jobs in Dalton Metropolitan Statistical Area.

The economic downturn had 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 had been especially hard-hit. Unemployment rates have consistently exceeded both national and Georgia levels, but now show significant improvements and stabilization. The latest unemployment rate from 2016 for the Dalton Metropolitan Area is 6.2 percent compared to 6.3 percent in the previous year. Dalton’s unemployment remains slightly above both the national rate of 4.9 percent and the Georgia rate of 5.4 percent.

The City of Dalton property tax digest had a 6 percent decline from fiscal year 2010 to fiscal year 2011. This loss of revenue was the largest drop in recent history, which is the equivalent of \$1.9 million in school revenue. Since that time, property values remain at this relatively low level. The natural decline in the property tax digest was compounded by the first year implementation of the Freeport tax exemption for commercial and industrial property in fiscal year 2011. The Freeport tax exemption removes 20 percent of the property tax on work-in-progress inventory. The Freeport tax exemption could 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 2017 had \$967,400 reduction in property tax revenue from the same 20 percent Freeport tax exemption. It is anticipated that the Freeport exemption will stay at the 20 percent level for fiscal year 2018 with the possibility of an increase to 40 percent in a future fiscal year.

Georgia’s state funding does not have formula adjustments for inflation. In 2008, the state’s support for public education in Georgia was 52 percent of total school district revenues. In the 2009-2010 school year, Georgia was at its lowest level of state funding at 43 percent for the average school district. In 2016, the percentage is up to 53 percent while austerity reductions for all public school systems remain in place.

Most of the state reductions during the recession were due to austerity or budget cuts imposed against the amounts earned by school systems based on a funding formula written in state law. These austerity reductions have been allocated to all systems in Georgia to help the state provide for a balanced budget. From fiscal year 2003 through fiscal year 2017, Dalton Public Schools has not received over \$41.5 million of the district’s earnings due to these austerity cuts. The state offset \$5.4 million with federal stimulus funding, which brought the net reduction to \$36.1 million.

In fiscal year 2015, the State of Georgia approved significant reductions to the austerity component of the funding formula that provided districts with increased state revenue. The School Districts' austerity reduction went from \$5.1 million in fiscal year 2014 to \$3.7 million in fiscal year 2015, which increased state sources of revenue by \$1.4 million. State relief from austerity reduction continued in fiscal years 2016 and 2017 that improved the School District's state revenue by another \$1.4 million for both years. The School District austerity reduction for fiscal year 2017 was \$821,600 and we anticipate that it will remain at \$828,100 for fiscal year 2018. The School District experienced the decline in state funds in the 2009 and 2010 school years, however since 2011 the School District has greater dependency on state sources due to declining local sources of revenue.

Planning for the Future

Several years ago the Dalton Board of Education set a target for unreserved, unassigned general fund balance of 15 percent of the current year's budget, which would provide two months operating revenues and eliminate the need for short-term borrowing. At the end of fiscal year 2008, the unreserved, unassigned fund balance was \$6 million, or 9.6 percent of general fund expenditures. In both fiscal years 2009 and 2010, the unreserved, unassigned fund balance dropped to just above \$2 million, which was 3.3 to 4.3 percent respectively, of the general fund expenditures. To address this downturn, the administration sought district-wide input from employees, and the Dalton Board of Education implemented a three-year budget reduction plan in January 2009. Fiscal year 2011 general fund expenditures totaled \$52.8 million, and the unreserved, unassigned fund balance reached nearly \$9.6 million. For fiscal year 2017, general fund expenditures increased to \$70.5 million, and the unreserved, unassigned fund balance was more than \$14 million.

School District enrollment continues to grow. Over the last 10 years, enrollment averaged 2.3 percent growth per year. The School District has adequate capacity at the elementary level, with six elementary schools and class size flexibility to meet the educational needs of the students. However, building capacity is a concern at the middle and high school levels. On November 7, 2017, the citizens of the City of Dalton approved a general obligation bond not to exceed \$50.65 million to build a new 6-7 grade school.

District administrators are committed to providing appropriate instructional space for the educational program needs of Dalton's students. The administration and the Dalton Board of Education are working through an updated strategic facility planning process that includes a grade configuration change at the secondary level since the community has approved funding a new secondary school. In recent years, the Dalton Board of Education has approved and completed building additions to the middle school to address capacity issues. The grade configuration change will 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 the city of Dalton and Whitfield County passed the first of now four 5-year Educational Special Purpose Local Option Sales Taxes ("ESPLOST") of 1 cent. There was a lapse in sales tax revenue for calendar year 2012. Whitfield County Schools and the School District agreed to a one-year delay of the fourth ESPLOST due to the financial constraints of local tax payers as a result of the great recession.

Although the current referendum provides the Dalton Board of Education flexibility to address the School District's capital needs, the fourth ESPLOST has been used for the Dalton Middle School expansion and the HVAC and renovation project at Dalton High School. As 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 accordance with the Uniform Guidance, 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 Dalton Board of Education. Activities of the general fund, debt service fund, capital fund, school nutrition fund, and most of the special revenue funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the aggregate level by fund type.

The Dalton Board of Education established a fund balance policy to protect the financial condition of the school district and to meet the requirements of Governmental Accounting Standards Board Statement 54. The policy defines the five categories of the fund balance that is reported as nonspendable, restricted, committed, assigned, and unassigned. The Dalton Board of Education 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 prepared for 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 begins to include more indicators than what has 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 are developing, proficient, and distinguished from the 2015 and 2016 school years, the schedule is not meant to be a comparison.

Dalton Public Schools Fiscal Years 2015 and 2016		
	% of Developing, Proficient, and Distinguished	% of Developing, Proficient, and Distinguished
	FY 2015	FY 2016
English Language Arts		
High School American Literature	66.7%	70.4%
9 th Grade Literature	62.5%	70.5%
Middle School Milestones Test	67.6%	71.1%
Elementary School Milestones Test	66.5%	60.3%
Mathematics		
Analytical Geometry	52.7%	62.8%
Coordinated Algebra & Algebra I	50.7%	61.6%
Middle School Milestones Test	72.4%	73.7%
Elementary School Milestones Test	76.1%	71.5%
Science		
Biology	37.0%	47.6%
Physical Science	63.2%	58.7%
Middle School Milestones Test	53.8%	53.6%
Elementary School Milestones Test	66.2%	62.9%
Social Studies		
Economics	45.9%	47.7%
US History	63.1%	69.4%
Middle School Milestones Test	65.6%	67.5%
Elementary School Milestones Test	72.1%	67.3%

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

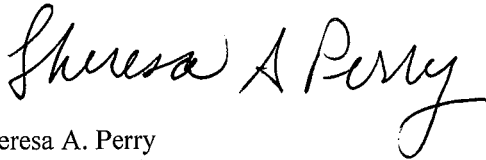
The preparation of this report would not have been possible without the efficient and dedicated service of the entire staff of the finance department. We would like to express appreciation to all of the employees of the departments who assisted in the timely closing of the School District's financial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

We would also like to thank the members of the Dalton Board of Education for their unfailing support in maintaining the highest standards of professionalism in the management of the School District's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Don Amonett". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Don Amonett
Interim Superintendent

A handwritten signature in black ink, appearing to read "Theresa A. Perry". The signature is cursive, with the first name "Theresa" being more prominent and followed by "A. Perry".

Theresa A. Perry
Chief Financial Officer

CITY OF DALTON BOARD OF EDUCATION
ELECTED OFFICIALS AND ADMINISTRATION
JUNE 30, 2017

Elected Officials

Dr. Rick Fromm, Chairman
In office since January 2004
Current term expires December 2019

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

Tulley Johnson, Treasurer
In office since January 2000
Current term expires December 2019

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

Dr. Pablo Perez
In office since January 2016
Current term expires December 2019

School Administration

Don Amonett, Interim Superintendent

Dr. Alan Martineaux, Principal
Blue Ridge School

Dr. Celeste Martin, Principal
Brookwood School

Jason Brock, Principal
City Park School

Will Esters, Principal
Park Creek School

Cindy Parrott, Principal
Roan School

Scott Ehlers, Principal
Westwood School

Dr. Phil Jones, Principal
Dalton Middle School

Steve Bartoo, Principal
Dalton High School

Pat Hunt, Principal
Morris Innovative High School

Centralized Administration

Theresa Perry
Chief Financial Officer

Craig Harper
Chief Administrative Officer

Rusty Lount
Director of Operations

Laura Orr
Chief Learning Officer

Directional System Organizational Structure



VISION

We continually aspire to a future where:

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

MISSION

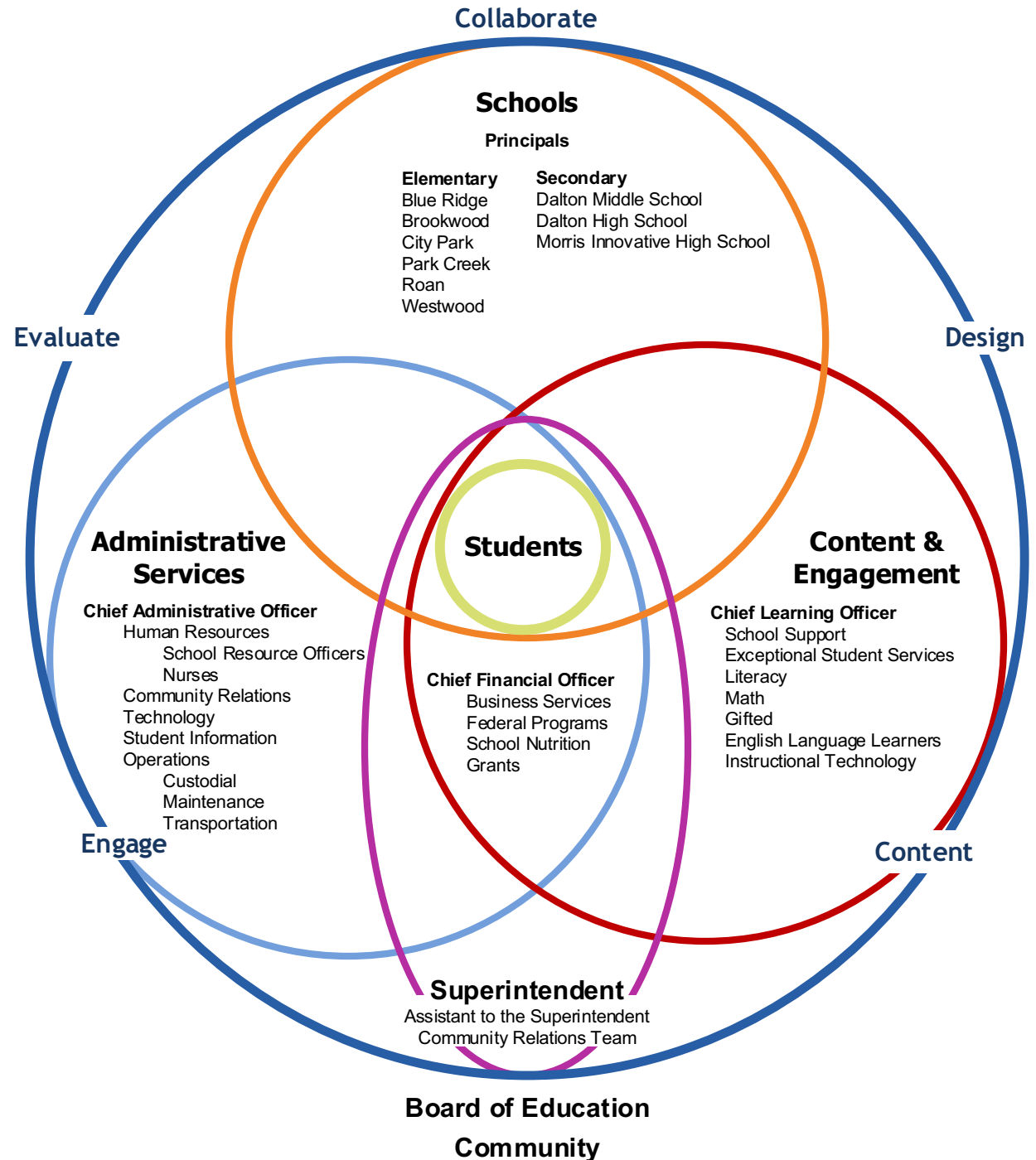
The mission of Dalton Public Schools is to create a great learning organization where networked learning communities are the primary means of:

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

Dalton Public Schools

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

www.daltonpublicschools.com





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Georgia**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is fluid and cursive.

Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Members of the City of Dalton
Board of Education and the Superintendent
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 as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Dalton Board of Education'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, 2017, and the respective changes in financial position, and the respective budgetary comparison information for the general fund and the federal programs special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 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 and individual fund financial statements and schedules, schedule of expenditures of education 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements, the schedule of expenditures of education local option sales tax proceeds, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of 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 7, 2017, 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 & Walcott

Dalton, Georgia
November 7, 2017

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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, 2017. 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 2017 are as follows:

- Total net position increased 8% from \$59.4 million in 2016 to \$64.4 million in 2017. This increase is based upon the combination of an increase to assets restricted for capital, an increase in the net pension liability, as well as an increase in the deferred pension outflows.
- Total revenues increased 9% from \$87.3 million in 2016 to \$95.0 million in 2017. Most of the change is attributable to increased revenue for capital projects from both state grant reimbursements and local sales tax. Other revenue change is due to increased state operating revenue as a result of growing enrollment and some relief from state austerity reductions. Overall, revenues exceeded expenses by \$4.9 million in fiscal year 2017.
- Total expenses increased 7% from \$84.0 million in 2016 to \$90.1 million in 2017. Expenditure increases were due to adding four days to employee work year calendars and adding two instructional days to the school year calendar for students. The structural change impacted instruction, pupil services, and media function areas. Instructional expenditure category increases are also due to the School District's growing enrollment by adding teaching and program positions to serve student needs.
- Among the major funds, the general fund reported \$72.2 million in revenues in 2017, compared to \$69.9 million in revenues in 2016. Most of the change is attributable to increased state operating revenue due to growing enrollment and some relief from state austerity reductions. The general fund reported \$70.5 million in expenditures in 2017 compared to \$68.0 million in expenditures in 2016. Expenditure increases are due to adding four days to the school employee work year calendar and the School District's growing enrollment.

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, 2017**

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>2017</u>	<u>2016</u>
Assets		
Current and other assets	\$ 31,380,006	\$ 36,026,261
Capital assets	<u>99,933,486</u>	<u>88,495,444</u>
Total assets	<u>131,313,492</u>	<u>124,521,705</u>
 Deferred outflows of resources	 <u>20,416,676</u>	 <u>7,557,676</u>
 Liabilities		
Current liabilities	10,482,658	9,114,776
Long-term liabilities	<u>75,333,175</u>	<u>56,866,481</u>
Total liabilities	<u>85,815,833</u>	<u>65,981,257</u>
 Deferred inflows of resources	 <u>1,561,777</u>	 <u>6,669,498</u>
 Net position		
Net investment in capital assets	96,980,329	86,346,281
Restricted	5,721,850	8,240,073
Unrestricted	<u>(38,349,621)</u>	<u>(35,157,728)</u>
Total net position	<u>\$ 64,352,558</u>	<u>\$ 59,428,626</u>

Cash and investments decreased \$4.8 million, primarily within the Educational Special Purpose Local Option Sales Tax ("ESPLOST") capital projects fund (\$3.0 million) and the capital projects fund (\$2.2 million). The capital projects fund cash decrease is attributable to the School District using the available fund balance for capital expenditures in fiscal year 2017. The cash decrease in these two capital funds is offset by increased capital assets. The general fund liabilities are predominately for employee salaries and benefit payables for health insurance and teacher retirement. Deferred outflows of resources increased by \$12.9 million, long-term liabilities increased by \$18.5 million, and deferred inflows of resources decreased by \$5.1 million, all of which is attributable to the School District's share of the net pension liability for the teacher retirement plan.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

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>2017</u>	<u>2016</u>
Revenues		
Program revenues		
Charges for services	\$ 1,023,282	\$ 887,012
Operating grants and contributions	54,556,337	51,571,491
Capital grants and contributions	3,533,749	166,584
General revenues		
Property taxes	26,991,566	27,488,278
Other taxes	8,688,339	7,067,110
Investment earnings	<u>186,824</u>	<u>132,672</u>
Total revenues	<u>94,980,097</u>	<u>87,313,147</u>
Expenses		
Instruction	58,565,381	54,895,190
Support services	25,613,292	23,292,165
Food service operation	5,438,396	5,346,794
Community service operation	<u>439,096</u>	<u>462,081</u>
Total expenses	<u>90,056,165</u>	<u>83,996,230</u>
Increase in net position	4,923,932	3,316,917
Net position, beginning of year	<u>59,428,626</u>	<u>56,111,709</u>
Net position, end of year	<u>\$ 64,352,558</u>	<u>\$ 59,428,626</u>

Revenues

The School District's total revenues increased in 2017 by 9%, or \$7.7 million. Operating grants and contributions are made up of state and federal revenues and increased \$3.0 million. Fiscal year 2017 was the third year of significant relief from some of the State of Georgia's austerity reductions that have been in place in the state funding formula since fiscal year 2003. State funding is predominately tied to enrollment. Since the School District continues to experience enrollment growth, state funding increased accordingly. In fiscal year 2016, School District received \$108,508 in state capital fund revenue reimbursement for the classroom addition at the middle school while in fiscal year 2017, the School District received \$3.5 million for the Dalton High HVAC and renovation as well as the Westwood project. Other tax revenues increased by \$1.6 million due to a one-time correction in the distribution of ESPLOST sales tax revenues between Whitfield County School District and Dalton Public Schools that captured four years of activity.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Expenses

The School District's total expenses increased by 7%, or \$6.1 million. Instructional expenditures increased by \$3.7 million due to the addition of four days to employee work year calendar and two days to the student school year calendar. Support service expenditures increased by \$2.3 million to add academic coaching positions in improvement of instruction, assistant principal positions in school administration, and custodial and maintenance positions. Additionally, the School District increased professional service costs in pupil services for the nursing contract. The cost increases are in response to the School District's growing enrollment. Other support service expenditures were reclassified to pupil services.

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 proprietary funds.

Governmental Funds

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

Proprietary Funds

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

Fiduciary Funds

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

The School District's Funds

The 2017 combined fund balance of all governmental funds totaled \$22.3 million. This is a 15% or \$3.9 million decrease from the \$26.2 million fund balance from fiscal year 2016. The fund balance decreased due to capital expenditures in both the capital projects and ESPLOST capital projects funds. In the previous fiscal year, the School District was accumulating capital projects fund balance for the planned capital project expenditures in fiscal year 2017. The ending fund balance represents 22% of total expenditures. Of the governmental fund balance, \$2.0 million is restricted for debt service, \$1.9 million is restricted for capital projects, and \$1.6 million is restricted for the food service program. An additional \$1.5 million is committed for capital projects.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

General Fund Budgetary Highlights

In developing the fiscal year 2017 budget, the administration addressed the need to maintain a quality education for all students. The School Board set priorities, or filters, through which all decisions were to be assessed. These filters were to: maximize classroom impact with an efficient use of positions, examine student needs to determine positions and resources, have a reasonable and balanced approach with revenues and expenditures, and maintain adequate reserves to meet cash flow requirements. The School District's state funding increased due to relief from austerity reductions along with growing enrollment. Local sources of revenue were essentially similar to the previous year.

The most significant budgeted fund is the general fund. The original budget was amended to properly account for state grant revenue and the corresponding expenditure budgets. The original expenditure budget was amended to recognize savings in instruction. The School Board approved transfers from the general fund to the capital projects fund for student technology devices of \$1.2 million, and the remaining portion covers athletic facilities improvements at Dalton High School, and mobile classrooms at Dalton Middle School.

Actual revenues were 1% more than the final budget. Federal revenues were 78% more than budget as actual E-rate revenue received was higher than budget estimates. Actual state and local revenue was more than the final budget, but less than 1%.

Actual expenditures were under the final adjusted budget. Most of the expenditure savings were in school administration, student transportation, and central support. The school administration expenditures were under budget in salary and benefits for unfilled support positions. Student transportation expenditures were lower than budget also due to open positions within the transportation contractual service. Central support services were less than budget due to savings in software and technology. Community service expenditures exceeded original budget estimates for staffing necessary for the increased participation in the elementary after school program.

Overall, the general fund current revenues adequately cover current expenditures as well as some capital outlay activity. There were no significant changes in regards to funding sources, programs, or operations within the general fund from the prior year.

General Fund Balance

The fiscal year 2017 unassigned fund balance of \$14.2 million reflects no change from fiscal year 2016. The fund balance will continue to be used for transfers to the debt service fund and the capital projects fund to support the payment of existing obligations and for capital projects that address student technology and facility infrastructure. The School Board allows for a higher fund balance to prepare for uncertainty related to all sources of revenue and when possible, future capital needs.

The unrestricted, unassigned fund balance of \$14.2 million gives the School District a fund balance that is equivalent to 73 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.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Other Major Funds

The School District has one special revenue fund which meets the requirements to present as a major fund. The federal programs special revenue fund accounts for revenues that are restricted as to use for specific programs and goals. The main federal program included in this fund is Title I Academic Achievement. The revenue allocation is based on economically disadvantaged students and expenditures are intended to bolster the academic performance of all students.

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 capital projects fund which reports construction activity funded by the education special purpose local option sales tax.

The capital projects fund is funded by investment earnings and transfers from the general fund to support capital undertakings. The School District also received state revenue reimbursement for the capital project at Westwood School in fiscal year 2017. There were several projects in the capital projects fund in fiscal year 2017. The most significant was a renovation project initiated in fiscal year 2016 at Westwood that includes the HVAC system for an amount of \$2.5 million and will continue into fiscal year 2018. The School District also continues to address technology infrastructure upgrades and student devices of \$1.1 million. Fiscal year 2017 had capital expenditures at the City Park Annex for the alternative education program.

Since 1997, the School District has utilized ESPLOST proceeds as a primary funding source for capital projects. In March 1997, the Whitfield County voters approved the first five-year education special purpose local option sales tax for 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 during calendar year 2012 in an effort to respond to the recession and provide some local tax relief. The current ESPLOST was voted back into effect as of 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 of the current ESPLOST could generate a total of \$105 million. The School District would receive up to \$36.4 million over the life of this five-year tax. School District plans assume a \$28.3 million budget in sales tax revenue that will be allocated to the School District and available to fund capital projects and debt service.

In fiscal year 2017, ESPLOST sales tax revenue totaled \$6.9 million as compared to \$5.3 million in fiscal year 2016. This 31% increase of \$1.6 million is a one-time correction in the sales tax distribution between the county school and city school districts related to using an erroneous outdated student FTE. The one-time adjustment in sales tax revenue corrects the previous four years. The School District also received state revenue reimbursement for the capital project at Dalton High School in fiscal year 2017. There was \$12.0 million incurred at Dalton High for the HVAC and renovation project that will span into fiscal year 2018. There was also a portion of student technology capital project expenditures in the ESPLOST capital fund.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Capital Assets

Capital assets increased 13%, from \$88.5 million in 2016 to \$99.9 million in 2017. The increase is due to construction in progress building improvement activity for the Dalton High HVAC and renovation project. See Note 5 of the basic financial statements for additional information on capital assets.

	<u>2017</u>	<u>2016</u>
Capital assets, not depreciable		
Land	\$ 9,304,651	\$ 9,304,651
Construction in progress	<u>15,678,275</u>	<u>2,026,644</u>
Total	<u>24,982,926</u>	<u>11,331,295</u>
Capital assets, depreciable		
Land improvements	3,986,907	3,986,907
Buildings and building improvements	112,858,211	112,417,651
Machinery, equipment, and technology	5,321,207	4,460,478
Vehicles	<u>590,074</u>	<u>526,062</u>
Total	<u>122,756,399</u>	<u>121,391,098</u>
Less accumulated depreciation		
Land improvements	(2,307,501)	(2,159,664)
Buildings and building improvements	(41,932,821)	(38,885,106)
Machinery, equipment, and technology	(3,101,451)	(2,746,550)
Vehicles	<u>(464,066)</u>	<u>(435,629)</u>
Total	<u>(47,805,839)</u>	<u>(44,226,949)</u>
Depreciable capital assets, net	<u>74,950,560</u>	<u>77,164,149</u>
Governmental activities net investment in capital assets	<u>\$ 99,933,486</u>	<u>\$ 88,495,444</u>

Debt Administration

At June 30, 2017, 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. See Note 7 of the basic financial statements for additional information on long-term debt.

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Capital leases	\$ 2,000,000	\$ 320,996	\$ (59,845)	\$ 2,261,151	\$ 2,064,199
Compensated absences	<u>33,703</u>	<u>81,603</u>	<u>(83,015)</u>	<u>32,291</u>	<u>30,000</u>
Total	<u>\$ 2,033,703</u>	<u>\$ 402,599</u>	<u>\$ (142,860)</u>	<u>\$ 2,293,442</u>	<u>\$ 2,094,199</u>

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Factors Bearing on the School District's Future

Education funding from the State of Georgia is expected to remain at a conservatively low level not only due to the economy, but also due to the current political agenda as it relates to public education, income tax, property tax, and sales tax revenues. Since 2003, school districts have been dealing with austerity revenue reductions from the State of Georgia. The School District has accumulated a total of \$36.0 million loss net of federal stimulus funding in state revenue. Although the state legislature had three consecutive years of sizeable alleviation from austerity reductions of \$1.4 million in additional funds each year, fiscal year 2018 will continue to have losses in state revenue attributable to the austerity component. In fiscal year 2014, the School District had \$5.1 million in austerity reductions from state sources while fiscal year 2018 anticipates a loss of \$828,000 due to austerity reductions.

Since 2011, the School District has qualified for state equalization grant revenue. Georgia's equalization formula attempts to round out wealth per student as defined by property value per student. 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, it was down to \$134,500 in 2014. Due to growing enrollment and a relatively flat property tax digest, the School District received \$625,500 in equalization revenue for fiscal year 2015, but dropped again in fiscal year 2016 to \$103,700. In fiscal year 2017, the School District was excluded from equalization funding, but will receive its largest amount to date in fiscal year 2018 at \$1.4 million.

Dalton is the home of two of the largest flooring 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. Overall, there have been reports of significant improvement to unemployment and now stabilization. The national unemployment rate is 4.9% compared with 5.0% reported in the prior year. Georgia is at 5.4% compared with 5.1% unemployment rate previously reported. The Dalton Metropolitan Area shows an unemployment rate of 6.2% compared with 6.3% which was reported in the previous year.

Community leaders are striving to seek out ways to improve the quality of life and diversify the economy of Dalton City and Whitfield County. The implementation of a 20% freeport exemption on business inventory began in fiscal year 2011. The reductions initially resulted in revenue losses of \$685,500 in fiscal year 2011. Although the exemption remains at the 20% level, the actual freeport inventory continues to grow since that time and is a loss of \$967,400 in property tax revenue for fiscal year 2017. 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 2018 for the School District. There is some consideration for a 20% increase in a future fiscal year.

Real and personal property values had unprecedented decline in 2010, 2011 and 2012. As a result, the School District's property tax revenue decreased a total of \$2.7 million during that period. Although property values have fluctuated since fiscal year 2013, there has been an upward trend that has caused an increased property tax revenue. Fiscal year 2017 property tax revenue is up \$745,500 since 2013. There remains some uncertainty regarding property values, however, the School District is anticipating a 3% increase in the tax digest for fiscal year 2018.

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 School District. As Georgia school districts receive relief from much of the state funding austerity reductions, it is expected that some educational expenditures will be restored. The governor and legislature increased the state teacher salary scale by 2% in fiscal year 2018 which was the first cost of living adjustment since fiscal year 2009. However, class sizes remain high due to reduced staffing relative to School District enrollment. The School District enrollment has averaged 2% growth each year over the last 10 years.

**CITY OF DALTON BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

On November 7, 2017, the community approved the issuance of a school general obligation bond not to exceed \$50.65 million to build a new 6-7 grades school to be financed with property taxes. This will help address enrollment and facility capacities in conjunction with grade configuration changes at the secondary level. The project includes purchase of property, site development and school construction.

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, 2017

	<u>Governmental Activities</u>
Assets	
Current assets	
Cash	\$ 7,453,608
Investments	18,633,783
Receivables:	
Accounts	244,520
Intergovernmental	1,926,355
Taxes	906,927
Inventory	206,855
Restricted assets - investments	<u>2,007,958</u>
Total current assets	<u>31,380,006</u>
Noncurrent assets	
Nondepreciable capital assets	24,982,926
Depreciable capital assets, net	<u>74,950,560</u>
Total noncurrent assets	<u>99,933,486</u>
Total assets	<u>131,313,492</u>
Deferred outflows of resources	
Related to defined benefit pension plans	<u>20,416,676</u>
	(continued)

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2017

	<u>Governmental Activities</u>
Liabilities	
Current liabilities	
Accounts payable	3,045,777
Salaries payable	4,622,651
Unearned revenue	28,025
Retainage payable	692,006
Compensated absences	30,000
Capital leases	<u>2,064,199</u>
Total current liabilities	<u>10,482,658</u>
Long-term liabilities	
Compensated absences, less current portion	2,291
Capital leases, less current portion	196,952
Net pension liability	<u>75,133,932</u>
Total long-term liabilities	<u>75,333,175</u>
Total liabilities	<u>85,815,833</u>
Deferred inflows of resources	
Related to defined benefit pension plans	<u>1,561,777</u>
Net position	
Net investment in capital assets	96,980,329
Restricted for capital projects	1,865,926
Restricted for debt service	2,008,001
Restricted for food services	1,847,923
Unrestricted	<u>(38,349,621)</u>
Total net position	<u>\$ 64,352,558</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	\$ 58,565,381	\$ 372,314	\$ 33,210,692	\$ 3,533,749	\$ (21,448,626)
Support services:					
Pupil services	3,318,715	-	2,138,484	-	(1,180,231)
Improvement of instructional services	3,429,890	-	2,718,070	-	(711,820)
Educational media services	1,441,572	-	865,847	-	(575,725)
General administration	931,583	-	662,303	-	(269,280)
School administration	4,523,925	-	2,707,972	-	(1,815,953)
Business administration	649,173	-	387,577	-	(261,596)
Maintenance and operation of plant	6,016,108	-	3,544,765	-	(2,471,343)
Student transportation services	3,046,111	-	1,912,081	-	(1,134,030)
Central support services	2,235,543	-	1,341,362	-	(894,181)
Other support services	20,672	-	26,779	-	6,107
Food services operations	5,438,396	650,968	4,771,414	-	(16,014)
Community services operations	439,096	-	268,991	-	(170,105)
Total governmental activities	<u>\$ 90,056,165</u>	<u>\$ 1,023,282</u>	<u>\$ 54,556,337</u>	<u>\$ 3,533,749</u>	<u>(30,942,797)</u>
General revenues					
Property taxes					26,991,566
Vehicle taxes					1,615,575
Intangibles tax					207,649
Sales taxes					6,865,115
Unrestricted investment earnings					<u>186,824</u>
Total general revenues					<u>35,866,729</u>
Change in net position					4,923,932
Net position, beginning of year					<u>59,428,626</u>
Net position, end of year					<u>\$ 64,352,558</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Federal Programs	Capital Projects	Education Special Purpose Local Option Sales Tax	Total Nonmajor Funds	Total Governmental Funds
Assets						
Cash	\$ 2,933,304	\$ -	\$ 490,000	\$ 2,363,957	\$ 1,666,347	\$ 7,453,608
Investments	18,504,770	-	129,013	-	-	18,633,783
Receivables:						
Accounts	244,520	-	-	-	-	244,520
Intergovernmental	227,644	1,014,040	-	493,207	191,464	1,926,355
Taxes	906,927	-	-	-	-	906,927
Due from other funds	3,322,796	-	919,290	749	288,383	4,531,218
Inventory	-	-	-	-	206,855	206,855
Restricted assets - investments	-	-	-	-	2,007,958	2,007,958
Total assets	<u>\$ 26,139,961</u>	<u>\$ 1,014,040</u>	<u>\$ 1,538,303</u>	<u>\$ 2,857,913</u>	<u>\$ 4,361,007</u>	<u>\$ 35,911,224</u>
Liabilities						
Accounts payable	\$ 2,369,271	\$ 81,986	\$ 79,687	\$ 307,372	\$ 207,461	\$ 3,045,777
Salaries payable	4,084,852	268,202	-	-	269,597	4,622,651
Due to other funds	3,867,366	663,852	-	-	-	4,531,218
Retainage payable	-	-	7,391	684,615	-	692,006
Unearned revenue	-	-	-	-	28,025	28,025
Total liabilities	<u>10,321,489</u>	<u>1,014,040</u>	<u>87,078</u>	<u>991,987</u>	<u>505,083</u>	<u>12,919,677</u>
Deferred inflows of resources						
Unavailable revenue - property taxes	740,299	-	-	-	-	740,299
Fund balances						
Nonspendable	-	-	-	-	206,855	206,855
Restricted	-	-	-	1,865,926	3,649,069	5,514,995
Unrestricted:						
Committed	-	-	1,451,225	-	-	1,451,225
Assigned	887,697	-	-	-	-	887,697
Unassigned	14,190,476	-	-	-	-	14,190,476
Total fund balances	<u>15,078,173</u>	<u>-</u>	<u>1,451,225</u>	<u>1,865,926</u>	<u>3,855,924</u>	<u>22,251,248</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 26,139,961</u>	<u>\$ 1,014,040</u>	<u>\$ 1,538,303</u>	<u>\$ 2,857,913</u>	<u>\$ 4,361,007</u>	<u>\$ 35,911,224</u>

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, 2017

Total governmental fund balances	\$ 22,251,248
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Amounts reported for governmental activities
in the statement of net position are different because:

Interfund receivables and payables between governmental funds are reported in the fund statements but are eliminated in the statement of net position:

Interfund receivables	4,531,218	
Interfund payables	<u>(4,531,218)</u>	-

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements but are reported in the statement of net position:

Cost	147,739,325	
Accumulated depreciation	<u>(47,805,839)</u>	99,933,486

Amounts due from property taxpayers not collected within 60 days subsequent to year end and therefore not available to pay for current period expenditures are reported as unavailable revenue in the fund statements.

740,299

Liabilities, including capital leases, compensated absences, and the net pension liability are not due and payable in the current period and therefore are not reported in the fund statements but are reported in the statement of net position:

Capital leases payable	(2,261,151)	
Compensated absences	(32,291)	
Net pension liability	<u>(75,133,932)</u>	(77,427,374)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the fund statements but are reported in the statement of net position:

Deferred outflows related to pensions	20,416,676	
Deferred inflows related to pensions	<u>(1,561,777)</u>	<u>18,854,899</u>

Net position of governmental activities	<u>\$ 64,352,558</u>
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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, 2017

	General	Federal Programs	Capital Projects	Education Special Purpose Local Option Sales Tax	Total Nonmajor Funds	Total Governmental Funds
Revenues						
Federal sources	\$ 1,084,000	\$ 5,300,483	\$ -	\$ -	\$ 4,652,058	\$ 11,036,541
State sources	39,616,441	-	808,733	2,725,016	1,585,747	44,735,937
Local sources and other funds	31,349,104	-	15,840	6,865,489	709,971	38,940,404
On behalf payments	120,805	-	-	-	-	120,805
Total revenues	<u>72,170,350</u>	<u>5,300,483</u>	<u>824,573</u>	<u>9,590,505</u>	<u>6,947,776</u>	<u>94,833,687</u>
Expenditures						
Current:						
Instruction	46,880,674	2,850,551	1,171,291	1,166,782	1,437,522	53,506,820
Support services:						
Pupil services	2,890,683	347,465	-	-	11,719	3,249,867
Improvement of instructional services	1,604,361	1,711,593	-	-	5,216	3,321,170
Educational media services	1,378,646	15,212	-	-	-	1,393,858
General administration	639,055	270,816	-	-	-	909,871
School administration	4,332,427	-	-	-	4,399	4,336,826
Business administration	632,673	-	-	468	-	633,141
Maintenance and operation of plant	5,690,595	-	-	-	-	5,690,595
Student transportation services	2,926,425	93,096	-	-	26,590	3,046,111
Central support services	2,164,540	11,750	-	-	-	2,176,290
Other support services	43,713	-	-	-	-	43,713
Food services operations	-	-	-	-	5,248,698	5,248,698
Community services operations	439,096	-	-	-	-	439,096
Capital outlay:						
Instruction	566,647	-	2,853,456	11,218,380	-	14,638,483
Support services:						
Pupil services	14,055	-	-	-	-	14,055
Improvement of instructional services	30,185	-	-	-	-	30,185
Educational media services	9,912	-	-	-	-	9,912
School administration	137,530	-	-	-	-	137,530
Maintenance and operation of plant	95,805	-	-	-	-	95,805
Central support services	5,890	-	-	-	-	5,890
Food services operations	-	-	-	-	101,774	101,774
Debt service:						
Principal retirement	59,845	-	-	-	-	59,845
Total expenditures	<u>70,542,757</u>	<u>5,300,483</u>	<u>4,024,747</u>	<u>12,385,630</u>	<u>6,835,918</u>	<u>99,089,535</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,627,593</u>	<u>-</u>	<u>(3,200,174)</u>	<u>(2,795,125)</u>	<u>111,858</u>	<u>(4,255,848)</u>

(continued)

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, 2017

	General	Federal Programs	Capital Projects	Education Special Purpose Local Option Sales Tax	Total Nonmajor Funds	Total Governmental Funds
Other financing sources (uses)						
Capital lease proceeds	320,996	-	-	-	-	320,996
Transfers in	-	4,011	1,646,901	-	171,832	1,822,744
Transfers out	(1,818,733)	-	-	-	(4,011)	(1,822,744)
Total other financing sources (uses)	<u>(1,497,737)</u>	<u>4,011</u>	<u>1,646,901</u>	<u>-</u>	<u>167,821</u>	<u>320,996</u>
Net changes in fund balances	129,856	4,011	(1,553,273)	(2,795,125)	279,679	(3,934,852)
Fund balances, beginning of year	<u>14,948,317</u>	<u>(4,011)</u>	<u>3,004,498</u>	<u>4,661,051</u>	<u>3,576,245</u>	<u>26,186,100</u>
Fund balances, end of year	<u>\$ 15,078,173</u>	<u>\$ -</u>	<u>\$ 1,451,225</u>	<u>\$ 1,865,926</u>	<u>\$ 3,855,924</u>	<u>\$ 22,251,248</u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net changes in fund balances - governmental funds \$ (3,934,852)

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

Elimination of transfers between governmental funds:

Transfers in	(1,822,744)	
Transfers out	<u>1,822,744</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	15,033,634	
Depreciation expense	<u>(3,595,592)</u>	11,438,042

Tax revenues that are reported in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.		(15,086)
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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.

Proceeds from issuance of debt	(320,996)	
Principal payments of debt	<u>59,845</u>	(261,151)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. These items include:

Net change in accrued compensated absence liability		1,412
On behalf payments from the State of Georgia for pension contributions		161,496
Pension expense in excess of pension contributions		<u>(2,465,929)</u>

Change in net position - governmental activities		<u>\$ 4,923,932</u>
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See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 609,800	\$ 609,800	\$ 1,084,000	\$ 474,200
State sources	39,314,738	39,443,831	39,616,441	172,610
Local sources and other funds	31,125,720	31,125,720	31,349,104	223,384
On behalf payments	143,570	143,570	120,805	(22,765)
Total revenues	<u>71,193,828</u>	<u>71,322,921</u>	<u>72,170,350</u>	<u>847,429</u>
Expenditures				
Current:				
Instruction	48,166,385	46,786,416	46,880,674	(94,258)
Support services:				
Pupil services	2,921,679	2,929,706	2,890,683	39,023
Improvement of instructional services	1,557,149	1,563,631	1,604,361	(40,730)
Educational media services	1,409,522	1,416,291	1,378,646	37,645
General administration	620,454	622,779	639,055	(16,276)
School administration	4,260,707	4,607,795	4,332,427	275,368
Business administration	599,099	654,544	632,673	21,871
Maintenance and operation of plant	5,688,280	5,656,465	5,690,595	(34,130)
Student transportation services	3,148,571	3,150,026	2,926,425	223,601
Central support services	2,765,760	2,375,175	2,164,540	210,635
Other support services	44,000	44,000	43,713	287
Community services operations	219,681	219,681	439,096	(219,415)
Capital outlay:				
Instruction	567,000	567,000	566,647	353
Support services:				
Pupil services	15,000	15,000	14,055	945
Improvement of instructional services	31,000	31,000	30,185	815
Educational media services	10,000	10,000	9,912	88
School administration	138,000	138,000	137,530	470
Maintenance and operation of plant	96,000	96,000	95,805	195
Central support services	5,900	5,900	5,890	10
Debt service:				
Principal retirement	60,000	60,000	59,845	155
Total expenditures	<u>72,324,187</u>	<u>70,949,409</u>	<u>70,542,757</u>	<u>406,652</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,130,359)</u>	<u>373,512</u>	<u>1,627,593</u>	<u>1,254,081</u>

(continued)

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		
Other financing sources (uses)				
Capital lease proceeds	-	-	320,996	320,996
Transfers out	<u>(278,043)</u>	<u>(1,824,944)</u>	<u>(1,818,733)</u>	<u>6,211</u>
Total other financing sources (uses)	<u>(278,043)</u>	<u>(1,824,944)</u>	<u>(1,497,737)</u>	<u>327,207</u>
Net change in fund balances	<u>\$ (1,408,402)</u>	<u>\$ (1,451,432)</u>	129,856	<u>\$ 1,581,288</u>
Fund balance, beginning of year			<u>14,948,317</u>	
Fund balance, end of year			<u>\$ 15,078,173</u>	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FEDERAL PROGRAMS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 5,674,140	\$ 5,853,398	\$ 5,300,483	\$ (552,915)
Expenditures				
Current:				
Instruction	2,744,166	3,076,658	2,850,551	226,107
Support services:				
Pupil services	400,996	375,487	347,465	28,022
Improvement of instructional services	1,562,742	1,820,786	1,711,593	109,193
Educational media services	-	18,044	15,212	2,832
General administration	216,771	285,161	270,816	14,345
Student transportation services	76,750	126,632	93,096	33,536
Central support services	11,130	9,400	11,750	(2,350)
Food services operations	141,165	141,165	-	141,165
Total expenditures	<u>5,153,720</u>	<u>5,853,333</u>	<u>5,300,483</u>	<u>552,850</u>
Excess (deficiency) of revenues over (under) expenditures	<u>520,420</u>	<u>65</u>	<u>-</u>	<u>(65)</u>
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>4,011</u>	<u>(4,011)</u>
Net change in fund balances	<u>\$ 520,420</u>	<u>\$ 65</u>	<u>4,011</u>	<u>\$ 3,946</u>
Fund balance, beginning of year			<u>(4,011)</u>	
Fund balance, end of year			<u>\$ -</u>	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2017

	<u>Agency Funds</u>
Assets	
Intergovernmental receivable	\$ 21,974
Due from others	<u>15,019</u>
Total assets	<u><u>\$ 36,993</u></u>
Liabilities	
Accounts payable	\$ 5,560
Due to others	<u>31,433</u>
Total liabilities	<u><u>\$ 36,993</u></u>

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB"). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below.

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. The district-wide financial statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

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, 2017, the School District had no activities accounted for as business-type activities.

The statement of net position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following three categories:

- 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 in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

- Unrestricted net position - Unrestricted net position consists of resources not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be modified or removed.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The School District reports the following major governmental funds:

- The general fund is the School District's primary operating fund. It accounts for and reports all financial resources of the School District not accounted for and reported in another fund.
- The federal programs fund is a special revenue fund which accounts for and reports financial resources that are restricted as to use for specified federal programs, such as Title I. Only federal grant revenues are reported in this 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.

Additionally, the School District provides additional information on the following nonmajor governmental funds: the school food services special revenue fund, the lottery programs special revenue fund, and the debt service fund.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

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 report resources that the School District holds for others in a custodial capacity and do not involve measurements of results of operations.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The district-wide 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.

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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

New Accounting Pronouncements

In fiscal year 2017, the School District adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements. See Note 14 for further disclosure of tax abatements in accordance with this standard.

In fiscal year 2017, the School District adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

Cash, Cash Equivalents, and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, non-negotiable 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 chartered building and loan associations.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

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.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value. For accounting purposes, certificates of deposit are classified as cash as they are not subject to withdrawal limitations.

Receivables

Receivables consist of amounts due from property and sales taxes, grant reimbursements due from 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.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased food 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.

Prepaid Items

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items in both the district-wide and governmental fund financial statements.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the statement of net position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds.

Capital Assets

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 acquisition value at the date of donation. 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. The School District does not capitalize book collections or works of art. Disposals are deleted at depreciated recorded cost. Depreciation is computed using the straight-line method for all assets except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives. 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.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the district-wide financial statements.

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

Category	Capitalization Threshold	Estimated Useful Life
Buildings - permanent	\$ 50,000	40 years
Buildings - temporary	10,000	15 years
Land improvements	25,000	15 years
Building improvements	50,000	15 years
Kitchen equipment	5,000	15 years
Recreational and athletic equipment	5,000	10 years
Buses and heavy trucks	5,000	10 years
Custodial and grounds equipment	5,000	5 years
Instructional and other equipment	5,000	5 years
Cars and light trucks	5,000	5 years
Furniture	5,000	5 years
Technology and hardware	5,000	5 years
Intangible assets	250,000	15 years

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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 of resources (expense/expenditure) until then.

In addition to liabilities, the statement of 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 a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Compensated absences represent obligations of the School District relating to an employee's right 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.

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, outstanding debt is reported as a liability. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as a outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Retirement System of Georgia ("TRS"), the Public School Employees Retirement System ("PSERS"), and the Employees' Retirement System ("ERS") and additions to/deductions from TRS's, PSERS's, and ERS's fiduciary net positions have been determined on the same basis as they are reported by TRS, PSERS, and ERS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 8 for additional information.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Fund Balances

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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

- 1) **Nonspendable fund balance** – Consists of resources 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** – Consists of resources that can be used only for specific purposes pursuant to constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- 3) **Committed fund balance** – Consists of resources 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** – Consists of resources 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, the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.
- 5) **Unassigned fund balance** – Consists of resources within the general fund not meeting the definition of any aforementioned category. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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.

Nonspendable fund balances and restricted fund balances are considered restricted net position on the statement of net position. Committed, assigned, and unassigned fund balances are considered unrestricted net position on the statement of net position.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Fund Balances - Continued

A schedule of fund balances is as follows:

			Education Special Purpose Local Option Sales Tax	Total Nonmajor Funds	Total
Fund Balances:	General	Capital Projects			
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ 206,855	\$ 206,855
Restricted for:					
Capital projects	-	-	1,865,926	-	1,865,926
Debt service	-	-	-	2,008,001	2,008,001
School nutrition	-	-	-	1,641,068	1,641,068
Committed to:					
Capital projects	-	1,451,225	-	-	1,451,225
Assigned to:					
School activities	887,697	-	-	-	887,697
Unassigned	14,190,476	-	-	-	14,190,476
Total Fund Balances	<u>\$ 15,078,173</u>	<u>\$ 1,451,225</u>	<u>\$ 1,865,926</u>	<u>\$ 3,855,924</u>	<u>\$ 22,251,248</u>

Use of Estimates

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

Property Taxes

The Mayor and Council of the City of Dalton, Georgia, fixed the property tax levy for the 2016 tax digest year (calendar year) on January 1, 2016 (levy date). Tax bills were mailed on October 20, 2016 (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, 2016 (due date). Taxes collected within the current fiscal year or within 60 days after year end on the 2016 tax digest are reported as revenue in the governmental funds for the year ended June 30, 2017. 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 \$27,006,652 for the year ended June 30, 2017.

The tax millage rate levied for the 2016 tax year for School District maintenance and operations was 8.200 mils (a mil equals \$1 per thousand dollars of assessed value).

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 1 Summary of Significant Accounting Policies - Continued

Sales Taxes

Education special purpose local option sales tax, at the fund reporting level, totaled \$6,865,115 for the year ended June 30, 2017, 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.

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 budgets are 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 and on 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 changes in fund balances - budget and actual, for all legally adopted funds for a detail of any over/under expenditures by fund during the fiscal year.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 Deposits and Investments

Deposits

OCGA Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110% of the daily pool balance.

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

- (1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,
- (2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,
- (3) Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia,
- (4) Bonds, bills, notes, certificates of indebtedness, or other obligations of the counties or municipalities of the State of Georgia,
- (5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,
- (6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and
- (7) Bonds, bills, notes, certificates of indebtedness, 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, 2017, the School District held deposits with a carrying amount of \$7,453,608 and a bank balance of \$9,339,693. The bank balances were fully covered by either deposit insurance and/or collateral held in the School District's name.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 3 Deposits and Investments - Continued

Investments

At June 30, 2017, the carrying value of the School District's unrestricted investments was \$18,633,783, with the entire balance invested in Georgia Fund 1.

Georgia Fund 1 is not registered with the SEC as an investment and does not 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 rated AAAs by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2017 was 26 days.

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 Georgia Fund 1 does not provide for investment in derivatives or similar investments. The State Depository Board prescribes cash management policies and procedures for the State of Georgia and provides oversight for Georgia Fund 1. Additional information on 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.

At June 30, 2017, the carrying value of the School District's restricted investments was \$2,007,958, with the entire balance invested in U.S. Agency securities, as permitted by OCGA. The assets are restricted as to use in relation to the QZAB Bond sinking fund.

The School District's investments as of June 30, 2017 are presented below. Investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity
		Less Than 1 Year
Debt securities - U.S. Agencies	\$ 2,007,958	\$ 2,007,958
Investment pools - Georgia Fund 1	18,633,783	18,633,783
	<u>\$ 20,641,741</u>	<u>\$ 20,641,741</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 Georgia Fund 1.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017, 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>A-1+</u>	<u>AAAm</u>	<u>Unrated</u>
Debt securities - U.S. Agencies	<u>\$ 2,007,958</u>	<u>\$ 1,962,732</u>	<u>\$ 45,226</u>	<u>\$ -</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, 2017

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2017, is as follows:

	Beginning Balance	Additions	Reclassifications and Disposals	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 9,304,651	\$ -	\$ -	\$ 9,304,651
Construction in progress	2,026,644	13,997,490	(345,859)	15,678,275
Total	<u>11,331,295</u>	<u>13,997,490</u>	<u>(345,859)</u>	<u>24,982,926</u>
Depreciable capital assets				
Land improvements	3,986,907	-	-	3,986,907
Buildings and building improvements	112,417,651	440,560	-	112,858,211
Machinery, equipment, and technology	4,460,478	877,431	(16,702)	5,321,207
Vehicles	526,062	64,012	-	590,074
Total	<u>121,391,098</u>	<u>1,382,003</u>	<u>(16,702)</u>	<u>122,756,399</u>
Less accumulated depreciation				
Land improvements	(2,159,664)	(147,837)	-	(2,307,501)
Buildings and building improvements	(38,885,106)	(3,047,715)	-	(41,932,821)
Machinery, equipment, and technology	(2,746,550)	(371,603)	16,702	(3,101,451)
Vehicles	(435,629)	(28,437)	-	(464,066)
Total	<u>(44,226,949)</u>	<u>(3,595,592)</u>	<u>16,702</u>	<u>(47,805,839)</u>
Depreciable capital assets, net	<u>77,164,149</u>	<u>(2,213,589)</u>	<u>-</u>	<u>74,950,560</u>
Governmental activities capital assets, net	<u>\$ 88,495,444</u>	<u>\$ 11,783,901</u>	<u>\$ (345,859)</u>	<u>\$ 99,933,486</u>

Current year depreciation expense by function is as follows:

Governmental activities:	
Instruction	\$ 3,182,322
Improvement of instructional services	11,090
General administration	2,314
School administration	37,979
Business administration	2,278
Maintenance and operation of plant	217,012
Other support services	(29,024)
Food services operation	<u>171,621</u>
Total depreciation expense - governmental activities	<u>\$ 3,595,592</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017 consisted of the following:

	Due From Other Funds	Due To Other Funds
General fund	\$ 3,322,796	\$ 3,867,366
Federal programs fund	-	663,852
Capital projects fund	919,290	-
ESPLOST fund	749	-
Nonmajor governmental funds	288,383	-
Total governmental funds	<u>\$ 4,531,218</u>	<u>\$ 4,531,218</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, 2017 consisted of the following:

	Transfer From		
		Nonmajor governmental funds	
Transfer To	General fund		Total
Federal programs fund	\$ -	\$ 4,011	\$ 4,011
Capital projects fund	1,646,901	-	1,646,901
Nonmajor governmental funds	171,832	-	171,832
Total governmental funds	<u>\$ 1,818,733</u>	<u>\$ 4,011</u>	<u>\$ 1,822,744</u>

Note 7 Long Term Debt

Capital Leases - The School District entered into an agreement with the City of Dalton Building Authority to obtain funding for the purpose of acquiring, constructing, and equipping buildings and facilities. Section 226 of the Taxpayer Relief Act of 1997 (Public Law 105-34) provides for a source of capital at no or at nominal interest rates for costs incurred by school districts in connection with the establishment of special academic programs, in partnership with the business community. The School District, in an agreement with the City of Dalton Building Authority, has entered into such an arrangement.

The agreement establishes a method of repayment for the qualified interest-free debt instrument. The agreement requires the School District to deposit funds annually into a sinking fund account on or before June 1 each year. The fair value of the sinking fund at June 30, 2017 was \$2,007,958, and is reported as a restricted investment in the financial statements.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 7 Long Term Debt - Continued

The School District has acquired equipment under the provisions of various long-term lease agreements classified as capital leases for accounting purposes because they provide for a bargain purchase option or a transfer of ownership by the end of the lease term. During the current fiscal year, the School District entered into lease agreements as lessee for financing the acquisition of copier equipment at a cost of \$320,996. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

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, 2017:

Buildings and building improvements	\$	1,992,781
Equipment		320,996
Net of accumulated amortization		<u>(697,747)</u>
	\$	<u>1,616,030</u>

At June 30, 2017, payments due by fiscal year, which include principal and interest, are as follows:

Fiscal Year	Principal	Interest
2018	\$ 2,064,199	\$ -
2019	64,199	-
2020	64,199	-
2021	64,199	-
2022	4,355	-
2023 and thereafter	-	-
Total principal and interest	<u>\$ 2,261,151</u>	<u>\$ -</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, 2017 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Capital leases	\$ 2,000,000	\$ 320,996	\$ (59,845)	\$ 2,261,151	\$ 2,064,199
Compensated absences	33,703	81,603	(83,015)	32,291	30,000
	<u>\$ 2,033,703</u>	<u>\$ 402,599</u>	<u>\$ (142,860)</u>	<u>\$ 2,293,442</u>	<u>\$ 2,094,199</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans

The School district participates in various retirement plans administered by the State of Georgia, as further described below.

Teachers Retirement System of Georgia (“TRS”)

Plan description - All teachers of the School District as defined in OCGA §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through TRS. TRS, a cost-sharing multiple-employer defined benefit pension plan, is administered by the TRS Board of Trustees (“TRS Board”). Title 47 of OCGA assigns the authority to establish and amend the benefit provisions to the State Legislature. TRS issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits provided - TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee’s two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee’s creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee’s beneficiary had the employee retired on the date of death. Death benefits are based on the employee’s creditable service and compensation up to the date of death.

Contributions - Per Title 47 of OCGA, contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to OCGA §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the state of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District’s contractually required contribution rate for the year ended June 30, 2017 was 14.27% excluding payroll attributable to those personnel funded on behalf of the School District by the state. For the current fiscal year, employer contributions to the pension plan totaled \$5,971,615 and \$51,583 from the School District and the state, respectively.

Public School Employees Retirement System (“PSERS”)

Plan description - PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of OCGA assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided - A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans - Continued

Upon retirement, the member will receive a monthly benefit of \$14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. 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 contribution, the member forfeits all rights to retirement benefits.

Contributions - The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with OCGA §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute \$4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute \$10 per month for nine months each fiscal year. The state of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution totaled \$109,913.

Employees' Retirement System of Georgia ("ERS")

Plan description - This plan is not available to existing or new employees of the School District unless an employee already is a member of the plan. ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by the ERS Board of Trustees. Title 47 of the OCGA assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided - The ERS Plan supports three benefit tiers: old plan, new plan, and Georgia State Employees' Pension and Savings Plan ("GSEPS"). Employees under the old plan started membership prior to July 1, 1982 and are subject to 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 modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the old or new plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the 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.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans - Continued

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also 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.

Contributions - 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 School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan totaled \$13,976 for the current fiscal year.

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

At June 30, 2017, the School District reported a liability of \$75,133,932 for its proportionate share of the net pension liability for TRS (\$75,023,193) and ERS (\$110,739).

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amounts recognized by the School District as its proportionate share of the net pension liability, the related state of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's proportionate share of the net pension liability - TRS	\$ 75,023,193
State of Georgia's proportionate share of the net pension liability associated with the School District - TRS	<u>495,147</u>
Total	<u>\$ 75,518,340</u>

The net pension liability for TRS and ERS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2016.

At June 30, 2016, the School District's proportion of the TRS net pension liability was 0.363641%, which was an increase of 0.003876% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's proportion of the ERS net pension liability was 0.002341%, which was an increase of 0.000067% from its proportion measured as of June 30, 2015.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans - Continued

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the state of Georgia, which is responsible for the net pension liability of the plan. The amount of the state's proportionate share of the net pension liability associated with the School District is \$670,455.

The net pension liability for PSERS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The state's proportion of the net pension liability associated with the School District was based on actuarially determined contributions to PSERS paid by the state during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of \$2,249,866 for TRS, \$109,913 for PSERS, and \$6,150 for ERS. The School District recognized revenue of \$51,583 for TRS and \$109,913 for PSERS for support provided by the State of Georgia for certain support personnel.

At June 30, 2017, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,117,643	\$ 370,990	\$ -	\$ 256
Changes of assumptions	1,944,498	-	938	-
Net difference between projected and actual earnings on pension plan investments	9,490,743	-	11,259	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,812,764	1,188,889	1,657	1,642
District contributions subsequent to the measurement date	6,023,198	-	13,976	-
Total	<u>\$ 20,388,846</u>	<u>\$ 1,559,879</u>	<u>\$ 27,830</u>	<u>\$ 1,898</u>

School District contributions subsequent to the measurement date of \$6,023,198 for TRS and \$13,976 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	TRS	ERS
2018	\$ 1,733,471	\$ 812
2019	1,733,467	1,311
2020	5,414,553	6,070
2021	3,753,655	3,763
2022	170,623	-
Thereafter	-	-

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans - Continued

Actuarial Assumptions - The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

TRS:

Inflation	2.75%
Salary increases	3.25% - 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

PSERS:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the PSERS System. Based on the results of the most recent experience study adopted by the PSERS Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans - Continued

ERS:

Inflation	2.75%
Salary increases	3.25% - 7.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the ERS System. Based on the results of the most recent experience study adopted by the ERS Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return *
Fixed income	30.00%	-0.50%
Domestic large equities	37.20%	9.00%
Domestic mid equities	3.40%	12.00%
Domestic small equities	1.40%	13.50%
International developed market equities	17.80%	8.00%
International emerging market equities	5.20%	12.00%
Alternative	<u>5.00%</u>	10.50%
Total	<u>100.00%</u>	

* Rates shown are net of the 2.75% assumed rate of inflation

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 8 Retirement Plans - Continued

Discount Rate - The discount rate used to measure the total TRS, PSERS, and ERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, PSERS, and ERS pension plans' fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

TRS:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 116,774,525	\$ 75,023,193	\$ 40,647,853

ERS:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School District's proportionate share of the net pension liability	\$ 150,072	\$ 110,739	\$ 77,220

Pension Plan Fiduciary Net Position - Detailed information about the TRS, PSERS, and ERS pension plans' fiduciary net positions is available in the separately issued financial reports which are publically available at www.trsga.com/publications and www.ers.ga.gov/formspubs/formspubs.

Note 9 Defined Contribution Plans

The School District offers an employer paid 403(b) annuity plan for the group of employees covered under the PSERS. Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the School Board's desire to supplement the retirement of this group.

The School District selected the Variable Annuity Life Insurance Company ("VALIC") as the provider of this plan. For each employee covered under PSERS who makes an election to participate, the School District contributes 1% of the employee's base pay. In addition, the School District makes matching contributions equal to 50% of the first 4% of employee compensation deferred. Employee contributions vest immediately and School District contributions become vested at the end of the 3rd year. All contributions are 100% vested upon employee death or disability.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 9 Defined Contribution Plans - Continued

Distributions to an employee may not be made earlier than the earliest date on which the employee has a severance from employment, dies, becomes disabled, or attains age 59½. Hardship withdrawals and loans from the plan are permitted under certain circumstances. Employer contributions for the current and preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 42,857
2016	100%	33,956
2015	100%	32,525

The School District offers a second 403(b) annuity plan for all employees who are not students regularly attending classes at the School District and who are not non-resident aliens. Recognizing that employees may want to contribute additional funds to their retirement accounts, it was the School Board's desire to offer an additional, non-contributory option for employees.

The School District selected the Variable Annuity Life Insurance Company ("VALIC") as the provider of this plan. Most employees of the School District are eligible to participate. The School District does not make contributions to this plan. Distributions to an employee may not be made earlier than the earliest date on which the employee has a severance from employment, dies, becomes disabled, or attains age 59½. Hardship withdrawals and loans from the plan are permitted under certain circumstances.

The School District offers a 457(b) deferred compensation plan for all employees of the School District. Recognizing that employees may want to contribute additional funds to their retirement accounts, it was the School Board's desire to offer an additional, non-contributory option for employees.

The School District selected the Variable Annuity Life Insurance Company ("VALIC") as the provider of this plan. All employees of the School District are eligible to participate. The School District does not make contributions to this plan. Distributions to an employee may not be made earlier than the earliest date on which the employee has a severance from employment, dies, becomes disabled, or attains age 70½. Unforeseeable emergency withdrawals, distributions to individuals in uniformed services, and loans from the plan are permitted under certain circumstances.

Note 10 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. Additional information about the School OPEB Fund is disclosed in the State of Georgia Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audit and Accounts at <https://www.audits.ga.gov/rsaAudits/viewMain.aud>.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 10 Post-Employment Benefits - Continued

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, 2017: For certificated teachers, librarians, and regional educational service agencies and certain other eligible participants, for the period July 1, 2016 through June 30, 2017, the contribution rate was \$945.00 per member per month. For non-certificated school personnel, for the period July 1, 2016 through December 31, 2016, the contribution rate was \$746.20 per member per month and for the period for the period January 1, 2017 through June 30, 2017, the contribution rate was \$846.20 per member per month.

No additional contribution was required by the Board of Community Health for fiscal year 2017 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.

The School District's combined active and retiree contributions to the health insurance plans for the current fiscal year and the preceding two fiscal years are as follows:

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	\$ 8,590,306
2016	100%	8,087,694
2015	100%	7,522,901

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 11 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 liabilities 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
2017	\$ -	\$ -	\$ -	\$ -
2016	-	7,304	(7,304)	-
2015	-	17,428	(17,428)	-

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
2016	\$ -	\$ 124,300	\$ (124,300)	\$ -
2015	-	126,500	(126,500)	-
2014	-	138,000	(138,000)	-

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 12 Operating Leases

The School District has entered into various leases as lessee for office and computer equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2017 totaled \$553,869. 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
2018	\$ 73,827
2019	39,534
2020	13,814
2021	7,065
2022 and thereafter	-
	<u>\$ 134,240</u>

Note 13 Commitments and Contingencies

The School District is involved in legal matters as of the fiscal year ended June 30, 2017 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.

Amounts received or receivable principally from the federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. Any disallowances resulting from the grantor audit may become a liability of the School District. However, the School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is committed under outstanding construction contracts in the capital projects fund and the ESPLOST capital projects fund in the amount of \$3,164,176. Construction contracts include expansion and renovation of facilities at Dalton High School and Westwood Elementary School.

Note 14 Tax Abatements

The School District property tax revenues were reduced due to certain tax abatements in effect during the year. The information 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 Dalton-Whitfield Joint Development Authority (a joint venture between the City and Whitfield County) has entered into several agreements for abatement of property taxes. The JDA provides tax incentives, based upon certain criteria, to potential and existing entities for the purpose of furthering economic growth in the Dalton-Whitfield area. The JDA is not a taxing authority. The tax abatements offered are abatements of Whitfield County, Georgia property tax and City of Dalton, Georgia property tax. Whitfield County and the City of Dalton must approve the tax incentive agreements prior to their execution.

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

Note 14 Tax Abatements - Continued

The criteria that makes an entity eligible for tax abatements through the JDA include providing new capital investment and/or new jobs in the Dalton-Whitfield area. The amount of the tax abatement transaction is determined based upon a specified rubric. Planned new jobs, community investment, diversification, wage levels, project location, and other factors are considered in determining the amount of tax abatement offered to an entity. The tax abatement period for a project can last up to fifteen years.

The entity must be willing to enter into a contractual agreement with the JDA and willing to enter into a bond financed sale leaseback transaction (“Industrial Revenue Bonds”) which transfers title to improvements (land, buildings, equipment) during the life of the tax deferment/abatement plan to the JDA, as provided by Georgia state law. The local taxing jurisdictions and the public receive notice of the title transfer pursuant to an Industrial Revenue Bond validation.

Entities with tax abatements are required to file an annual report with the JDA which certifies the number of jobs created, the cumulative amount of capital investment, and other applicable measurements. In the event the entity fails to meet specified goals, a percentage method described in each agreement is used to determine the shortfall. The shortfall percentage is multiplied by the amount of taxes abated for the year for the project to arrive at a recovery payment. The recovery payment is due with the annual report.

Five tax abatement agreements are outstanding as of December 31, 2016. Reductions in tax revenues attributable to local governments are as follows:

<u>Government Entity</u>	<u>2016 Tax Reduction</u>
City of Dalton, Georgia	\$ 89,742
Whitfield County, Georgia	1,100,573
City of Dalton Board of Education	293,650
Whitfield County Board of Education	1,563,326

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.363641%	\$ 75,023,193	\$ 495,147	\$ 75,518,340	\$ 41,307,791	182.82%	76.06%
2016	0.359765%	54,770,649	330,970	55,101,619	37,240,649	147.96%	81.44%
2015	0.371104%	46,884,096	257,474	47,141,570	38,273,408	123.17%	84.03%

Note: Schedule is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 3,643,580	\$ 3,652,949	\$ 3,621,060	\$ 3,235,692	\$ 3,497,210	\$ 4,066,616	\$ 4,649,208	\$ 4,998,947	\$ 5,706,496	\$ 5,691,991
Contributions in relation to the contractually required contribution	<u>3,643,580</u>	<u>3,652,949</u>	<u>3,621,060</u>	<u>3,235,692</u>	<u>3,497,210</u>	<u>4,066,616</u>	<u>4,649,208</u>	<u>4,998,947</u>	<u>5,706,496</u>	<u>5,691,991</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$39,496,991	\$39,032,755	\$37,152,023	\$34,391,833	\$34,225,641	\$35,909,214	\$38,048,070	\$38,273,408	\$37,240,659	\$41,307,791
Contributions as a percentage of covered-employee payroll	9.22%	9.36%	9.75%	9.41%	10.22%	11.32%	12.22%	13.06%	15.32%	13.78%

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
TEACHERS RETIREMENT SYSTEM OF GEORGIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the TRS Board adopted recommended changes to the economic and demographic assumptions utilized by the TRS System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Morality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males).

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.000000%	\$ -	\$ 670,455	\$ 670,455	\$ 2,461,735	27.24%	81.00%
2016	0.000000%	-	436,926	436,926	2,976,612	14.68%	87.00%
2015	0.000000%	-	344,463	344,463	1,921,743	17.92%	88.29%

Note: Schedule is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Morality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and morality were adjusted to more closely reflect actual experience.

On December 17, 2015, the PSERS Board adopted recommended changes to the economic and demographic assumptions utilized by the PSERS System. Primary among the changes were the updates to rates of morality, retirement, and withdrawal. The expectation of retired life mortality was changed to the RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.002341%	\$ 110,739	\$ -	\$ 110,739	\$ 56,232	196.93%	72.34%
2016	0.002274%	92,129	-	92,129	54,643	168.60%	76.20%
2015	0.002450%	91,890	-	91,890	51,992	176.74%	77.99%

Note: Schedule is intended to show information for the last ten fiscal years. Additional years will be displayed as they become available.

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 4,704	\$ 5,437	\$ 5,429	\$ 5,225	\$ 5,746	\$ 7,299	\$ 9,565	\$ 11,417	\$ 13,512	\$ 13,453
Contributions in relation to the contractually required contribution	<u>4,704</u>	<u>5,437</u>	<u>5,429</u>	<u>5,225</u>	<u>5,746</u>	<u>7,299</u>	<u>9,565</u>	<u>11,417</u>	<u>13,512</u>	<u>13,453</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 49,295	\$ 52,200	\$ 52,043	\$ 50,188	\$ 49,407	\$ 49,887	\$ 51,992	\$ 51,992	\$ 54,643	\$ 56,232
Contributions as a percentage of covered-employee payroll	9.54%	10.42%	10.43%	10.41%	11.63%	14.63%	18.40%	21.96%	24.73%	23.92%

CITY OF DALTON BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
EMPLOYEES' RETIREMENT SYSTEM
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Changes of assumptions: On December 17, 2015, the ERS Board adopted recommended changes to the economic and demographic assumptions utilized by the ERS System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal, and salary increases.

CITY OF DALTON BOARD OF EDUCATION
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

School Food Services	To account for the monies and commodities received from the federal and state governments and 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.

DEBT SERVICE FUND

Debt Service	To account for the monies received from various sources for the purpose of servicing District debts outstanding.
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CITY OF DALTON BOARD OF EDUCATION
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor
	School Food	Lottery	Debt Service	Governmental
	<u>Services</u>	<u>Programs</u>	<u>Fund</u>	<u>Funds</u>
Assets				
Cash	\$ 1,666,347	\$ -	\$ -	\$ 1,666,347
Intergovernmental receivables	191,464	-	-	191,464
Due from other funds	115,542	172,787	54	288,383
Inventory	206,855	-	-	206,855
Restricted assets - investments	-	-	2,007,958	2,007,958
Total assets	<u>\$ 2,180,208</u>	<u>\$ 172,787</u>	<u>\$ 2,008,012</u>	<u>\$ 4,361,007</u>
Liabilities				
Accounts payable	\$ 190,593	\$ 16,857	\$ 11	\$ 207,461
Salaries payable	141,692	127,905	-	269,597
Unearned revenue	-	28,025	-	28,025
Total liabilities	<u>332,285</u>	<u>172,787</u>	<u>11</u>	<u>505,083</u>
Fund balances				
Nonspendable	206,855	-	-	206,855
Restricted	1,641,068	-	2,008,001	3,649,069
Total fund balances	<u>1,847,923</u>	<u>-</u>	<u>2,008,001</u>	<u>3,855,924</u>
Total liabilities and fund balances	<u>\$ 2,180,208</u>	<u>\$ 172,787</u>	<u>\$ 2,008,012</u>	<u>\$ 4,361,007</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, 2017

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>School Food Services</u>	<u>Lottery Programs</u>	<u>Debt Service</u>	
Revenues				
Federal sources	\$ 4,642,004	\$ 10,054	\$ -	\$ 4,652,058
State sources	129,410	1,456,337	-	1,585,747
Local sources and other funds	650,968	-	59,003	709,971
Total revenues	<u>5,422,382</u>	<u>1,466,391</u>	<u>59,003</u>	<u>6,947,776</u>
Expenditures				
Current:				
Instruction	-	1,437,522	-	1,437,522
Support services:				
Pupil services	-	11,719	-	11,719
Improvement of instructional services	-	5,216	-	5,216
School administration	-	4,399	-	4,399
Student transportation services	-	26,590	-	26,590
Food services operations	5,248,698	-	-	5,248,698
Capital outlay:				
Food services operations	101,774	-	-	101,774
Total expenditures	<u>5,350,472</u>	<u>1,485,446</u>	<u>-</u>	<u>6,835,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>71,910</u>	<u>(19,055)</u>	<u>59,003</u>	<u>111,858</u>
Other financing sources (uses)				
Transfers in	-	21,832	150,000	171,832
Transfers out	(4,011)	-	-	(4,011)
Total other financing sources (uses)	<u>(4,011)</u>	<u>21,832</u>	<u>150,000</u>	<u>167,821</u>
Net change in fund balances	67,899	2,777	209,003	279,679
Fund balances, beginning of year	<u>1,780,024</u>	<u>(2,777)</u>	<u>1,798,998</u>	<u>3,576,245</u>
Fund balances, end of year	<u>\$ 1,847,923</u>	<u>\$ -</u>	<u>\$ 2,008,001</u>	<u>\$ 3,855,924</u>

BUDGETARY COMPARISON SCHEDULES

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
SCHOOL FOOD SERVICES SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ 4,650,120	\$ 4,650,120	\$ 4,642,004	\$ (8,116)
State sources	123,400	123,400	129,410	6,010
Local sources and other funds	539,870	539,870	650,968	111,098
Total revenues	<u>5,313,390</u>	<u>5,313,390</u>	<u>5,422,382</u>	<u>108,992</u>
Expenditures				
Current:				
Food services operations	5,604,943	5,604,943	5,248,698	356,245
Capital outlay:				
Food services operations	<u>102,000</u>	<u>102,000</u>	<u>101,774</u>	<u>226</u>
Total expenditures	<u>5,706,943</u>	<u>5,706,943</u>	<u>5,350,472</u>	<u>356,471</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(393,553)</u>	<u>(393,553)</u>	<u>71,910</u>	<u>465,463</u>
Other financing sources (uses)				
Transfers out	<u>-</u>	<u>-</u>	<u>(4,011)</u>	<u>(4,011)</u>
Net change in fund balances	<u>\$ (393,553)</u>	<u>\$ (393,553)</u>	67,899	<u>\$ 461,452</u>
Fund balance, beginning of year			<u>1,780,024</u>	
Fund balance, end of year			<u>\$ 1,847,923</u>	

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
LOTTERY PROGRAMS SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	\$ -	\$ -	\$ 10,054	\$ 10,054
State sources	1,320,096	1,345,096	1,456,337	111,241
Total revenues	<u>1,320,096</u>	<u>1,345,096</u>	<u>1,466,391</u>	<u>121,295</u>
Expenditures				
Current:				
Instruction	1,444,139	1,473,939	1,437,522	36,417
Support services:				
Pupil services	-	-	11,719	(11,719)
Improvement of instructional services	4,000	4,000	5,216	(1,216)
School administration	-	-	4,399	(4,399)
Student transportation services	-	-	26,590	(26,590)
Total expenditures	<u>1,448,139</u>	<u>1,477,939</u>	<u>1,485,446</u>	<u>(7,507)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(128,043)</u>	<u>(132,843)</u>	<u>(19,055)</u>	<u>113,788</u>
Other financing sources (uses)				
Transfers in	<u>128,043</u>	<u>28,043</u>	<u>21,832</u>	<u>(6,211)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (104,800)</u>	2,777	<u>\$ 107,577</u>
Fund balance, beginning of year			<u>(2,777)</u>	
Fund balance, end of year			<u>\$ -</u>	

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		
Revenues				
Local sources and other funds	\$ -	\$ -	\$ 59,003	\$ 59,003
Total revenues	-	-	59,003	59,003
Other financing sources (uses)				
Transfers in	150,000	150,000	150,000	-
Net change in fund balances	\$ 150,000	\$ 150,000	209,003	\$ 59,003
Fund balance, beginning of year			1,798,998	
Fund balance, end of year			\$ 2,008,001	

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget			
	Original	Final	Actual	Variance
Revenues				
State sources	\$ 898,592	\$ 898,592	\$ 808,733	\$ (89,859)
Local sources and other funds	-	-	15,840	15,840
Total revenues	<u>898,592</u>	<u>898,592</u>	<u>824,573</u>	<u>(74,019)</u>
Expenditures				
Current:				
Instruction	213,848	1,171,291	1,171,291	-
Capital outlay:				
Instruction	<u>2,800,000</u>	<u>2,853,456</u>	<u>2,853,456</u>	<u>-</u>
Total expenditures	<u>3,013,848</u>	<u>4,024,747</u>	<u>4,024,747</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,115,256)</u>	<u>(3,126,155)</u>	<u>(3,200,174)</u>	<u>(74,019)</u>
Other financing sources (uses)				
Transfers in	-	1,646,901	1,646,901	-
Total other financing sources (uses)	<u>-</u>	<u>1,646,901</u>	<u>1,646,901</u>	<u>-</u>
Net change in fund balances	<u>\$ (2,115,256)</u>	<u>\$ (1,479,254)</u>	<u>(1,553,273)</u>	<u>\$ (74,019)</u>
Fund balance, beginning of year			<u>3,004,498</u>	
Fund balance, end of year			<u>\$ 1,451,225</u>	

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
EDUCATION SPECIAL PURPOSE LOCAL OPTION SALES TAX CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	Budget		Actual	Variance
	Original	Final		
Revenues				
State sources	\$ 2,700,000	\$ 2,700,000	\$ 2,725,016	\$ 25,016
Local sources and other funds	5,220,000	5,220,000	6,865,489	1,645,489
Total revenues	<u>7,920,000</u>	<u>7,920,000</u>	<u>9,590,505</u>	<u>1,670,505</u>
Expenditures				
Current:				
Instruction	4,791,517	1,166,783	1,166,782	1
Support services:				
Business administration	500	468	468	-
Capital outlay:				
Instruction	<u>6,982,014</u>	<u>11,218,380</u>	<u>11,218,380</u>	<u>-</u>
Total expenditures	<u>11,774,031</u>	<u>12,385,631</u>	<u>12,385,630</u>	<u>1</u>
Net change in fund balances	<u>\$ (3,854,031)</u>	<u>\$ (4,465,631)</u>	(2,795,125)	<u>\$ 1,670,506</u>
Fund balance, beginning of year			<u>4,661,051</u>	
Fund balance, end of year			<u>\$ 1,865,926</u>	

CITY OF DALTON BOARD OF EDUCATION
AGENCY FUNDS

AGENCY FUNDS

Student Activity	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, 2017

	Student Activity	Family Connection	Total
Assets			
Intergovernmental receivable	\$ -	\$ 21,974	\$ 21,974
Due from others	<u>15,019</u>	<u>-</u>	<u>15,019</u>
Total assets	<u>\$ 15,019</u>	<u>\$ 21,974</u>	<u>\$ 36,993</u>
Liabilities			
Accounts payable	\$ 1,648	\$ 3,912	\$ 5,560
Due to others	<u>13,371</u>	<u>18,062</u>	<u>31,433</u>
Total liabilities	<u>\$ 15,019</u>	<u>\$ 21,974</u>	<u>\$ 36,993</u>

CITY OF DALTON BOARD OF EDUCATION
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2017</u>
<u>Student Activity Agency Fund</u>				
Assets				
Due from others	\$ 7,527	\$ 15,019	\$ (7,527)	\$ 15,019
Total assets	<u>\$ 7,527</u>	<u>\$ 15,019</u>	<u>\$ (7,527)</u>	<u>\$ 15,019</u>
Liabilities				
Accounts payable	\$ -	\$ 448,142	\$ (446,494)	\$ 1,648
Due to others	<u>7,527</u>	<u>884,660</u>	<u>(878,816)</u>	<u>13,371</u>
Total liabilities	<u>\$ 7,527</u>	<u>\$ 1,332,802</u>	<u>\$ (1,325,310)</u>	<u>\$ 15,019</u>
<u>Family Connection Agency Fund</u>				
Assets				
Intergovernmental receivable	\$ 14,979	\$ 21,974	\$ (14,979)	\$ 21,974
Total assets	<u>\$ 14,979</u>	<u>\$ 21,974</u>	<u>\$ (14,979)</u>	<u>\$ 21,974</u>
Liabilities				
Accounts payable	\$ 169	\$ 51,933	\$ (48,190)	\$ 3,912
Due to others	<u>14,810</u>	<u>91,015</u>	<u>(87,763)</u>	<u>18,062</u>
Total liabilities	<u>\$ 14,979</u>	<u>\$ 142,948</u>	<u>\$ (135,953)</u>	<u>\$ 21,974</u>

CITY OF DALTON BOARD OF EDUCATION
STATISTICAL SECTION

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	<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>	<u>June 30, 2015</u>	<u>June 30, 2016</u>	<u>June 30, 2017</u>
Governmental activities										
Net investment in capital assets	\$58,769,014	\$66,799,011	\$67,290,901	\$72,193,602	\$ 77,879,278	\$ 79,384,982	\$ 86,072,735	\$87,198,771	\$86,346,281	\$96,980,329
Restricted	17,119,101	14,646,535	11,622,778	8,250,591	2,787,633	3,699,964	2,899,660	6,655,288	8,240,073	5,721,850
Unrestricted	<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>	<u>(37,742,350)</u>	<u>(35,157,728)</u>	<u>(38,349,621)</u>
Total governmental activities	<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>	<u>\$56,111,709</u>	<u>\$59,428,626</u>	<u>\$64,352,558</u>
 Total percentage increase (decrease) from prior year	 8.7%	 1.7%	 5.5%	 9.0%	 3.2%	 1.0%	 1.5%	 -46.7%	 5.9%	 8.3%
Governmental activities										
Net investment in capital assets	69.1%	77.2%	73.7%	72.6%	75.9%	76.6%	81.8%	155.4%	145.3%	150.7%
Restricted	20.1%	16.9%	12.7%	8.3%	2.7%	3.6%	2.8%	11.9%	13.9%	8.9%
Unrestricted	<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>	<u>-67.3%</u>	<u>-59.2%</u>	<u>-59.6%</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>	<u>100.0%</u>

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

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Instruction	\$ 45,510,301	\$ 46,897,774	\$ 44,949,020	\$ 44,647,133	\$ 45,393,555	\$ 47,580,376	\$ 50,572,344	\$ 50,861,687	\$ 54,895,190	\$ 58,565,381
Support services:										
Pupil services	3,010,776	2,663,130	2,139,030	2,064,431	2,032,560	2,085,994	1,975,150	2,128,873	2,748,117	3,318,715
Improvement of instructional services	1,953,519	2,521,532	2,593,505	2,046,951	2,475,309	2,726,507	2,883,481	2,780,454	3,032,881	3,429,890
Educational media services	1,216,252	1,121,176	1,164,142	1,125,302	1,144,128	1,187,723	1,246,295	1,259,964	1,290,672	1,441,572
General administration	651,384	784,947	897,271	928,161	814,072	806,152	746,813	753,349	833,106	931,583
School administration	2,805,057	2,942,937	3,051,347	2,994,948	2,841,510	3,640,280	3,694,235	3,620,947	4,079,082	4,523,925
Business administration	727,347	662,597	676,402	481,918	535,627	565,161	584,065	587,823	592,845	649,173
Maintenance and operation of plant	4,388,784	4,367,999	4,748,609	4,126,720	4,133,004	4,423,979	4,854,873	5,096,051	5,388,309	6,016,108
Student transportation services	2,832,119	2,768,436	2,870,261	2,261,218	2,414,863	2,567,920	2,606,202	2,757,701	2,890,595	3,046,111
Central support services	3,593,682	2,442,992	2,586,306	2,155,085	2,352,961	1,996,949	2,153,085	2,235,385	2,181,976	2,235,543
Other support services	85,898	86,832	504,600	628,540	764,161	845,862	836,956	954,209	254,582	20,672
Food services operations	3,759,191	4,097,768	4,824,835	4,735,358	5,026,568	5,156,674	4,371,273	4,743,677	5,346,794	5,438,396
Community services operations	145,297	115,038	298,337	152,171	190,296	280,921	295,762	322,108	462,081	439,096
Interest on long-term debt	1,035,443	1,350,650	906,574	632,891	318,232	27,982	33,838	13,444	-	-
Total governmental activities expenses	<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>	<u>\$ 78,115,672</u>	<u>\$ 83,996,230</u>	<u>\$ 90,056,165</u>

(continued)

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

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Program revenues										
Charges for services										
Instruction	\$ 230,966	\$ 226,809	\$ 244,607	\$ 251,965	\$ 239,459	\$ 250,285	\$ 268,423	\$ 299,356	\$ 353,807	\$ 372,314
Food services										
operations	451,413	460,373	418,602	420,374	432,010	475,055	457,594	454,878	533,205	650,968
Operating grants and contributions										
Instruction	23,751,474	22,819,300	23,395,247	27,086,531	27,070,281	27,296,972	27,785,038	30,933,840	31,550,519	33,210,692
Support services:										
Pupil services	2,184,571	1,304,391	1,371,667	1,504,415	1,407,349	1,508,823	1,278,059	1,454,752	1,748,904	2,138,484
Improvement of instructional services	1,363,071	1,900,318	2,121,052	1,785,857	2,051,518	2,306,149	2,352,230	2,471,783	2,595,722	2,718,070
Educational media services	625,222	531,146	631,006	724,266	685,612	697,969	697,697	791,286	789,452	865,847
General administration	421,680	451,812	707,136	709,824	702,771	600,848	539,728	553,495	595,611	662,303
School administration	1,427,594	1,392,830	1,620,076	1,895,026	1,702,757	2,145,252	2,066,407	2,283,137	2,482,106	2,707,972
Business administration	360,041	310,950	354,786	300,979	284,591	332,098	326,715	365,512	361,555	387,577
Maintenance and operation of plant	2,714,929	1,892,957	3,129,566	2,534,933	2,553,368	2,606,783	2,688,910	3,028,526	3,137,371	3,544,765
Student transportation services	1,448,881	1,327,258	1,524,726	1,427,219	1,402,828	1,566,092	1,534,176	1,772,435	1,763,441	1,912,081
Central support services	1,844,231	1,177,297	1,320,032	1,314,349	1,367,957	1,180,330	1,226,600	1,398,222	1,330,345	1,341,362
Other support services	55,098	254,631	485,437	635,373	447,884	516,801	538,210	637,394	215,412	26,779
Food services operation	3,395,611	3,797,153	4,114,791	4,046,845	4,387,677	4,415,718	4,432,080	4,427,618	4,726,731	4,771,414
Community services operations	74,080	54,228	224,367	123,745	114,034	165,084	165,573	197,979	274,322	268,991

(continued)

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

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital grants and contributions										
Instruction	-	-	-	-	-	-	-	976,572	166,584	3,533,749
Total governmental activities program revenues	<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>	<u>\$ 52,046,785</u>	<u>\$ 52,625,087</u>	<u>\$ 59,113,368</u>
Net revenues (expenses) of governmental activities	<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>	<u>\$(26,068,887)</u>	<u>\$(31,371,143)</u>	<u>\$(30,942,797)</u>
General revenues and other changes in net position										
Property taxes	\$ 29,644,818	\$ 29,352,719	\$ 28,173,650	\$ 26,728,746	\$ 26,154,663	\$ 24,597,936	\$ 25,061,074	\$ 26,564,495	\$ 27,488,278	\$ 26,991,566
Other taxes	6,199,129	5,704,504	5,560,456	5,511,970	2,511,047	4,165,496	6,858,792	7,486,273	7,067,110	8,688,339
Unrestricted investment earnings	1,846,208	1,135,942	536,398	213,156	78,177	72,263	67,113	84,217	132,672	186,824
Other	<u>453,185</u>	<u>144,254</u>	<u>1,018,349</u>	-	-	-	<u>84,000</u>	-	-	-
Total governmental activities general revenues and other changes in net position	<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>	<u>\$ 34,134,985</u>	<u>\$ 34,688,060</u>	<u>\$ 35,866,729</u>
Change in net position of governmental activities	<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>	<u>\$ 8,066,098</u>	<u>\$ 3,316,917</u>	<u>\$ 4,923,932</u>

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

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017
General fund										
Assigned	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 683,991	\$ 795,298	\$ 887,697
Unassigned	<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>	<u>13,283,271</u>	<u>14,153,019</u>	<u>14,190,476</u>
Total general fund	<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>	<u>\$ 13,967,262</u>	<u>\$ 14,948,317</u>	<u>\$ 15,078,173</u>
Other governmental funds										
Nonspendable	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557	\$ 176,335	\$ 175,820	\$ 135,067	\$ 166,277	\$ 206,855
Restricted	28,373,340	22,224,643	12,685,883	9,082,829	3,510,645	4,102,366	2,730,533	6,520,221	8,073,796	5,514,995
Committed	9,096,420	7,774,668	7,739,821	7,222,213	7,319,827	6,531,842	4,557,368	3,671,470	3,004,498	1,451,225
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,777)</u>	<u>(2,777)</u>	<u>(55,601)</u>	<u>(2,777)</u>	<u>(2,777)</u>	<u>(6,788)</u>	<u>-</u>
Total other governmental funds	<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>	<u>\$ 10,323,981</u>	<u>\$ 11,237,783</u>	<u>\$ 7,173,075</u>
Total governmental funds										
Nonspendable	\$ 146,350	\$ 149,487	\$ 216,462	\$ 193,984	\$ 206,557	\$ 176,335	\$ 175,820	\$ 135,067	\$ 166,277	\$ 206,855
Restricted	28,373,340	22,224,643	12,685,883	9,082,829	3,510,645	4,102,366	2,730,533	6,520,221	8,073,796	5,514,995
Committed	9,096,420	7,774,668	7,739,821	7,222,213	7,319,827	6,531,842	4,557,368	3,671,470	3,004,498	1,451,225
Assigned	-	-	-	-	-	-	-	683,991	795,298	887,697
Unassigned	<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>	<u>13,280,494</u>	<u>14,146,231</u>	<u>14,190,476</u>
Total governmental funds	<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>	<u>\$ 24,291,243</u>	<u>\$ 26,186,100</u>	<u>\$ 22,251,248</u>
Total percentage change from prior year	5.4%	-26.2%	-28.1%	12.7%	-10.3%	-0.3%	-21.0%	31.7%	7.8%	-15.0%

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

For the fiscal year ended June 30,										
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Federal sources	\$ 7,135,135	\$ 7,883,717	\$ 11,912,377	\$ 10,890,836	\$ 10,957,048	\$ 10,585,410	\$ 10,255,959	\$ 10,622,540	\$ 10,357,558	\$ 11,036,541
State sources	30,399,890	27,523,761	27,112,298	31,350,005	31,573,612	29,149,988	30,284,471	38,875,730	39,259,759	44,735,937
Local sources and other funds	39,734,896	38,567,366	36,680,321	34,540,213	30,943,436	31,509,444	34,557,040	36,791,630	37,385,607	38,940,404
On behalf payments	<u>962,597</u>	<u>424,335</u>	<u>110,304</u>	<u>128,489</u>	<u>71,770</u>	<u>4,100,644</u>	<u>3,557,571</u>	<u>112,150</u>	<u>121,050</u>	<u>120,805</u>
Total revenues	<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>	<u>86,402,050</u>	<u>87,123,974</u>	<u>94,833,687</u>
Expenditures										
Current										
Instruction	44,006,369	45,104,125	42,687,509	41,374,888	42,543,394	44,607,472	47,577,952	48,669,473	53,109,892	53,506,820
Support services:										
Pupil services	3,013,405	2,663,190	2,141,604	2,064,431	2,032,560	2,085,994	1,975,150	2,163,387	2,804,564	3,249,867
Improvement of instructional services	1,940,245	2,516,004	2,590,228	2,039,938	2,473,849	2,725,783	2,883,481	2,828,532	3,110,961	3,321,170
Educational media services	1,216,252	1,121,176	1,164,142	1,125,302	1,144,128	1,187,723	1,246,295	1,287,406	1,329,792	1,393,858
General administration	650,939	782,990	900,976	928,161	814,072	806,152	746,813	764,193	846,690	909,871
School administration	2,799,981	2,948,640	3,053,434	2,994,948	2,841,510	3,638,401	3,691,219	3,678,328	4,168,308	4,336,826
Business administration	732,183	660,197	680,708	481,918	535,627	565,161	584,065	595,146	602,654	633,141
Maintenance and operation of plant	4,045,718	4,036,606	4,705,445	4,118,159	4,113,696	4,404,849	4,785,545	4,927,346	5,212,426	5,690,595
Student transportation services	2,832,119	2,768,436	2,870,261	2,261,218	2,414,863	2,567,920	2,606,202	2,757,701	2,890,595	3,046,111
Central support services	3,613,207	2,388,110	2,523,088	2,088,242	2,286,163	1,996,949	2,153,085	2,266,008	2,230,557	2,176,290
Other support services	85,898	86,832	504,600	628,540	764,161	795,696	806,730	921,447	234,839	43,713
Food services operations	3,772,330	3,972,096	4,624,064	4,567,929	4,859,687	4,989,745	4,196,912	4,533,856	5,175,005	5,248,698
Community services operations	145,297	115,038	298,337	152,171	190,296	280,921	295,762	322,108	462,081	439,096

(continued)

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

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital outlay	\$ 9,616,024	\$ 8,892,363	\$ 8,326,056	\$ 1,341,309	\$ 1,392,315	\$ 3,411,162	\$ 9,237,120	\$ 4,203,896	\$ 3,050,753	\$ 15,033,634
Debt service:										
Principal retirement	8,415,921	6,490,499	6,811,239	7,085,009	7,390,634	1,298,595	722,208	610,000	-	59,845
Interest and fiscal charges	<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>	<u>20,137</u>	<u>-</u>	<u>-</u>
Total expenditures	<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>	<u>80,548,964</u>	<u>85,229,117</u>	<u>99,089,535</u>
Excess of revenues over (under) expenditures	<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>	<u>5,853,086</u>	<u>1,894,857</u>	<u>(4,255,848)</u>
Other financing sources (uses)										
Capital lease proceeds	12,055,924	-	-	-	-	-	-	-	-	320,996
Transfers in	3,488,874	20,332,508	19,856,334	8,379,297	2,837,389	5,468,660	5,059,702	1,590,050	929,447	1,822,744
Transfers out	<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>	<u>(1,590,050)</u>	<u>(929,447)</u>	<u>(1,822,744)</u>
Total other financing sources (uses)	<u>12,055,924</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>320,996</u>
Net change in fund balances	<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>	<u>\$ 5,853,086</u>	<u>\$ 1,894,857</u>	<u>\$ (3,934,852)</u>
Debt service as a % of noncapital expenditures	12.2%	10.1%	10.2%	10.7%	10.4%	1.9%	1.0%	0.8%	0.0%	0.1%

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

	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Federal sources	\$ 1,079	\$ 1,170	\$ 1,743	\$ 1,555	\$ 1,517	\$ 1,399	\$ 1,331	\$ 1,352	\$ 1,300	\$ 1,355
State sources	4,598	4,086	3,966	4,476	4,370	3,854	3,932	4,947	4,928	5,490
Local sources and other funds	6,010	5,726	5,366	4,931	4,283	4,166	4,486	4,682	4,693	4,779
On behalf payments	146	63	16	18	10	542	462	14	15	15
Total revenues	<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>	<u>10,995</u>	<u>10,937</u>	<u>11,639</u>
Expenditures										
Current:										
Instruction	6,656	6,696	6,245	5,907	5,888	5,897	6,177	6,194	6,667	6,567
Support services	3,165	2,965	3,092	2,674	2,688	2,747	2,788	2,824	2,941	3,044
Food services operation	571	590	676	652	673	660	545	577	650	644
Community services operation:	22	17	44	22	26	37	38	41	58	54
Capital outlay	1,454	1,320	1,218	192	193	451	1,199	535	383	1,845
Debt service	1,447	1,151	1,141	1,113	1,082	177	99	80	-	7
Total expenditures	<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>	<u>10,251</u>	<u>10,699</u>	<u>12,161</u>
Excess of revenues over (under) expenditures	<u>(1,483)</u>	<u>(1,694)</u>	<u>(1,325)</u>	<u>420</u>	<u>(370)</u>	<u>(7)</u>	<u>(635)</u>	<u>745</u>	<u>238</u>	<u>(522)</u>
Other financing sources (uses)										
Capital lease proceeds	<u>1,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>
Net change in fund balances	<u>\$ 340</u>	<u>\$ (1,694)</u>	<u>\$ (1,325)</u>	<u>\$ 420</u>	<u>\$ (370)</u>	<u>\$ (7)</u>	<u>\$ (635)</u>	<u>\$ 745</u>	<u>\$ 238</u>	<u>\$ (483)</u>

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

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

Calendar Year	Real Property	Personal Property	Public Utilities	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
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
2014	2,052,246,308	1,674,478,338	26,323,418	318,453,929	3,434,594,135	8.200
2015	2,082,112,700	1,652,510,636	26,322,153	325,665,644	3,435,279,845	8.200
2016	2,101,523,870	1,554,900,785	25,412,165	310,145,903	3,371,690,917	8.200

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.

CITY OF DALTON BOARD OF EDUCATION
DIRECT AND OVERLAPPING PROPERTY TAX RATES
TEN 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	
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
2014	8.200	2.537	0.950	6.061	17.748
2015	8.200	2.511	0.950	7.061	18.722
2016	8.200	2.506	0.950	9.561	21.217

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.

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

Taxpayer	Calendar Year 2016			Calendar Year 2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Shaw Industries, Inc.	\$ 528,708,229	1	15.7%	\$ 403,382,588	1	11.2%
Mohawk Industries, Inc.	133,859,602	2	4.0%	158,673,521	2	4.4%
Beaulieu of America, Inc.	100,774,639	3	3.0%	77,121,446	3	2.1%
The Peeples Group	96,192,704	4	2.9%	-	NA	0.0%
J & J Industries, Inc.	78,309,913	5	2.3%	70,182,473	4	1.9%
TANDUS Group (formerly Collins & Aikman)	67,120,201	6	2.0%	23,139,790	7	0.6%
Lexmark Carpet Mills, Inc.	36,498,211	7	1.1%	21,427,792	9	0.6%
Shiroki Georgia, LLC	30,231,731	8	0.9%	22,608,841	8	0.6%
Cargill, Inc.	16,388,454	9	0.5%	-	NA	0.0%
Wal-Mart	13,892,106	10	0.4%	-	NA	0.0%
CBL & Associates	-	NA	0.0%	25,120,045	6	0.7%
Windstream (formerly Alltel)	-	NA	0.0%	31,117,509	5	0.9%
Thomas Industries, LLC	-	NA	0.0%	16,850,798	10	0.5%

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
NINE 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%	\$ 978,478	\$ 27,992,995	100.0%
2009	27,859,000	26,904,524	96.6%	938,122	27,842,646	99.9%
2010	25,154,881	24,130,286	95.9%	1,022,065	25,152,351	100.0%
2011	24,774,935	23,961,602	96.7%	811,132	24,772,734	100.0%
2012	25,135,805	24,582,107	97.8%	550,574	25,132,681	100.0%
2013	24,906,297	24,430,803	98.1%	472,115	24,902,918	100.0%
2014	26,465,168	25,915,034	97.9%	533,039	26,448,073	99.9%
2015	27,223,274	26,604,407	97.7%	415,874	27,020,281	99.3%
2016	26,989,808	26,335,721	97.6%	-	26,335,721	97.6%

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

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

Fiscal Year Ended June 30,	Governmental Activities		Percentage of Personal Income	Per Capita
	Capital Leases	Total Primary Government		
2008	\$ 32,408,184	\$ 32,408,184	3.4%	\$ 981
2009	25,917,685	25,917,685	2.7%	776
2010	19,106,446	19,106,446	2.3%	569
2011	12,021,437	12,021,437	1.3%	363
2012	4,630,803	4,630,803	0.6%	139
2013	3,332,208	3,332,208	0.3%	100
2014	2,610,000	2,610,000	0.3%	78
2015	2,000,000	2,000,000	0.2%	60
2016	2,000,000	2,000,000	0.2%	59
2017	2,261,151	2,261,151	Not yet available	Not yet available

Source: Capital leases are disclosed in Note 7 of the Notes to the Basic Financial Statements. Per Capita Personal Income information was provided by the Georgia Department of Labor. Population information was provided by the US Census Bureau.

CITY OF DALTON BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2017
(UNAUDITED)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Direct and Overlapping Debt
Debt repaid with revenues other than property taxes:			
City of Dalton capital lease with Building Authority - Zone Economic Development Bonds	\$ 4,210,000	100.0%	\$ 4,210,000
City of Dalton capital lease with Building Authority - Series 2015 SPLOST Bonds	6,424,546	100.0%	6,424,546
City of Dalton capital leases	233,677	100.0%	233,677
City of Dalton notes payable	159,000	100.0%	159,000
Whitfield County capital lease with Building Authority - Series 2015 SPLOST Bonds	13,922,454	32.3%	4,495,395
Total overlapping debt			15,522,618
City of Dalton Board of Education direct debt			2,261,151
Total direct and overlapping debt			<u>\$ 17,783,769</u>

Source: School Board direct debt is disclosed in Note 7 of the Notes to the Basic Financial Statements. Information about City of Dalton debt is provided by the City of Dalton, Georgia. Information about Whitfield County debt is provided by Whitfield County, Georgia.

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
TEN YEAR SUMMARY
(UNAUDITED)

	Calendar Year									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Debt limit	\$377,209,725	\$ 360,474,151	\$386,288,034	\$361,898,788	\$358,953,829	\$366,434,391	\$362,141,093	\$375,304,806	\$376,094,549	\$368,183,682
Total net debt applicable to limit	<u>2,592,954</u>	<u>1,853,236</u>	<u>1,052,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Legal debt margin	<u>\$374,616,771</u>	<u>\$ 358,620,915</u>	<u>\$385,235,202</u>	<u>\$361,898,788</u>	<u>\$358,953,829</u>	<u>\$366,434,391</u>	<u>\$362,141,093</u>	<u>\$375,304,806</u>	<u>\$376,094,549</u>	<u>\$368,183,682</u>
Total net debt applicable to limit as a % of debt limit	0.7%	0.5%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Legal Debt Margin Calculation
for Calendar Year 2016

Assessed value	\$3,371,690,917
Add: exempt real property	<u>310,145,903</u>
Total assessed value	3,681,836,820
	<u>10%</u>
Debt limit (10% of assessed value)	<u>\$ 368,183,682</u>
Debt applicable to limit	
Total general obligation debt	<u>\$ -</u>
Legal debt margin	<u>\$ 368,183,682</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.

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

Calendar Year	Estimated Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
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	33,128	910,059	27,471	12.4%
2011	33,413	716,041	21,430	12.1%
2012	33,413	953,874	28,548	11.4%
2013	33,414	983,407	29,431	9.2%
2014	33,529	1,028,267	30,668	7.2%
2015	33,853	1,067,689	31,539	5.9%
2016	34,077	Not yet available	Not yet available	6.0%

Source: Per Capita Personal Income and Unemployment Rate information was provided by the Georgia Department of Labor. Population information was provided by the US Census Bureau.

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

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

Taxpayer	Calendar Year 2016			Calendar Year 2007		
	Employees (1)	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	4,685	1	13.7%	6,755	1	20.4%
Mohawk Industries, Inc.	2,186	2	6.4%	2,846	2	8.6%
Hamilton Medical Center	1,984	3	5.8%	1,800	4	5.4%
Dalton Public School System	1,242	4	3.6%	900	5	2.7%
Beaulieu of America, Inc.	1,238	5	3.6%	2,010	3	6.1%
TANDUS Group (formerly Collins & Aikman)	1,119	6	3.3%	859	6	2.6%
City of Dalton, Georgia	697	7	2.0%	831	7	2.5%
J & J Industries, Inc.	695	8	2.0%	731	8	2.2%
The Peeples Group	620	9	1.8%	-	NA	0.0%
Columbia Recycling Corp.	463	10	1.4%	-	NA	0.0%
Pilgrim's Pride Corporation	-	NA	0.0%	515	9	1.6%
Wal-Mart	-	NA	0.0%	413	10	1.2%

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
TEN YEAR SUMMARY
(UNAUDITED)

For the fiscal year ended June 30,										
Grade Level	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
PreKindergarten	219	220	278	272	308	329	334	372	373	371
Elementary School Grades K-5	3,438	3,502	3,558	3,547	3,592	3,664	3,674	3,625	3,592	3,643
Middle School Grades 6-8	1,374	1,411	1,447	1,524	1,623	1,677	1,697	1,727	1,751	1,778
High School Grades 9-12	<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>	<u>2,134</u>	<u>2,250</u>	<u>2,356</u>
Total	<u><u>6,612</u></u>	<u><u>6,736</u></u>	<u><u>6,836</u></u>	<u><u>7,004</u></u>	<u><u>7,225</u></u>	<u><u>7,564</u></u>	<u><u>7,703</u></u>	<u><u>7,858</u></u>	<u><u>7,966</u></u>	<u><u>8,148</u></u>
Percentage Change from Prior Year	2.2%	1.9%	1.5%	2.5%	3.2%	4.7%	1.8%	2.0%	1.4%	2.3%

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

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

For the fiscal year ended June 30,										
Category	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Classroom teachers	507	516	494	459	472	509	535	536	555	563
Support personnel	354	350	340	332	331	343	354	362	375	369
Administrators	<u>33</u>	<u>33</u>	<u>35</u>	<u>34</u>	<u>34</u>	<u>39</u>	<u>40</u>	<u>37</u>	<u>41</u>	<u>40</u>
Total	<u>894</u>	<u>899</u>	<u>869</u>	<u>825</u>	<u>837</u>	<u>891</u>	<u>929</u>	<u>935</u>	<u>971</u>	<u>972</u>
Percentage Change from Prior Year	5.2%	0.6%	-3.3%	-5.1%	1.5%	6.5%	4.3%	0.6%	3.9%	0.1%

Source: Based on October Certified/Classified Personnel information submitted annually to the Georgia Department of Education

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

Fiscal Year Ended June 30,	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
2008	\$ 34,813	\$ 30,816	113%	\$ 78,277	\$ 54,251	\$ 51,466	105%
2009	35,583	31,586	113%	80,046	56,074	52,823	106%
2010	34,784	31,586	110%	78,543	56,497	53,155	106%
2011	32,954	31,586	104%	74,409	54,048	52,871	102%
2012	32,460	31,586	103%	73,296	52,958	53,077	100%
2013	32,817	31,586	104%	74,107	51,714	53,031	98%
2014	33,128	31,586	105%	74,841	52,020	52,973	98%
2015	33,128	31,586	105%	74,841	52,070	53,424	97%
2016	33,856	31,586	107%	76,485	52,777	54,215	97%
2017	34,486	31,586	109%	78,911	53,954	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 2017 was not available at the time of publication.

NA- Not yet available

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

School	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Blue Ridge Elementary School										
Enrollment	561	708	708	713	760	781	734	696	656	672
Teachers	41	52	53	49	52	53	50	48	49	47
Teacher/student ratio	14	14	13	15	15	15	15	15	13	14
Brookwood Elementary School										
Enrollment	482	605	625	626	606	625	648	627	620	678
Teachers	38	47	45	39	40	42	44	46	45	44
Teacher/student ratio	13	13	14	16	15	15	15	14	14	15
City Park Elementary School										
Enrollment	847	717	799	785	786	817	800	836	832	815
Teachers	72	63	61	50	51	56	59	57	59	61
Teacher/student ratio	12	11	13	16	15	15	14	15	14	13
Park Creek Elementary School										
Enrollment	606	687	699	718	747	750	732	762	765	744
Teachers	51	54	54	52	53	58	58	58	62	61
Teacher/student ratio	12	13	13	14	14	13	13	13	12	12
Roan Elementary School										
Enrollment	594	444	440	437	424	442	516	506	489	496
Teachers	52	40	37	35	36	36	40	40	41	41
Teacher/student ratio	11	11	12	12	12	12	13	13	12	12

(continued)

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

<u>School</u>	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Westwood Elementary School										
Enrollment	567	561	565	540	577	578	578	570	603	609
Teachers	41	43	41	34	35	37	36	35	39	38
Teacher/student ratio	14	13	14	16	16	16	16	16	15	16
Dalton Middle School										
Enrollment	1,374	1,411	1,447	1,524	1,623	1,677	1,697	1,727	1,751	1,778
Teachers	93	99	99	101	108	112	122	121	121	126
Teacher/student ratio	15	14	15	15	15	15	14	14	14	14
Dalton High School										
Enrollment	1,581	1,603	1,412	1,473	1,428	1,423	1,640	1,874	1,829	1,995
Teachers	103	108	98	90	82	83	91	99	103	107
Teacher/student ratio	15	15	14	16	17	17	18	19	18	19
Morris Innovative High School (2009)										
Enrollment	-	-	141	188	274	471	358	260	421	361
Teachers	-	-	7	9	16	33	35	31	36	37
Teacher/student ratio	-	-	20	21	17	14	10	8	12	10

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

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

School	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Blue Ridge Elementary School (Year Built 2005)										
Square feet	84,521	84,521	84,521	84,521	84,521	84,521	84,521	84,521	84,521	84,521
Total classrooms ⁽¹⁾	48	48	48	48	48	48	48	48	48	48
Building capacity based on total classrooms ⁽²⁾	762	762	762	762	762	762	762	762	762	762
Enrollment K - 5 ⁽³⁾	453	629	631	652	686	711	665	628	585	603
Enrollment as a % of total capacity	59%	83%	83%	86%	90%	93%	87%	82%	77%	79%
Regular Classrooms ⁽⁴⁾	47	47	47	46	46	46	46	46	46	46
Building Capacity based on Regular Classrooms ⁽⁵⁾	738	738	738	725	725	725	725	725	725	725
Enrollment PreK - 5 ⁽³⁾	561	708	708	713	760	781	734	696	656	672
Enrollment as a % of regular classroom capacity	76%	96%	96%	98%	105%	108%	101%	96%	90%	93%
Brookwood Elementary School (Year Built 1963)										
Square feet	84,938	84,938	84,938	84,938	84,938	84,938	84,938	84,938	84,938	84,938
Total classrooms ⁽¹⁾	48	48	48	48	48	48	48	48	48	48
Building capacity based on total classrooms ⁽²⁾	762	762	762	762	762	762	762	762	762	762
Enrollment K - 5 ⁽³⁾	422	563	583	582	557	580	600	579	575	630
Enrollment as a % of total capacity	55%	74%	77%	76%	73%	76%	79%	76%	75%	83%
Regular Classrooms ⁽⁴⁾	47	47	47	47	47	47	47	47	47	47
Building Capacity based on Regular Classrooms ⁽⁵⁾	738	738	738	738	738	738	738	738	738	738
Enrollment PreK - 5 ⁽³⁾	482	605	625	626	606	625	648	627	620	678
Enrollment as a % of regular classroom capacity	65%	82%	85%	85%	82%	85%	88%	85%	84%	92%

(continued)

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

School	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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	143,614
Total classrooms ⁽¹⁾	54	54	54	54	54	54	54	54	54	54
Building capacity based on total classrooms ⁽²⁾	875	875	875	875	875	875	875	875	875	875
Enrollment K - 5 ⁽³⁾	847	717	759	740	737	768	746	762	758	746
Enrollment as a % of total capacity	97%	82%	87%	85%	84%	88%	85%	87%	87%	85%
Regular Classrooms ⁽⁴⁾	53	53	53	53	53	53	53	53	53	53
Building Capacity based on Regular Classrooms ⁽⁵⁾	850	850	850	850	850	850	850	850	850	850
Enrollment PreK - 5 ⁽³⁾	847	717	799	785	786	817	800	836	832	815
Enrollment as a % of regular classroom capacity	100%	84%	94%	92%	92%	96%	94%	98%	98%	96%
Park Creek Elementary School (Year Built 2000)										
Square feet	104,682	104,682	104,682	104,682	104,682	104,682	104,682	104,682	104,682	104,682
Total classrooms ⁽¹⁾	49	49	49	49	49	49	49	49	49	49
Building capacity based on total classrooms ⁽²⁾	787	787	787	787	787	787	787	787	787	787
Enrollment K - 5 ⁽³⁾	566	646	659	646	679	680	664	676	680	655
Enrollment as a % of total capacity	72%	82%	84%	82%	86%	86%	84%	86%	86%	83%
Regular Classrooms ⁽⁴⁾	46	46	46	46	46	46	46	47	47	47
Building Capacity based on Regular Classrooms ⁽⁵⁾	725	725	725	725	725	725	725	738	738	738
Enrollment PreK - 5 ⁽³⁾	606	687	699	718	747	750	732	762	765	744
Enrollment as a % of regular classroom capacity	84%	95%	96%	99%	103%	103%	101%	103%	104%	101%

(continued)

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

School	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</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	66,147
Total classrooms ⁽¹⁾	31	31	31	31	31	31	31	31	31	31
Building capacity based on total classrooms ⁽²⁾	475	475	475	475	475	475	475	475	475	475
Enrollment K - 5 ⁽³⁾	594	386	381	396	377	397	471	457	440	449
Enrollment as a % of total capacity	125%	81%	80%	83%	79%	84%	99%	96%	93%	95%
Regular Classrooms ⁽⁴⁾	30	30	30	30	30	30	30	30	30	30
Building Capacity based on Regular Classrooms ⁽⁵⁾	450	450	450	450	450	450	450	450	450	450
Enrollment PreK - 5 ⁽³⁾	594	444	440	437	424	442	516	506	489	496
Enrollment as a % of regular classroom capacity	132%	99%	98%	97%	94%	98%	115%	112%	109%	110%
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	55,597
Total classrooms ⁽¹⁾	31	31	31	31	31	31	31	31	31	31
Building capacity based on total classrooms ⁽²⁾	475	475	475	475	475	475	475	475	475	475
Enrollment K - 5 ⁽³⁾	527	519	524	499	529	528	528	523	554	560
Enrollment as a % of total capacity	111%	109%	110%	105%	111%	111%	111%	110%	117%	118%
Regular Classrooms ⁽⁴⁾	30	30	30	30	30	30	30	30	30	30
Building Capacity based on Regular Classrooms ⁽⁵⁾	450	450	450	450	450	450	450	450	450	450
Enrollment PreK - 5 ⁽³⁾	567	561	565	540	577	578	578	570	603	609
Enrollment as a % of regular classroom capacity	126%	125%	126%	120%	128%	128%	128%	127%	134%	135%

(continued)

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

School	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Dalton Middle School (Year Built 2001)										
Square feet	196,144	196,144	196,144	196,144	196,144	196,144	196,144	243,880	243,880	243,880
Total classrooms ⁽¹⁾	97	97	97	97	97	97	97	108	108	108
Building capacity based on total classrooms ⁽²⁾	1,612	1,612	1,612	1,612	1,612	1,612	1,612	1,787	1,787	1,787
Enrollment 6-8 ⁽³⁾	1,374	1,411	1,447	1,524	1,623	1,677	1,697	1,727	1,751	1,778
Enrollment as a % of total capacity	85%	88%	90%	95%	101%	104%	105%	97%	98%	99%
Regular Classrooms ⁽⁴⁾	95	95	95	95	95	95	95	106	106	106
Building Capacity based on Regular Classrooms ⁽⁵⁾	1,550	1,550	1,550	1,550	1,550	1,550	1,550	1,750	1,750	1,750
Enrollment as a % of regular classroom capacity	89%	91%	93%	98%	105%	108%	109%	99%	100%	102%
Dalton High School (Year Built 1976)										
Square feet	258,411	258,411	258,411	332,144	332,144	332,144	334,484	334,484	334,484	334,484
Total classrooms ⁽¹⁾	71	71	71	99	99	99	99	99	99	99
Building capacity based on total classrooms ⁽²⁾	1,350	1,350	1,350	1,925	1,925	1,925	1,925	1,925	1,925	1,925
Enrollment 9-12 ⁽³⁾	1,581	1,603	1,412	1,473	1,428	1,423	1,640	1,874	1,829	1,995
Enrollment as a % of total capacity	117%	119%	105%	77%	74%	74%	85%	97%	95%	104%
Regular Classrooms ⁽⁴⁾	69	69	69	97	97	97	97	97	97	97
Building Capacity based on Regular Classrooms ⁽⁵⁾	1,300	1,300	1,300	1,875	1,875	1,875	1,875	1,875	1,875	1,875
Enrollment as a % of regular classroom capacity	122%	123%	109%	79%	76%	76%	87%	100%	98%	106%

(continued)

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

School	For the fiscal year ended June 30,									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Morris Innovative High School ⁽⁶⁾ (Year Built 1911)										
Square feet	-	-	30,385	30,385	30,385	54,044	54,044	54,044	54,044	54,044
Total classrooms ⁽¹⁾	-	-	18	18	18	26	26	25	25	25
Building capacity based on total classrooms ⁽²⁾	-	-	287	287	287	450	450	437	437	437
Enrollment 9-12 ⁽³⁾	-	-	141	188	274	471	358	260	421	361
Enrollment as a % of total capacity	-	-	49%	66%	95%	105%	80%	59%	96%	83%
Regular Classrooms ⁽⁴⁾	-	-	17	17	17	26	26	25	25	25
Building Capacity based on Regular Classrooms ⁽⁵⁾	-	-	250	250	250	438	438	425	425	425
Enrollment as a % of regular classroom capacity	-	-	56%	75%	110%	108%	82%	61%	99%	85%

Source: School names, year built, and square feet are obtained from School District records

(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.

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

For the fiscal year ended June 30,										
<u>School</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Blue Ridge School	87.1%	87.1%	87.1%	87.1%	87.1%	89.8%	95.8%	88.8%	88.1%	87.9%
Brookwood Elementary School	47.7%	60.5%	63.3%	56.8%	61.6%	61.1%	61.7%	59.7%	56.5%	52.1%
City Park School	76.1%	85.0%	84.8%	82.0%	88.9%	87.8%	92.9%	89.2%	86.5%	83.1%
Park Creek School	89.7%	89.7%	89.7%	89.7%	89.7%	89.7%	98.8%	87.7%	93.2%	87.8%
Roan School	87.7%	87.7%	87.7%	87.7%	87.7%	87.6%	95.4%	88.3%	85.9%	86.3%
Westwood Elementary School	48.0%	52.3%	51.5%	51.4%	52.3%	54.8%	55.7%	52.5%	49.9%	47.6%
Dalton Middle School	67.5%	66.5%	78.5%	73.0%	76.8%	79.7%	80.1%	77.8%	80.3%	77.1%
Morris Innovative High School	0.0%	0.0%	87.2%	87.2%	87.2%	86.8%	84.4%	84.6%	84.1%	83.4%
Dalton High School	56.0%	68.0%	67.4%	63.7%	64.9%	66.4%	70.1%	66.5%	63.0%	64.7%
District wide	71.8%	78.4%	77.5%	77.2%	77.2%	77.6%	78.5%	75.9%	75.2%	73.1%

Source: October data collection

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, 2017

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
2012 ESPLOST					
Acquisition, construction, renovation, and equipping of schools	<u>\$ 36,351,000</u>	<u>\$ 28,700,000</u>	<u>\$ 13,155,512</u>	<u>\$ 9,660,240</u>	<u>\$ 22,815,752</u>

Note: Current year expenditures on this schedule, totaling \$9,660,240, are less than the total current year expenditures in the ESPLOST capital projects fund, which total \$12,385,630. The remaining expenditures were funded by other sources: a state grant of \$2,725,016 and interest income of \$374.



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

To the Members of the City of Dalton
Board of Education and the Superintendent
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, 2017, 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 7, 2017.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 no disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 & Walcott

Dalton, Georgia
November 7, 2017



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Members of the City of Dalton
Board of Education and the Superintendent
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 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, 2017. The City of Dalton Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton Board of Education's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001, 2017-002, and 2017-003, that we consider 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Estes & Walcott

Dalton, Georgia
November 7, 2017

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Summary of Auditors' Results

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of the City of Dalton Board of Education.
2. No significant deficiencies were disclosed during the audit of the financial statements that are required to be reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the City of Dalton Board of Education were disclosed during the audit.
4. Three significant deficiencies (2017-001, 2017-002, and 2017-003) in internal control over major federal award programs were disclosed during the audit that are required to be reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. None of these were determined to be material weaknesses.
5. The Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance for the major federal award programs expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR 200.516(a) are reported in this Schedule.
7. The program tested as a major program is:

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
8. The threshold for distinguishing Type A and B programs is \$750,000.
9. The City of Dalton Board of Education was 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, 2017

Findings – Federal Awards Programs

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

2017-001	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 program requirements.
	Cause:	Noted several errors in documentation and retention of documentation of expenses, including missing timesheets, missing purchase orders, lack of supervisory authorization, incorrect or incomplete reimbursements, and missing supporting documentation.
	Effect:	The School District did not comply with their internal control policies (which adhere to the state travel policy).
	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
Child Nutrition Cluster
National Breakfast Program
National School Lunch Program
CFDA # 10.553 and 10.555
Procurement and Suspension and Debarment
Questioned Costs: None

2017-002	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 program requirements.
	Cause:	The School District failed to obtain bids for items exceeding the bidding threshold and documentation was not retained to verify vendors were evaluated for suspension or debarment.
	Effect:	The School District did not comply with federal procurement requirements.
	Recommendation:	Procedures should be implemented to ensure that bids are obtained and retained as documentation for large purchases and that documentation of review of suspension/debarment is retained.
	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, 2017

Findings – Federal Awards Programs (continued)

U.S. Department of Education
Pass-Through Georgia Department of Education
Child Nutrition Cluster
National Breakfast Program
National School Lunch Program
CFDA # 10.553 and 10.555
Special Tests and Provisions
Questioned Costs: None

2017-003	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 program requirements.
	Cause:	Documentation could not be provided to verify calculations for paid lunch equity.
	Effect:	The School District did not retain appropriate documentation supporting their calculations.
	Recommendation:	Documentation supporting calculations for paid lunch equity should be retained.
	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, 2017

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA #	Current Year Expenditures
U.S. Department of Defense		
Direct Funding:		
ROTC Language and Culture Training Grants	12.357	\$ 61,966
Total U.S. Department of Defense		<u>61,966</u>
U.S. Department of Agriculture		
Pass-Through Georgia Department of Education:		
Child Nutrition Cluster		
School Breakfast Program	10.553	1,101,528
National School Lunch Program (includes \$323,661 in non-cash awards)	10.555	<u>3,507,106</u>
Total Child Nutrition Cluster		<u>4,608,634</u>
Other Programs		
Child Nutrition Discretionary Grants Limited Availability	10.579	<u>33,370</u>
Total Other Programs		<u>33,370</u>
Total U.S. Department of Agriculture		<u>4,642,004</u>
U.S. Department of Education		
Pass-Through Georgia Department of Education:		
Special Education Cluster (IDEA)		
Special Education Grants to States	84.027	1,368,304
Special Education Preschool Grants	84.173	<u>31,460</u>
Total Special Education Cluster (IDEA)		<u>1,399,764</u>
Other Programs		
Title I Grants to Local Educational Agencies	84.010	3,413,388
Migrant Education State Grant Program	84.011	22,063
Career and Technical Education - Basic Grants to States	84.048	63,523
Education for Homeless Children and Youth	84.196	49,096
English Language Acquisition State Grants	84.365	167,362
Improving Teacher Quality State Grants	84.367	<u>185,287</u>
Total Other Programs		<u>3,900,719</u>
Total U.S. Department of Education		<u>5,300,483</u>
U.S. Department of Health and Human Services		
Pass-Through Georgia Department of Early Care and Learning:		
CCDF Cluster		
Child Care and Development Block Grant	93.575	<u>10,054</u>
Total U.S. Department of Health and Human Services		<u>10,054</u>
Total Federal Awards Expended		<u>\$ 10,014,507</u>

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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 \$323,661 the year ended June 30, 2017.

De Minimis Cost Rate

The City of Dalton Board of Education did not elect to use the 10% de minimis cost rate as covered in 2 CFR 200.414.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prior Year Findings – Financial Statement Audit

2016-001	Condition:	Internal controls related to school activities accounts, frequently referred to as principal accounts, are insufficient.
	Status:	No similar findings occurred this year. Management will continue to train and monitor bookkeepers at each school location to foster a better control environment.

Prior Year Findings – Federal Awards Programs

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

2016-002	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:	This program was not tested as a major program this year. A similar finding was noted in the school nutrition fund in the current year audit.

U.S. Department of Education
Pass-Through Georgia Department of Education
Title I Grants to Local Educational Agencies
CFDA 84.010
Procurement
Questioned Costs: None

2016-003	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:	This program was not tested as a major program this year. A similar finding was noted in the school nutrition fund in the current year audit.