CITY OF DALTON

GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Year Ended December 31, 2012



CITY OF DALTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended
December 31, 2012

Cindy Jackson, CPA
Director of Finance

By Authority of
Mayor and Council

City of Dalton, Georgia
Comprehensive Annual Financial Report
For The Year Ended December 31, 2012

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June 18, 2013

Honorable Mayor, Members of the City Council,
and Citizens of the City of Dalton, Georgia

The Comprehensive Annual Financial Report (CAFR) of the City of Dalton, Georgia, for the year ended December 31, 2012 is hereby submitted. State law requires that every general-purpose local government publish within six months of the close of each fiscal year, unless an extension is approved, and submit a complete set of audited financial statements. These statements are to be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants.

This report consists of management's representations concerning the finances of the City of Dalton. The management of the City of Dalton is responsible for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Dalton's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that to the best of our knowledge and belief, the financial report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and result of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The City has prepared the financial statements to meet the current applicable requirements of the Governmental Accounting Standards Board (GASB). The City of Dalton's financial statements have been audited by Estes & Williams, Certified Public Accountants. Based on their audit, Estes & Williams concluded that there is reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2012 are fairly presented in conformity with GAAP. The independent auditors report is presented in the financial section of this report.

The independent audit of the financial statements of the City of Dalton for the year ended December 31, 2012 included a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are presented in the Single Audit section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report. The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Equal Opportunity Employer

Profile of the City of Dalton

Founded in 1837 as the village of Cross Plains, the City of Dalton is the county seat for Whitfield County. The town officially became Dalton on December 29, 1847. Located in Northwest Georgia at the foothills of the Appalachian Mountains, Dalton is rich in history, commerce, industry, and culture. Dalton is strategically located off Interstate 75, eighty-five miles north of Atlanta and twenty-eight miles south of Chattanooga, Tennessee and is within a day's drive of half the United States population. Dalton is served by two major railroads, CSX and Norfolk Southern. Dalton occupies 20 square miles and is a community blessed with a warm climate and natural beauty. According to the 2010 U.S. Census, Dalton has a population of 33,123, with Whitfield County's population at 102,599. The Census Bureaus' estimates for 2012 show Dalton's population at 33,413 and Whitfield County's at 103,359. Estimated daytime population for the City of Dalton is considerably higher, with approximately 63,000 people either living or employed within the City during workday hours.

The City operates under a Council-Administration form of government. The City Council is comprised of the Mayor and a four member council who enact laws, determine policies, and adopt the annual budget. The City is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to annex property into the City limits. The Combined Financial Statements of the City include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. The Dalton Building Authority meets the guidelines of GASB Statement No. 14, as amended by GASB Statement 61, and is included as a discretely presented component unit in the City of Dalton's CAFR. The City Council appoints all Authority Board members and the City Council has the ability to impose its' will.

The City of Dalton provides a full range of municipal government services. Included in these services are traditional city functions such as police and fire protection, a court system, highway and street maintenance, sanitation, recreational facilities, a golf course, an airport, a senior center, utilities, a trade center (a joint venture), and a landfill (a joint venture). Selected demographic information is provided within the statistical section of this report. In addition, the City exercises fiduciary responsibility of the Employees' Pension Trust Fund and Other Post Employment Benefit Trust Fund.

The annual budget serves as the foundation for the City of Dalton's financial planning and control. In accordance with State Law, the City adopts an annual operating budget consistent with generally accepted accounting principles. The budget is adopted by the City Council after a required public hearing and two public notices. The budget is prepared by department and fund. The level of legal budgetary control is at the department level. Department directors have the discretion of budget transfers within their respective budget through the Finance Department, provided that the request does not increase the overall budget and personal services allocation for that department.

Local Economy

Dalton is the economic hub of northwest Georgia and continues to benefit economically by being the Carpet Capital of the World. Dalton houses the two largest carpet producers in the world (Shaw Industries and Mohawk Industries) and is the third largest manufacturing community per capita in Georgia. Dalton produces 65% of the 90% of the US carpet market supplied by Georgia mills.

Dalton's unemployment rate continues to exceed state and national averages. Dalton's unemployment rate ended the year at 11.0%, down from 12.5% at the close of 2011. The unemployment rate continues to improve slowly, with May 2013 rates at 10.2%, while state and federal rates are 8.2% and 7.6%, respectively. This slow recovery is expected with the housing industry so closely related to the flooring industry.

The greater Dalton area did see several manufacturing businesses expand during 2012. According to the Dalton-Whitfield Joint Development Authority (DWJDA), automotive supplier Shiroki North America added 85 jobs and vinyl manufacturer IVC US added a third shift and 30 new jobs during the year. Carpet manufacturer Engineered Floors recently built Phase I of its new facility, investing $65 million and adding 200 jobs. Mohawk Industries recently launched a $22 million expansion that will create 35 jobs, and Engineered Floors recently announced that it will expand operations again, investing $450 million in the expansion and adding 2,000 jobs in the Dalton Metropolitan Statistical Area (MSA) over the next five years.

On the retail front, two major retailers opened for business in 2012. Academy Sports and Petco added 84,000 square feet of retail shopping and 150 new jobs. According to the DWJDA, the addition of these two chains has peaked the interest of numerous potential investors, creating increased interest in locating in our area.

This growth is bolstered by the City's commitment to lowering the tax burden on industrial, commercial, and residential residents. In 2012, the City's property tax rate was reduced for the fifth consecutive year with a cumulative reduction of .909 mills. (property taxed at 100% assessed taxable value) which equates to a 25% reduction in the millage rate. The City also renegotiated the distribution rate of the local 1% sales tax in November with Whitfield County and other cities within Whitfield County. The City's new allocable share is 32% of total LOST revenues, which is substantially higher than the 14.9% prior distribution percentage. The percentage will increase by 1% every two years until reaching 36% in 2021. The new tax distribution allocations begin in 2013.

According to the Georgia Department of Labor, over 63,000 people are employed in the Dalton Metropolitan Statistical Area (MSA). Of those employed, 30% generally work in the more than 300 manufacturing textile and textile related industries. Other commercial sectors such as health care, education, retail, and business and professional services comprise the remainder of the workforce.

According to the Dalton-Whitfield Convention and Visitors Bureau, Dalton hosted 45 tourism related events with 35,000 in attendance and a $7.6 million economic impact to the community. Some of the events included the National Collegiate Wrestling Association Tournament, the Southeastern 7 on 7 Football Tournament, the National Softball Players Association Tournaments, the Georgia State Special Olympics, and the Georgia Police and Fire Games. These events assisted in a 3% increase in hotel-motel tax revenue and a 5% increase in sales and use tax.

On other fronts, Dalton is home to several top notch facilities. In 2012, U.S. News and World Report named Hamilton Medical Center as one of the nation's Best Regional Hospitals. Hamilton Medical was also recognized as a Distinguished Hospital for Clinical Excellence by HealthGrades, the nation's leading independent healthcare ratings organization. Further, Hamilton Medical Center was named as one of 20 top medium-sized hospitals in Georgia by Georgia Trend Magazine. The Hamilton Ambulatory Surgery Center was one of 114 organizations to receive the prestigious Summit Award from Press Ganey Associates. This award recognizes top-performing facilities that sustain the highest levels of patient satisfaction performance for three consecutive years.

Major Initiatives and Planning for the Future

Dalton leadership continues to focus on maintaining a strong economic base, increasing diversification of industry, and enhancing residents' quality of life through health, recreational, and leisure aspects of the community.

The City completed the construction of its new 44,000 square ft. Mac Gaston Community Center, which opened in early 2012. Far from just a health and wellness center, the Community Center is the inspirational headquarters for the Readers to Leaders initiative, which aims to have local children reading on grade level by third grade. Further the facility houses a Women's Infant and Children's clinic, basketball courts, football/soccer fields, a children's splash pad, meeting rooms, an exercise facility, and a walking track. This project was constructed through the use of $1.1million in Community Development Block Grant funds, $3.9million in Recovery Zone Economic Development Bond proceeds, and fund balance of $3.1million over the course of two years.

The Crown Mill Village redevelopment initiative continues to progress. This project is being funded primarily with grants from the Georgia Department of Transportation, the Georgia Department of Natural Resources, and the City's Community Development Block Grant. The Crown Mill Village was selected as phase one of a greenway that will eventually connect and enhance the City's natural resources, which include a lake, mountain, and river. The greenway will connect these resources to the downtown area with walking, biking, and hiking trails. The mountain phase of the project will be completed in the summer of 2013.

The Crown Mill initiative has inspired a desire for further renovation and redevelopment. The City has updated its Urban Redevelopment Plan and is promoting the "Carpet Capital Makeover". This initiative intends to reduce the amount of blight and improve the overall curb appeal of the City. In support of this effort, funding has been provided in the 2013 budget to hire a full time code enforcement officer within the police department. Vacant and dilapidated buildings have been demolished at a major intersection and the remaining green space area will be developed into a central park. To fund this initiative, 2013 Community Development Block Grant funds have been set aside to renovate and repair homes in the Crown Mill area.

Relevant Financial Policies

The City continues to maintain a healthy fund balance and exceed the minimum general fund unrestricted fund balance requirement of 25% of operating expenditures. At the end of 2012, the City's general fund unrestricted fund balance was equal to 69% of operating expenditures. The general fund unrestricted fund balance is intended to 1) meet future capital needs, 2) offset significant economic downturns and revision in general government activity, 3) provide sufficient working capital, 4) provide sufficient cash flow for current financial needs, and 5) provide for emergency situations.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Excellence in Financial Reporting to The City of Dalton for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2011. This is the eleventh consecutive year that the government has received this prestigious award. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Excellence in Financial Reporting is valid for a period of one year. We believe that our current CAFR continues to meet the GFOA's requirements, and are submitting it in anticipation of receiving the Certificate of Excellence in Financial Reporting once again.

The preparation of the comprehensive annual financial report was made possible by the dedicated service of the Department of Finance staff. We would also like to express our gratitude and appreciation to the staff of Estes & Williams, Certified Public Accountants, for their technical guidance and assistance to make this a quality report.

We would also like to thank the City Council for their continued support and management of the City's finances.

Respectfully submitted,

J. Tyson Ross,
City Administrator

Cindy Jackson

Cindy Jackson, CPA
Director of Finance

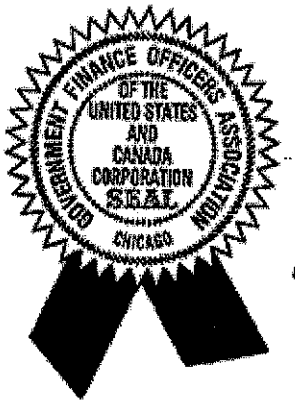
Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dalton
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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



Christopher P Morrill
President

Jeffrey R. Esser
Executive Director

City of Dalton, Georgia
City Officials and Administration
December 31, 2012

David Pennington
Mayor

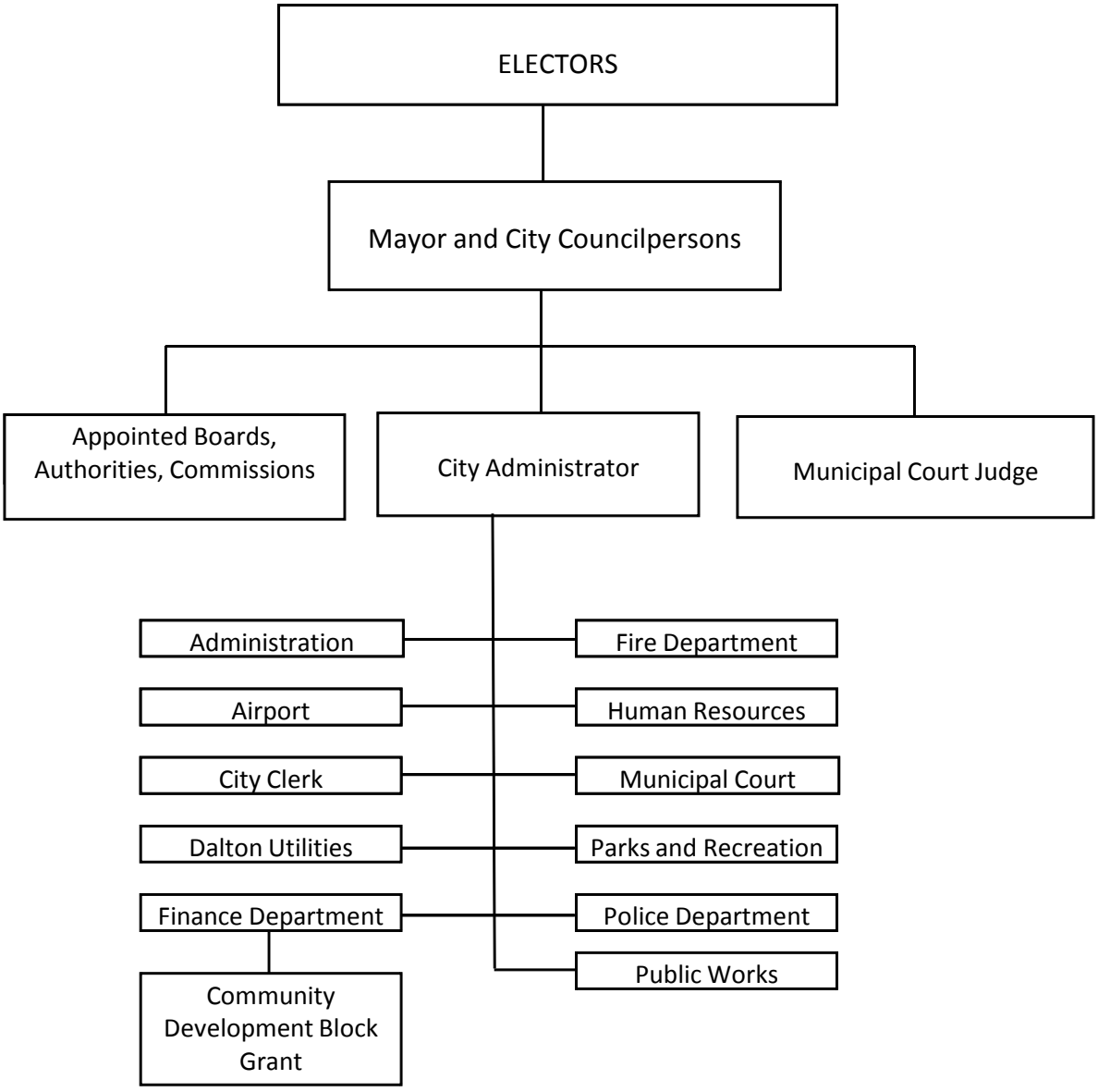
City Council

Denise Wood, Ward 1
J. Richard Lowrey, Ward 2
George Sadosuk, Ward 3
Gary Crews, Ward 4

City Administration

Ty Ross	City Administrator
Cindy Jackson	Finance Director
Bernadette Chattam	City Clerk
Don Cope	Dalton Utilities
Bruce Satterfield	Fire Chief
Greg Batts	Human Resource Director
Steve Card	Parks & Recreation Director
Jason Parker	Police Chief
Benny Dunn	Public Works Director

City of Dalton, Georgia
Organizational Chart
December 31, 2012



ESTES & WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council,
City Administrator and Finance Director
City of Dalton, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City'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 did not audit the financial statements of the Water, Light, and Sinking Fund Commission, which is both a major fund and 97%, 97%, and 99%, of the assets, net position, and revenues of the business-type activities, respectively. Those financial statements were audited by other auditors whose report thereon has ben furnished to us, and our opinion, insofar as it relates to the amounts included for the Water, Light, and Sinking Fund Commission, is based solely on the report of the other auditors. 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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia as of December 31, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

201 N. THORNTON AVE | P.O. BOX 749 | DALTON, GA 30722 | PHONE 706.529.0749 | FAX 706.529.5549

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 3-15 and the required supplementary information on pages 76-77 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, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules 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 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 June 18, 2013, on our consideration of the City of Dalton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Dalton, Georgia's internal control over financial reporting and compliance.

Estes & Williams

Dalton Georgia
June 18, 2013

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2012
(Unaudited)

The City of Dalton's management is pleased to provide this narrative overview and analysis of the financial activities of the City for the calendar year ended December 31, 2012. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The City's assets exceeded its liabilities by $893.6 million (net position) for the calendar year reported. This represents an increase of $18.2 million from the prior year.

- Total net position is comprised of the following:

  (1) Capital assets, net of related debt of $760.0 million includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
  (2) Net position of $75.3 million is restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
  (3) Unrestricted net position of $58.3 million represents the portion available to maintain the City's continuing obligations to citizens and creditors.

- The City's governmental funds reported total ending fund balance of $19.9 million this year. Compared to the prior year ending fund balance of $20.5 million, the fund balance decreased by $564,000 during the current year.

- At the end of the current calendar year, unassigned fund balance for the General Fund was $19.4 million, or 68.9% of total General Fund expenditures.

- The business-type activities enterprise funds reported total ending net position of $806.5 million as of December 31, 2012. This reflects an increase of $16.3 million from the prior year. The Water, Light, and Sinking Fund Commission (the "Commission") is the City's only major enterprise fund and provides utility services including electric, sewer, gas, water, and information technology. The Commission transferred $9.5 million to the General Fund during the year ended December 31, 2012. The Commission passes the cost of this transfer along to their customers. This surcharge is included in charges for services.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

OVERVIEW OF THE FINANCIAL STATEMENT

This discussion and analysis is intended to serve as an introduction to the City of Dalton's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

Government-wide Financial Statements (Reporting the City as a Whole)

The City's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the City's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The City's government-wide financial statements include the Statement of Net Position and the Statement of Activities. The government-wide statement of net position presents information that includes all of the City's assets and liabilities, with the difference reported as net position. The City reports all if its assets when it acquires ownership and reports all liabilities when they are incurred. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

The Statement of Activities reports the revenues and expenses of the City. This statement is prepared using the accrual basis of accounting, where revenues are recognized when earned and expenses are recognized when incurred. All current year revenues and expenses are included regardless of when cash is received or paid. The difference is described as the change in net position. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

The City of Dalton divides the Statement of Net Position and the Statement of Activities into three types of activities:

- **Governmental Activities** – The activities reported in this category are the City's basic services such as general administration, fire, police, public works, recreation, and municipal court. Also included is the Dalton-Whitfield Joint Development Authority, which is joint venture with Whitfield County. These activities are principally supported by taxes and intergovernmental transfers.
- **Business-type Activities** – The City charges fees to customers to recover all or a significant portion of costs for the services provided. The utility and sewer system, municipal golf course, and the municipal airport are included in this activity. Also included are the City's share of the net income or cost of the Northwest Georgia Trade and Convention Center Authority and the Dalton-Whitfield Regional Solid Waste Management Authority, which are joint ventures with Whitfield County.
- **Discretely Presented Component Unit** – Component units are legally separate organizations for which the elected officials of the City are financially accountable. The City of Dalton Building Authority is presented as a component unit for the City of Dalton.

The government-wide financial statements are presented on pages 16 through 18 of this report.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The City uses funds to track specific resources and expenditures, either for management purposes or because of legal mandates. Within the basic financial statements, fund financial statements focus on the City's most significant funds rather than the City as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation. Individual fund data for non-major funds is provided in the form of combining statements in a later section of this report.

The City's funds are divided into three categories:

- **Governmental Funds** – These funds account for the same functions reported as governmental activities in the government-wide financial statements. However, fund financial statements are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The focus is on the short-term view of the City's general government operations and the services provided. These statements are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

  Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

  This report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the general fund, and are presented as a part of the basic financial statements. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget.

  The basic governmental fund financial statements are presented on pages 19 through 23 of this report.

  Individual fund information for non-major governmental funds is found in combining statements in a later section of this report.

- **Proprietary Funds** – These funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The City's proprietary funds are classified as enterprise funds and internal service funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for electric, gas, water, and sewer utilities, information technology systems, an airport, and a public golf course. Services provided by the two joint ventures to customers include landfill services and a public trade and convention center. Internal service funds are an accounting device used to account for services provided and billed on an internal basis. The City utilizes internal service funds for health insurance and workers compensation. The internal service funds are reported as governmental activities on the government-wide statement.

  The basic enterprise fund financial statements are presented on pages 24 through 30 of this report.

- Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's programs. The City's fiduciary funds consist of a pension trust fund, other post-employment benefits (OPEB) trust fund, and a municipal court agency fund. The pension trust fund accounts for the City's single employer pension trust fund. The OPEB trust fund accounts for the City's single employer OPEB trust fund. These funds are accounted for as proprietary funds and the report includes two statements: a statement of fiduciary net position and a comparative statement of changes in net position. These statements may be found on pages 31 and 32 of this report. The municipal court agency fund is custodial in nature, and the balances are reported in the statement of fiduciary net position.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 33 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 76 and 77 of this report.

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 78.

The City has one discretely presented component unit, the City of Dalton Building Authority. The Authority does not issue separate financial statements. The Authority's financial statements are presented in the financial section of this report on pages 134-136. Additional information about the component unit can be found in Note 1-A.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Net position may serve over time as a useful indicator of a government's financial position as information is accumulated on a consistent basis. The City's net position at calendar year-end is $893.6 million. The following table provides a summary of the City's net position.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets:						
Current assets	$ 23,349,419	$ 24,396,948	$ 48,032,593	$ 49,180,703	$ 71,382,012	$ 73,577,651
Capital assets	78,647,279	76,143,254	723,174,798	715,058,721	801,822,077	791,201,975
Other long-term assets	49,952	273,214	100,329,937	91,033,845	100,379,889	91,307,059
Total assets	102,046,650	100,813,416	871,537,328	855,273,269	973,583,978	956,086,685
Liabilities:						
Current liabilities	3,783,107	3,980,204	20,174,653	33,256,840	23,957,760	37,237,044
Long-term liabilities	10,100,467	10,471,696	45,912,464	32,920,648	56,012,931	43,392,344
Total liabilities	13,883,574	14,451,900	66,087,117	66,177,488	79,970,691	80,629,388
Net position:						
Investment in capital assets	72,911,193	70,314,771	687,108,798	679,345,721	760,019,991	749,660,492
Restricted	240,347	577,427	75,034,000	77,948,000	75,274,347	78,525,427
Unrestricted	15,011,536	15,469,318	43,307,413	31,802,060	58,318,949	47,271,378
Total net position	$ 88,163,076	$ 86,361,516	$ 805,450,211	$ 789,095,781	$ 893,613,287	$ 875,457,297

As a whole, the City of Dalton's net position increased by $18.2 million during 2012. The business-type activities net position increased by $16.4 million while the governmental activities net position increased by $1.8 million.
The increase in business-type activities net position of 2.1% is due primarily to the following WLSF Commission activities:

- Net investment in capital assets increased $7.8 million due primarily to the reduction of debt of $11.8 million.
- Net position restricted for capital projects increased $8.4 million primarily due to an increase in the renewals and extensions fund from the sale of a portion of transmission lines.
- Net position restricted for debt service decreased by $12.2 million due to the maturity of debt on January 1, 2012.

The increase in governmental-type activities net position of 2.1% is due primarily to:

- Net investment in capital assets increased $2.6 million due primarily to the increase in depreciable assets of $2.2 million coupled with a $599,000 reduction in debt.
- Net position restricted for capital projects decreased $342,000 due to completion of parks and recreation construction contracts.

Net investment in capital assets is the largest segment of net position at $760.0 million (85.1%) and reflects the City's investments in capital assets net of any debt associated with those assets. Capital assets include plants, machinery, equipment, land, buildings and infrastructure. Restricted assets total $75.3 million (8.4%) of total net position and represent the portion of net position that is restricted for use by externally imposed constraints or constraints imposed by law in regards to use. The unrestricted portion of the City's net position totals $58.3 million (6.5%). Unrestricted net position is the portion of net position that is available for spending. This amount does not take into consideration any unfunded liabilities such as pension and other post employment benefits.

The following table provides a summary of the City's changes in net position:

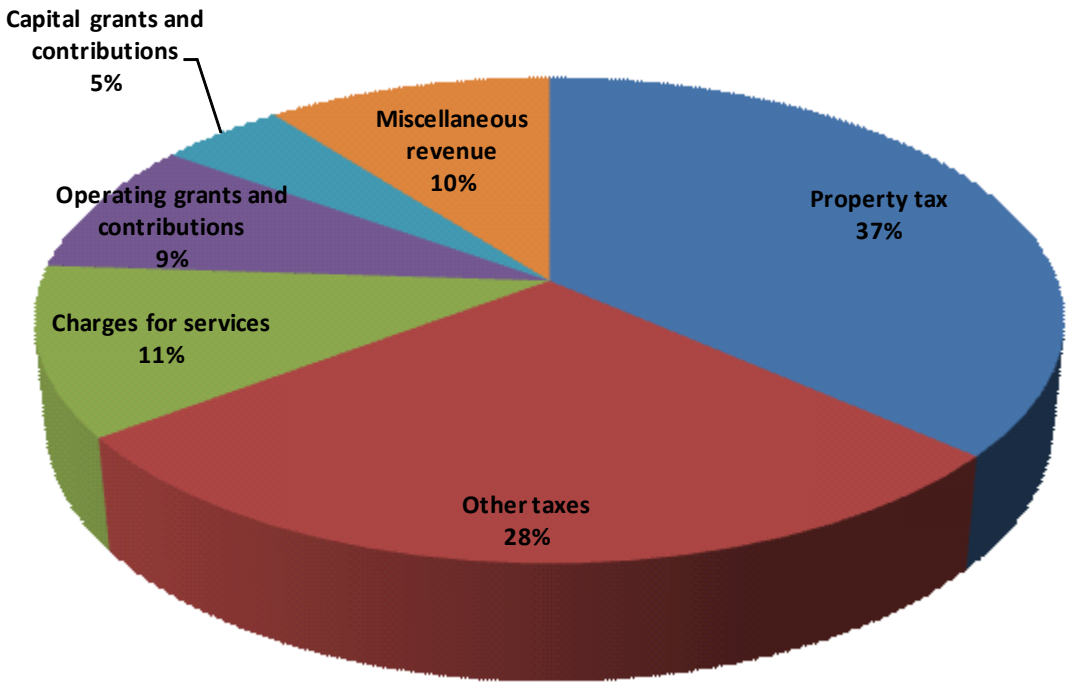
	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program:						
Charges for services	$ 2,872,522	$ 2,711,742	$ 178,093,111	$ 185,899,044	$ 180,965,633	$ 188,610,786
Operating grants	2,258,686	1,383,138	-	-	2,258,686	1,383,138
Capital grants	1,182,154	2,353,880	597,000	-	1,779,154	2,353,880
General:						
Taxes	16,505,854	15,681,416	-	-	16,505,854	15,681,416
Investment earnings	253,696	227,288	1,192,689	3,945,453	1,446,385	4,172,741
Other	2,416,306	1,079,679	333,000	1,431,200	2,749,306	2,510,879
Total revenues	25,489,218	23,437,143	180,215,800	191,275,697	205,705,018	214,712,840
Program Expenses:						
General government	3,302,093	3,312,603	-	-	3,302,093	3,312,603
Judicial	369,253	488,815	-	-	369,253	488,815
Public safety	13,990,949	14,459,706	-	-	13,990,949	14,459,706
Public works	9,010,672	7,841,578	-	-	9,010,672	7,841,578
Health and welfare	488,545	634,598	-	-	488,545	634,598
Culture and recreation	4,967,978	4,641,686	-	-	4,967,978	4,641,686
Housing and development	379,694	312,225	-	-	379,694	312,225
Interest	459,985	354,337	-	-	459,985	354,337
Utilities	-	-	152,289,916	161,311,707	152,289,916	161,311,707
Trade Center	-	-	547,930	717,958	547,930	717,958
Landfill	-	-	365,350	302,599	365,350	302,599
Golf course	-	-	858,544	788,790	858,544	788,790
Airport	-	-	518,119	503,145	518,119	503,145
Total expenses	32,969,169	32,045,548	154,579,859	163,624,199	187,549,028	195,669,747
Excess (deficiency)	(7,479,951)	(8,608,405)	25,635,941	27,651,498	18,155,990	19,043,093
Transfers	9,281,511	9,145,963	(9,281,511)	(9,145,963)	-	-
Change in net position	1,801,560	537,558	16,354,430	18,505,535	18,155,990	19,043,093
Beginning net position	86,361,516	85,823,958	789,095,781	770,590,246	875,457,297	856,414,204
Ending net position	$ 88,163,076	$ 86,361,516	$ 805,450,211	$ 789,095,781	$ 893,613,287	$ 875,457,297

The City's total revenues decreased $9.0 million (4.2%) and the total cost of services and programs provided decreased $8.1 million (4.2%).

Governmental Activities

The following chart depicts revenues of the governmental activities for the year ended December 31, 2012:

Revenues by Source – Governmental Activities



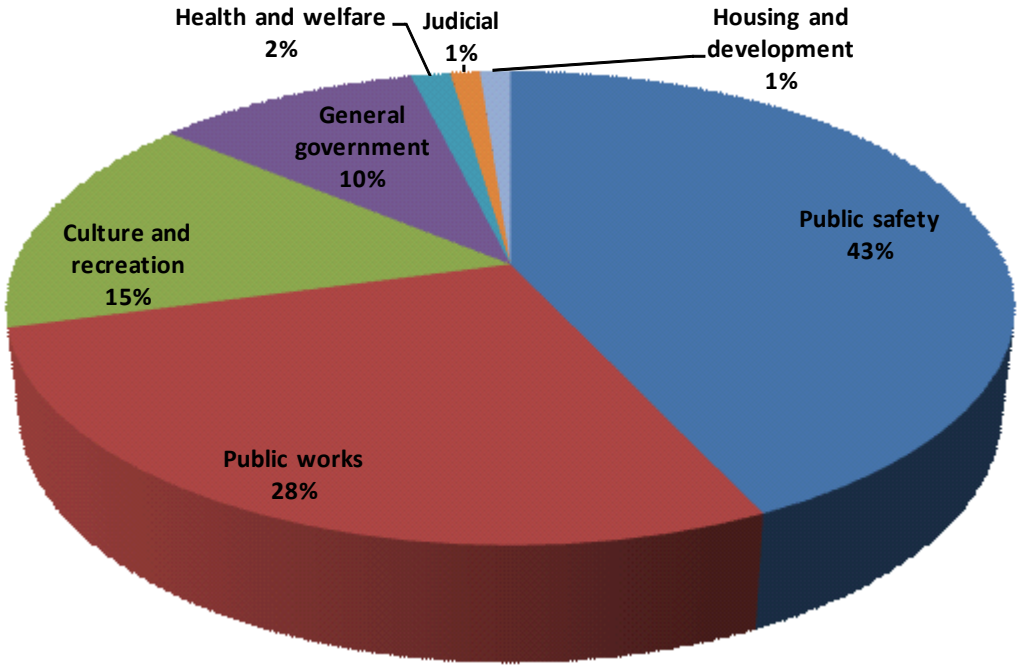
As indicated by the revenue chart, taxes were the largest revenue source for governmental activites, followed by other taxes, which includes sales tax, insurance premium tax, hotel motel tax, and alcohol beverage tax. The City's governmental activities total revenues increased $2.1 million (8.8%).

- Property taxes comprise 37% of total revenue and increased $546,000 when compared to the prior year. The increase in revenue is attributable to a 1.6% increase in assessed property values and increased collection rate.
- Other taxes represent 28% of total revenue and increased 4.0% due primarily to an increase in sales tax of $133,000, insurance premium tax of $97,000, and hotel-motel tax of $33,000.
- Charges for services represent 11% of total revenue and and increased 5.9% due to increase in concession revenues of $65,000, municipal court fees of $62,000, and recreation program income of $37,000.
- Miscellaneous revenues comprise 10% of total revenue and increased 123.8%. This substantial increase is due to donated parcels of property valued at $1.8 million. The property will be used for stormwater detention, recreational trails, and economic development.
- Operating grants and contributions represent 9% of total revenues and increased $876,000 due primarily to the increase in road improvements financed by the service delivery funds.

- Capital grants and contributions represent 5% of total revenue and decreased $1.2 million. This reduction is due primarily from the service delivery funds being utilized for non-capital projects in 2012. In the previous year, the majority of the funds were used for clearing, grading, and paving the Gaston Community Center and the James Brown Park Complex.

The following chart depicts expenses of the governmental activities for the year ended December 31, 2012:

Expenses by Function – Governmental Activities



As indicated by the expense chart, the largest use of City resources was providing public safety services such as fire and police, followed by public works. The City's governmental activities total expenses increased $923,621 (2.9%).

- Public safety represents 43% of total expenses and decreased 3.2% when compared to the prior year. The decrease is due mainly to unfilled positions in both the fire and police departments, a reduction in expenses totaling $424,000.
- Public works represents 28% of total expenses and increased 14.9%. The increase is due primarily to a $1.2 million surge in street milling, resurfacing, and pavement marking projects funded by the increase in service delivery funds used for operating expenses.
- Culture and recreation represents 15% of total expenses and increased 7.0%. The increase is mainly attributable to $279,000 in additional depreciation on constructed facilities.

This table presents the cost of each of the City's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden placed on the City's taxpayers by each of these functions.

	For Governmental Activities	
	Total Cost of Services	Net Cost of Services
General government and administration	$ 3,302,093	$ 2,029,547
Judicial	369,253	(397,981)
Public safety	13,990,949	13,323,420
Public works	9,010,672	6,707,366
Health and welfare	488,545	202,800
Culture and recreation	4,967,978	4,212,300
Housing and development	379,694	252,280
Interest	459,985	326,075
Total	$ 32,969,169	$ 26,655,807

The judicial net cost of service indicates revenues generated covered the cost of this function. The net cost of services column above also indicates that the interest on long-term debt function generates revenue. Intergovernmental revenue reported in the Debt Service Fund of $186,910 represents amounts transferred from other entities to fund principal and interest payments on debt. Of that revenue, $128,225 was used to retire debt principal.

Business-type Activities

The City's business-type activities total revenues decreased $11.1 million (5.8%) and expenses decreased $9.0 million (5.5%).

Revenues:

- The decrease in charges for services of $7.8 million is attributable to the City's utility as follows:
  - $2.5 million decrease in the electric sector due to decreased consumption of 9.5% for residential customers, which was partially offset by a 3.0% increase in industrial customers.
  - $3.8 million decrease in natural gas sector due to decreased market based index prices coupled with decreased consumption of 4.2% for all customers due to mild weather.
  - $600,000 decrease in the water sector due to decreased consumption of 2.4% for all customer classes, due primarily to continued reduced demand from industrial customers as a result of the economic climate and water conservation.
  - $1.4 million decrease in the wastewater sector due to decreased consumption of 13.6% for industrial customers.
  - $300,000 increase in the information technology sector due to a slight increase in enhanced services for cable television.
- The decrease in investment earnings of $2.8 million is the result of reduced interest rates on investments attributable to $1.2 million and reduction in net increase in fair value of investments by $1.6 million as a result of investments underperforming when compared to prior year.
- The decrease in other revenues of $1.1 million is due to the decrease in allowance for debt funds used during construction due to the maturity of the debt.

Expenses:

- The City's utility department production expenses decreased $1.8 million primarily due to decreased operating and maintenance costs from its jointly owned electric generating facilities as a result of planned outages at one of the generating plants.
- The utility department's purchased electricity expenses decreased $4.5 million primarily due to a decrease in consumption for residential customers, coupled with the lower cost of purchased electricity from Southern Company under the Dalton Utilities' requirements service agreement.
- The utility department's purchased natural gas expense decreased $2.2 million due to a decrease in consumption for all customer classes as a result of mild weather coupled with a decrease in the average monthly index cost of natural gas. The average monthly index cost of natural gas decreased 31.4% and was $2.78 per Dth for 2012 as compared to $4.05 per Dth for 2011.
- The utility department's distribution expenses increased $700,000 due to an increase in television content expenses.
- The utility department's general and administrative expenses decreased by $200,000 due to decreases in contracted labor and building repair and maintenance.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of $19.9 million. Of this year-end total, $9,900 will be used to retire debt and $180,000 will be used to satisfy other restricted purposes.

The total ending fund balances of governmental funds reflect a decrease of $564,446 (2.8%) from the prior year. The general fund reported a decrease in fund balance of $285,000 (1.4%) and other the governmental funds reported a decrease in fund balances of $280,000 (73.8%).

Major Governmental Fund

The General Fund is the City's primary operating fund and is used to account for all governmental financial resources not restricted by state or federal laws, local ordinances, or other externally imposed requirements. At the end of 2012, the fund balance of the General Fund was $19.8 million. Unassigned fund balance represents 68.9% of General Fund expenditures, an increase from the prior year, which was at 62.2% of total expenditures.

General Fund revenues of $21.7 million and expenditures of $28.2 million were both under budget by $1.6 million. Other financing sources and uses were over budget by $134,000.

The General Fund had a slight fund balance decrease of $285,000 for year ended 2012. Key factors regarding the decrease are as follows:

- Revenues exceeded the final budget by $1.6 million due primarily to higher than projected tax revenues of $2.1 million. Most notably, real and personal property taxes increased by $1.8 million and sales tax increased by $134,000.
- Expenditures came in under budget by $1.6 million as well. Personal services accounted for $483,000 of the savings, operating charges came in $778,000 under budget, and capital outlays were $362,000 under budget.
- Transfers to the general fund totaled $9.9 million with $9.5 million coming from the utility sector. Transfers out of the general fund totaled $3.6 million with $3.0 million funding capital projects and acquisitions, $84,000 funding grant projects, and $577,000 servicing debt.

Proprietary Funds

The proprietary funds share the same focus as the government-wide statements, reporting both short-term and long-term information about financial status. This provides a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

Major Proprietary Fund

The Water, Light and Sinking Fund Commission (WLSF) provides water, sewer, electric, natural gas and information technology services to customers in Dalton/Whitfield County and portions of Murray, Gordon, Catoosa, and Floyd counties.

The WLSF net position represents 96.5% of total proprietary net position. Financial analysis in regards to the WLSF can be found in the business-type activities section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City Council revised the adopted budget by approving various budget amendments. The original general fund budget was amended eleven times, resulting in an increase to budgeted revenues of $3.5 million, an increase to budgeted expenditures of $3.9 million, and a decrease to other financing sources (uses) of $518,585. The following addresses the major differences between the original adopted and final adjusted budget:

Revenue:

- Increase of $150,000 to tax revenues for additional insurance premium tax received.
- Increase of $1.4 million to intergovernmental revenue for service delivery intergovernmental agreement budget and several federal and state grants and contracts awarded during the year to fund capital and operational expenditures for various departments.
- Increase of $1.9 million to miscellaneous for donated real estate, insurance reimbursements, and other miscellaneous revenue.

Expenditures:

- Increase of $1.3 million for various infrastructure projects.
- Increase of $1.8 million for donated real estate.
- Increase of $199,000 for increase in the pension contribution rate.
- Increase of $200,000 for merit raises.

Other Financing Sources (Uses):

- Net decrease of $519,000 for various grant and capital funding needs.

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for governmental and business-type activities at December 31, 2012 was $78.6 million and $723.2 million, respectively. The book value of the net investment in governmental activities capital assets increased by $2.5 million. The book value of the net investment in business-type activities capital assets increased by $8.1 million. Capital asset activity for the City as a whole increased by $10.6 million. See Note 3D for additional information about changes in capital assets during the calendar year. The following table provides a summary of capital asset activity.

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Non-depreciable assets:						
Land	$ 17,306,743	$ 15,386,018	$ 1,664,722	$ 1,803,079	$ 18,971,465	$ 17,189,097
Construction in progress	1,041,057	10,559,023	79,538,000	62,305,000	80,579,057	72,864,023
Total non-depreciable	18,347,800	25,945,041	81,202,722	64,108,079	99,550,522	90,053,120
Depreciable assets:						
Land improvements	25,634,526	22,450,206	7,819,408	7,763,564	33,453,934	30,213,770
Buildings and improvements	34,048,868	24,439,648	3,763,488	3,971,912	37,812,356	28,411,560
Machinery, equipment, and furniture	17,869,762	17,320,497	2,143,491	2,116,764	20,013,253	19,437,261
Intangibles	1,054,698	1,054,698	-	-	1,054,698	1,054,698
Utility plant	-	-	1,043,879,000	1,035,316,000	1,043,879,000	1,035,316,000
Infrastructure	106,040,431	105,127,750	-	-	106,040,431	105,127,750
Total depreciable assets	184,648,285	170,392,799	1,057,605,387	1,049,168,240	1,242,253,672	1,219,561,039
Less accumulated depreciation	124,348,806	120,194,586	434,666,311	415,346,598	559,015,117	535,541,184
Book value - depreciable assets	60,299,479	50,198,213	622,939,076	633,821,642	683,238,555	684,019,855
Percentage depreciated	67.3%	70.5%	41.1%	39.6%	45.0%	43.9%
Nuclear fuel, at amortized cost	-	-	19,033,000	17,129,000	19,033,000	17,129,000
Book value - all assets	$ 78,647,279	$ 76,143,254	$ 723,174,798	$ 715,058,721	$ 801,822,077	$ 791,201,975

Long – Term Debt

At the end of the calendar year, the City had total capital leases, revenue bonds, and notes outstanding of $5.6 million. This is a decrease of $12.4 million from the prior year. Refer to Note 3-H beginning on page 56 for additional information regarding the City's long-term debt.

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Capital leases payable	$ 5,150,000	$ 5,375,000	$ -	$ -	$ 5,150,000	$ 5,375,000
Revenue bonds	-	-	-	11,820,000	-	11,820,000
Notes	453,484	827,045	-	-	453,484	827,045
Total	$ 5,603,484	$ 6,202,045	$ -	$ 11,820,000	$ 5,603,484	$ 18,022,045

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City of Dalton's current unemployment rate of 11.0% continues to exceed the state and national rates. The high unemployment rate is attributable to the downturn in the nation's housing industry that directly influences the manufacturing jobs in the flooring industry.

The City's assessed net taxable digest increased 1.6% in 2012. For the 2013 budget, the City anticipates a static net taxable digest. The 2012 the millage rate was reduced 3.0%, making it the fifth consecutive millage rate reduction.

The 2013 General Fund budget reflects a 5.8% decrease in revenues when compared to 2012 actual. The majority of the decrease is attributable to an anticipated decrease in property taxes of $1.0 million due to reduced collection rate. Budgeted expenditures for 2013 reflect a 3.5% reduction when compared to actual 2012 expenditures. The City's adopted 2013 General Fund operating budget anticipates revenues will be adequate to cover expenditures and other financing sources (uses), thus no utilization of fund balance.

Other factors considered when preparing the 2013 budget included:

- The LOST negotiations with Whitfield County were completed in 2012 and the City's allocable portion of sales tax increased to 32% from 14.9%.
- The Service Delivery Agreement with Whitfield County was amended to exclude the in-kind service for public works.
- The City anticipates that health insurance premiums will remain static.
- The OPEB trust fund balance will cover the cost of current retiree health care premiums. Once the trust fund is depleted, the City will no longer offer health care for retirees.
- The City anticipates the defined pension plan employer contribution will increase from 19.0% to 22.4%.
- Merit and cost-of-living increases were not factored into the 2013 budget.
- Departmental capital requests for equipment and machinery will not be considered for budgeting purposes. These requests will be reviewed on an as needed basis and will be taken from budget surplus or fund balance as needed.
- The City will continue to evaluate the level of services desired by citizens and how to provide those services as economically as possible.

REQUESTS FOR INFORMATION

The Director of Finance for the City of Dalton prepared this report. Please direct requests and inquiries regarding this document to the following address and telephone number:

City of Dalton
Finance Department
300 Waugh Street
Dalton, Georgia, 30720
(706) 278-6006

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Dalton, Georgia
Statement of Net Position
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Dalton Building Authority
Assets				
Current Assets				
Cash and cash equivalents	$ 13,760,023	$ 10,160,994	$ 23,921,017	$ 1,316,967
Investments	5,938,754	-	5,938,754	-
Receivables:				
Accounts	1,024,461	12,078,495	13,102,956	-
Taxes	1,357,547	-	1,357,547	-
Intergovernmental	1,057,095	-	1,057,095	-
Capital leases	-	-	-	805,000
Unbilled revenues	-	6,138,000	6,138,000	-
Accrued interest	-	211,000	211,000	-
Fuel stocks	-	5,430,000	5,430,000	-
Inventory	187,752	10,393,104	10,580,856	-
Prepaid items and deposits	23,787	826,000	849,787	-
Restricted funds	-	2,795,000	2,795,000	-
Total Current Assets	23,349,419	48,032,593	71,382,012	2,121,967
Noncurrent Assets				
Nondepreciable capital assets	18,347,800	81,202,722	99,550,522	-
Depreciable capital assets, net	60,299,479	641,972,076	702,271,555	-
Restricted combined renewals and extensions fund	-	20,749,000	20,749,000	-
Restricted nuclear decommissioning	-	51,490,000	51,490,000	-
Regulatory asset	-	9,516,000	9,516,000	-
Capital leases receivable	-	-	-	8,120,000
Investment in joint ventures	49,952	18,574,937	18,624,889	-
Total Noncurrent Assets	78,697,231	823,504,735	902,201,966	8,120,000
Total Assets	102,046,650	871,537,328	973,583,978	10,241,967

(continued)

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Position
December 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	City of Dalton Building Authority
Liabilities				
Current Liabilities				
Accounts payable and accrued expenses	1,394,375	15,279,871	16,674,246	1,316,967
Internal balances	(1,220,903)	1,220,903	-	-
Accrued interest payable	137,508	-	137,508	-
Deferred credit - TVA right of use	-	50,000	50,000	-
Claims payable	479,306	-	479,306	-
Unearned revenue	842,471	8,724	851,195	-
Compensated absences payable	1,784,866	21,155	1,806,021	-
Notes payable	135,484	-	135,484	-
Revenue bonds payable	-	-	-	575,000
Recovery zone economic development bonds payable	-	-	-	230,000
Capital leases payable	230,000	-	230,000	-
Customer deposits	-	3,594,000	3,594,000	-
Total Current Liabilities	3,783,107	20,174,653	23,957,760	2,121,967
Long-Term Liabilities				
Deferred credit - TVA right of use	-	267,000	267,000	-
Derivatives	-	2,180,000	2,180,000	-
Asset retirement obligations	-	36,954,000	36,954,000	-
Compensated absences payable (less current portion)	2,181,505	63,464	2,244,969	-
Notes payable	318,000	-	318,000	-
Deferred gain on sale of transmission	-	6,448,000	6,448,000	-
Revenue bonds payable (less current portion)	-	-	-	1,200,000
Recovery zone bonds payable (less current portion)	-	-	-	4,920,000
QZAB bonds payable (less current portion)	-	-	-	2,000,000
Capital leases payable (less current portion)	4,920,000	-	4,920,000	-
Net pension obligation	268,862	-	268,862	-
Net OPEB obligation	2,412,100	-	2,412,100	-
Total Long-Term Liabilities	10,100,467	45,912,464	56,012,931	8,120,000
Total Liabilities	13,883,574	66,087,117	79,970,691	10,241,967
Net Position				
Investment in capital assets	72,911,193	687,108,798	760,019,991	-
Restricted for:				
Debt service	9,902	-	9,902	-
Capital projects	4,906	20,749,000	20,753,906	-
Public safety	84,556	-	84,556	-
Development	49,954	-	49,954	-
Cemetery chapel renovations	91,029	-	91,029	-
Customer deposit fund and nuclear decommissioning	-	54,285,000	54,285,000	-
Unrestricted	15,011,536	43,307,413	58,318,949	-
Total Net Position	$ 88,163,076	$ 805,450,211	$ 893,613,287	$ -

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Activities
For the Year Ended December 31, 2012

Function/Program	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions, and Transfers	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Building Authority
Primary Government								
General government	$ 3,302,093	$ 986,862	$ 285,684	$ -	$ (2,029,547)	$ -	$ (2,029,547)	$ -
Judicial	369,253	767,234	-	-	397,981	-	397,981	-
Public safety	13,990,949	604,417	59,212	3,900	(13,323,420)	-	(13,323,420)	-
Public works	9,010,672	142,808	1,272,062	888,436	(6,707,366)	-	(6,707,366)	-
Health and welfare	488,545	46,253	239,492	-	(202,800)	-	(202,800)	-
Culture and recreation	4,967,978	324,948	140,912	289,818	(4,212,300)	-	(4,212,300)	-
Housing and development	379,694	-	127,414	-	(252,280)	-	(252,280)	-
Interest on long-term debt	459,985	-	133,910	-	(326,075)	-	(326,075)	-
Total Governmental Activities	32,969,169	2,872,522	2,258,686	1,182,154	(26,655,807)	-	(26,655,807)	-
Business-Type Activities:								
WLSF:								
Electric system	80,988,971	102,836,000	-	95,740	-	21,942,769	21,942,769	-
Gas system	15,924,970	15,938,000	-	(5,550)	-	7,480	7,480	-
Water system	16,929,002	19,449,000	-	(3,770)	-	2,516,228	2,516,228	-
Sewer system	19,170,608	19,438,000	-	510,580	-	777,972	777,972	-
Information technology systen	19,276,365	19,281,000	-	-	-	4,635	4,635	-
Landfill	365,350	-	-	-	-	(365,350)	(365,350)	-
Trade Center	547,930	-	-	-	-	(547,930)	(547,930)	-
Municipal golf course	858,544	1,033,346	-	-	-	174,802	174,802	-
Municipal airport	518,119	117,765	-	-	-	(400,354)	(400,354)	-
Total Business-Type Activities	154,579,859	178,093,111	-	597,000	-	24,110,252	24,110,252	-
Total - Primary Government	$ 187,549,028	$ 180,965,633	$ 2,258,686	$ 1,779,154	(26,655,807)	24,110,252	(2,545,555)	-
		General Revenues						
		Property taxes levied for:						
		General purposes			9,303,685	-	9,303,685	-
		Debt service			4,683	-	4,683	-
		Selective taxes			6,103,688	-	6,103,688	-
		Hotel/motel taxes			1,093,798	-	1,093,798	-
		Investment earnings			253,696	1,192,689	1,446,385	-
		Donations - unrestricted			1,820,028	-	1,820,028	-
		Miscellaneous			596,278	333,000	929,278	-
		Total General Revenues			19,175,856	1,525,689	20,701,545	-
		Transfers			9,281,511	(9,281,511)	-	-
		Total General Revenues and Transfers			28,457,367	(7,755,822)	20,701,545	-
		Change in Net Position			1,801,560	16,354,430	18,155,990	-
		Net Position Beginning of Year			86,361,516	789,095,781	875,457,297	-
		Net Position End of Year			$ 88,163,076	$ 805,450,211	$ 893,613,287	$ -

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

City of Dalton, Georgia
Balance Sheet
Governmental Funds
December 31, 2012

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 12,481,720	$ 94,096	$ 12,575,816
Investments	5,938,438	316	5,938,754
Receivables:			
Accounts	925,577	98,884	1,024,461
Taxes	1,353,083	4,464	1,357,547
Intergovernmental - local	605,120	142,564	747,684
Intergovernmental - state and federal	6,216	303,195	309,411
Interfund	422,512	173,759	596,271
Inventory, at cost	187,752	-	187,752
Prepaid items	19,787	4,000	23,787
Total Assets	$ 21,940,205	$ 821,278	$ 22,761,483
Liabilities and Fund Balances			
Liabilities			
Accounts payable	$ 494,256	$ 335,851	$ 830,107
Accrued expenditures	561,924	-	561,924
Accrued interest payable	-	137,508	137,508
Interfund payable	198,734	244,207	442,941
Deferred revenue	838,125	4,346	842,471
Total Liabilities	2,093,039	721,912	2,814,951
Fund Balances			
Nonspendable	207,539	-	207,539
Restricted for:			
Public safety	-	84,556	84,556
Housing and development	-	2	2
Debt service	-	9,902	9,902
Capital projects	-	4,906	4,906
Cemetery chapel	91,029	-	91,029
Unrestricted:			
Assigned (trail grants and airport)	110,315	-	110,315
Unassigned	19,438,283	-	19,438,283
Total Fund Balances	19,847,166	99,366	19,946,532
Total Liabilities and Fund Balances	$ 21,940,205	$ 821,278	$ 22,761,483

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2012

Total Governmental Fund Balances		$ 19,946,532
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital assets do not represent financial resources and therefore are not reported in the funds but are reported for governmental activities:		
Cost	202,996,085	
Less accumulated depreciation	(124,348,806)	78,647,279
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide statement of net position:		
Interfund receivables	(330,566)	
Interfund payables	330,566	-
Liabilities, including notes, bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net position:		
Notes payable	(453,484)	
Bonds payable	(5,150,000)	
Compensated absences	(3,966,371)	(9,569,855)
The Joint Development Authority (JDA) is a joint venture of the City of Dalton and Whitfield County, Georgia. The equity interest in the JDA is shown on the government-wide statement of net position but is reported on the fund balance sheet only to the extent the investment is evidenced by current financial resources, such as amounts due to and from the entity:		
City's portion of equity investment		49,952
The internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service funds are included in governmental activities columns in the statement of net position.		702,557
The pension trust fund accumulates resources for pension benefit payments to qualified City employees. The City has not fully funded their annual required contribution to the pension plan. The liability for the cumulative effect of current and past underfunding of the ARC is reported as a liability in the governmental activities column in the statement of net position as net pension obligation.		(268,862)
The OPEB trust fund accumulates resources for other post employment benefit payments to qualified City employees. The City has not fully funded their annual required contribution to the OPEB plan. The liability for the cumulative effect of current and past underfunding of the ARC is reported as a liability in the governmental activities column in the statement of net position as net OPEB obligation.		(2,412,100)
The business-type activities of the City also benefit from the use of the internal service funds. The amount of the net loss allocated to the business-type activities of the City is reported as an interfund receivable for governmental activities.		1,067,573
Net Position of Governmental Activities		$ 88,163,076

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Taxes	$ 15,407,354	$ 1,098,500	$ 16,505,854
Licenses and permits	986,862	-	986,862
Intergovernmental	1,015,962	2,424,820	3,440,782
Charges for services	1,263,013	-	1,263,013
Fines and forfeitures	377,421	75,924	453,345
Investment earnings	124,692	126,257	250,949
Miscellaneous	2,548,292	10,413	2,558,705
Total Revenues	21,723,596	3,735,914	25,459,510
Expenditures			
Current:			
General government	1,955,297	184,330	2,139,627
Judicial	362,015	-	362,015
Public safety	13,305,641	139,526	13,445,167
Public works	6,649,595	586,823	7,236,418
Health and welfare	374,988	88,617	463,605
Culture and recreation	3,118,112	382,955	3,501,067
Housing and development	295,028	27,597	322,625
Capital Outlay			
General government	1,834,650	851,120	2,685,770
Public safety	133,236	94,432	227,668
Public works	-	1,194,263	1,194,263
Health and welfare	156,732	-	156,732
Culture and recreation	37,338	2,354,291	2,391,629
Debt Service:			
Principal retirement	-	598,561	598,561
Interest and fiscal charges	-	293,792	293,792
Total Expenditures	28,222,632	6,796,307	35,018,939
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,499,036)	(3,060,393)	(9,559,429)
Other Financing Sources (Uses)			
Transfers in	9,856,223	3,665,317	13,521,540
Transfers out	(3,641,802)	(884,755)	(4,526,557)
Total Other Financing Sources (Uses)	6,214,421	2,780,562	8,994,983
Net Change in Fund Balances	(284,615)	(279,831)	(564,446)
Fund Balances Beginning of Year	20,131,781	379,197	20,510,978
Fund Balances End of Year	$ 19,847,166	$ 99,366	$ 19,946,532

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2012

Net Changes in Fund Balances - Total Governmental Funds		$ (564,446)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period:		
Depreciation expense	(4,431,551)	
Capital outlay	6,656,062	2,224,511
Write off of capital assets not reported at the fund level		(7,014)
Elimination of transfers between governmental funds:		
Transfers in	(4,050,260)	
Transfers out	4,050,260	-
Premiums, discounts, bond issuance costs and bond refunding deferrals are reported in governmental funds but capitalized and amortized in the statement of net position:		
Amortization expense for 2012	(166,193)	(166,193)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		373,561
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		225,000
Compensated absences reported in the statement of activities don't require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Net change in accrued liability		36,334
The Joint Development Authority (JDA) is a joint venture of the City of Dalton and Whitfield County, Georgia. The current year payments to the JDA are reported as expenditures for the housing and development function on the fund statements, but the City's interest in the government-wide net income or loss is reported on the statement of activities:		
City's current year payments to the JDA reported in the funds	157,750	
City's portion of the government-wide JDA current year net income	214,819	(57,069)
The Golf Course is an enterprise fund of the City. The Golf Course performed a reallocation of capital assets in 2012, resulting in the transfer of some capital assets to the City. The Golf Course reported the transaction as an outgoing transfer. Since the governmental funds do not report capital assets, it had no effect on the governmental fund statements, but was reported as a transfer in for governmental activities on the government-wide statements.		286,528
The internal service funds used by management to charge the costs of the operation and maintenance of the health and workers compensation insurance to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		265,114
The pension trust fund and OPEB trust fund accumulate resources for benefit payments to qualified City employees. Overfunding or underfunding the annual required contribution creates an asset or liability on the government-wide statement of net position. The change in the asset or liability is as follows:		
Increase in net pension obligation	-	
Increase in net OPEB obligation	(814,766)	(814,766)
Change in Net Position of Governmental Activities		$ 1,801,560

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2012

	Original Budget	Final Budget	Actual	Variance
Revenues				
Taxes	$ 13,153,000	$ 13,303,000	$ 15,407,354	$ 2,104,354
Licenses and permits	975,000	975,000	986,862	11,862
Intergovernmental	378,700	1,805,290	1,015,962	(789,328)
Charges for services	1,174,060	1,170,555	1,263,013	92,458
Fines and forfeitures	500,000	500,000	377,421	(122,579)
Investment earnings	60,000	60,055	124,692	64,637
Miscellaneous	429,100	2,335,295	2,548,292	212,997
Total Revenues	16,669,860	20,149,195	21,723,596	1,574,401
Expenditures				
Current:				
General government	2,100,405	2,288,895	1,955,297	333,598
Judicial	400,035	413,015	362,015	51,000
Public safety	13,611,500	13,740,305	13,305,641	434,664
Public works	5,913,425	6,995,165	6,649,595	345,570
Health and welfare	418,000	381,805	374,988	6,817
Culture and recreation	3,160,470	3,206,505	3,118,112	88,405
Housing and development	290,500	296,000	295,028	972
Total Current	25,894,335	27,321,690	26,060,676	1,261,026
Capital Outlay				
General government	10,000	1,825,585	1,834,650	(9,065)
Public safety	-	206,600	133,236	73,364
Public works	-	290,000	-	290,000
Health and welfare	18,500	156,820	156,732	88
Culture and recreation	-	44,500	37,338	7,150
Total Capital Outlay	37,300	2,523,505	2,161,956	361,537
Total Expenditures	25,931,635	29,845,195	28,222,632	1,622,563
Excess (Deficiency) of Revenues Over (Under) Expenditures	(9,261,775)	(9,696,000)	(6,499,036)	3,196,964
Other Financing Sources (Uses)				
Transfers in	9,850,000	9,991,000	9,856,223	(134,777)
Transfers out	(3,250,875)	(3,910,460)	(3,641,802)	268,658
Total Other Financing Sources (Uses)	6,599,125	6,080,540	6,214,421	133,881
Net Change in Fund Balances	$ (2,662,650)	$ (3,615,460)	(284,615)	$ 3,330,845
Fund Balances Beginning of Year			20,131,781	
Fund Balances End of Year			$ 19,847,166	

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds			
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total Funds	Governmental Activities - Internal Service Funds
Assets				
Current Assets:				
Cash and cash equivalents	$ 9,838,000	$ 322,994	$ 10,160,994	$ 1,184,207
Accounts receivable	12,077,000	1,495	12,078,495	-
Interfund receivable	-	24,975	24,975	-
Unbilled revenues	6,138,000	-	6,138,000	-
Interest receivable	211,000	-	211,000	-
Fuel stocks	5,430,000	-	5,430,000	-
Inventory	10,380,000	13,104	10,393,104	-
Prepaid expenses and deposits	826,000	-	826,000	-
Restricted customer deposit fund	2,795,000	-	2,795,000	-
Total Current Assets	47,695,000	362,568	48,057,568	1,184,207
Noncurrent Assets:				
Land	-	1,664,722	1,664,722	-
Construction in progress	79,538,000	-	79,538,000	-
Depreciable capital assets, net	634,251,000	7,721,076	641,972,076	-
Restricted combined renewals and extensions fund	20,749,000	-	20,749,000	-
Restricted nuclear decommissioning	51,490,000	-	51,490,000	-
Regulatory asset	9,516,000	-	9,516,000	-
Investment in joint ventures	-	18,574,937	18,574,937	-
Total Noncurrent Assets	795,544,000	27,960,735	823,504,735	-
Total Assets	$ 843,239,000	$ 28,323,303	$ 871,562,303	$ 1,184,207

(continued)

City of Dalton, Georgia
Statement of Net Position
Proprietary Funds
December 31, 2012

	Business-type Activities - Enterprise Funds			
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total Funds	Governmental Activities - Internal Service Funds
Liabilities				
Current Liabilities:				
Deferred credit - TVA right of use	$ 50,000	$ -	$ 50,000	$ -
Accounts payable and accrued expenses	15,223,000	56,871	15,279,871	2,344
Unearned revenue	-	8,724	8,724	-
Interfund payable	-	178,305	178,305	-
Claims payable	-	-	-	479,306
Compensated absences	-	21,155	21,155	-
Customer deposits	3,594,000	-	3,594,000	-
Total Current Liabilities	18,867,000	265,055	19,132,055	481,650
Long-Term Liabilities:				
Deferred credit - TVA right of use	267,000	-	267,000	-
Derivatives	2,180,000	-	2,180,000	-
Deferred gain on sale of transmission	6,448,000	-	6,448,000	-
Asset retirement obligations	36,954,000	-	36,954,000	-
Compensated absences	-	63,464	63,464	-
Total Long-Term Liabilities	45,849,000	63,464	45,912,464	-
Total Liabilities	64,716,000	328,519	65,044,519	481,650
Net Position				
Investment in capital assets	677,723,000	9,385,798	687,108,798	-
Restricted for:				
Capital projects	20,749,000	-	20,749,000	-
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	54,285,000	-	54,285,000	-
Unrestricted	25,766,000	18,608,986	44,374,986	702,557
Total Net Position	$ 778,523,000	$ 27,994,784	$ 806,517,784	$ 702,557

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Statement of Net Position of Proprietary Funds
to the Statement of Net Position
December 31, 2012

Total Statement of Net Position - Proprietary Funds Net Position	$ 806,517,784
Amounts reported for Business-Type Activities in the Statement of Net Position are different because:	
The business-type activities of the City also benefit from the use of the internal service funds. The amount of the net loss allocated to the business-type activities of the City is reported as an interfund payable for business-type activities.	(1,067,573)
Net Position of Business-Type Activities	$ 805,450,211

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total	Governmental Activities - Internal Service Funds
Operating Revenues				
Charges for services	$ 176,942,000	$ 900,931	$ 177,842,931	$ 800,000
Merchandise sales	-	76,082	76,082	-
Tournaments	-	100,564	100,564	-
Concessions	-	72,123	72,123	-
Miscellaneous	-	1,411	1,411	-
Total Operating Revenues	176,942,000	1,151,111	178,093,111	800,000
Operating Expenses				
Cost of sales and services	124,071,000	426,800	124,497,800	322,089
Personal services and benefits	-	458,203	458,203	-
Depreciation	28,268,000	491,660	28,759,660	-
Claims	-	-	-	166,518
Total Operating Expenses	152,339,000	1,376,663	153,715,663	488,607
Operating Income (Loss)	24,603,000	(225,552)	24,377,448	311,393
Non-Operating Revenues (Expenses)				
Interest income	925,000	689	925,689	2,805
Net increase (decrease) in fair value of investments	267,000	-	267,000	-
Miscellaneous income (expense)	333,000	-	333,000	-
Income from joint ventures	-	(913,280)	(913,280)	-
Total Non-Operating Revenues (Expenses)	1,525,000	(912,591)	612,409	2,805
Income Before Contributions and Transfers	26,128,000	(1,138,143)	24,989,857	314,198
Contributions in aid of construction	597,000	-	597,000	-
Transfers in (out)	(9,469,000)	187,489	(9,281,511)	-
Change in Net Position	17,256,000	(950,654)	16,305,346	314,198
Net Position Beginning of Year	761,267,000	28,945,438	790,212,438	388,359
Net Position End of Year	$ 778,523,000	$ 27,994,784	$ 806,517,784	$ 702,557

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Statement of Revenues, Expenses, and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities
For the Year Ended December 31, 2012

Changes in Fund Net Position - Total Business-Type Activities	$ 16,305,346
Amounts reported for Business-Type Activities in the Statement of Activities are different because:	
The internal service funds are used by management to charge the costs of the operation and maintenance of the health and workers compensation insurance to individual funds. In the statement of activities, the portion of the internal service fund losses as a result of business-type activities is allocated to each business-type activity.	49,084
Change in Net Position of Business-Type Activities	$ 16,354,430

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total	Governmental Activities - Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	$ 173,768,000	$ 1,151,243	$ 174,919,243	$ -
Cash received from overparity in transmission facilities	2,520,000	-	2,520,000	-
Cash received from interfund services provided	-	-	-	801,303
Cash payments to employees for services	(19,272,000)	(454,161)	(19,726,161)	-
Cash payments for goods, services, claims, and fees	(100,496,000)	(407,826)	(100,903,826)	(620,057)
Net Cash Provided by (Used in) Operating Activities	56,520,000	289,256	56,809,256	181,246
Cash Flows from Investing Activities				
Interest on investments	714,000	689	714,689	2,805
Sales and maturity of investment securities	94,120,000	-	94,120,000	1
Purchases of investment securities	(90,739,000)	-	(90,739,000)	-
Net Cash Provided by (Used in) Investing Activities	4,095,000	689	4,095,689	2,806
Cash Flows from Noncapital Financing Activities				
Transfers out	(9,469,000)	-	(9,469,000)	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(9,469,000)	-	(9,469,000)	-
Cash Flows from Capital and Related Financing Activities				
Contributions in aid of construction	597,000	-	597,000	-
Principal and interest paid on long-term debt	(12,162,000)	-	(12,162,000)	-
Cash received from other funds	-	1,925	1,925	-
Proceeds from sale of ITS transmission lines	8,403,000	-	8,403,000	-
Acquisition of capital assets	(38,582,000)	(78,145)	(38,660,145)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	(41,744,000)	(76,220)	(41,820,220)	-
Net Increase (Decrease) in Cash and Cash Equivalents	9,402,000	213,725	9,615,725	184,052
Cash and Cash Equivalents Beginning of Year	436,000	114,364	550,364	1,000,155
Cash and Cash Equivalents End of Year	$ 9,838,000	$ 328,089	$ 10,166,089	$ 1,184,207

(Continued)

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds			
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total	Governmental Activities - Internal Service Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	$ 24,603,000	$ (225,552)	$ 24,377,448	$ 311,393
Adjustments:				
Depreciation	28,268,000	491,660	28,759,660	-
Amortization	4,578,000	-	4,578,000	-
Miscellaneous income and expense	333,000	-	333,000	-
(Increase) Decrease in Assets:				
Accounts receivable	(654,000)	(620)	(654,620)	-
Interfund receivable	-	(6,639)	(6,639)	-
Fuel stocks	(1,302,000)	-	(1,302,000)	-
Inventory	90,000	(3,640)	86,360	-
Increase (Decrease) in Liabilities:				
Accounts payable	(1,581,000)	29,253	(1,551,747)	(6,418)
Unearned revenue	-	752	752	-
Accrued wages	-	287	287	-
Other	2,185,000	3,755	2,188,755	-
Claims payable	-	-	-	(123,729)
Net Cash Provided by (Used in) Operating Activities	$ 56,520,000	$ 289,256	$ 56,809,256	$ 181,246
Noncash Investing, Capital, and Financing Activities				
Net increase in fair value of investments	$ 267,000	$ -	$ 267,000	$ -
Accrued property additions at year end	$ 2,295,000	$ -	$ 2,295,000	$ -

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Position
Fiduciary Funds
December 31, 2012

	Pension Trust Fund	OPEB Trust Fund	Municipal Court Agency Fund
Assets			
Cash and cash equivalents	$ 553,408	$ -	$ 65,358
Investments, at fair value:			
Georgia Municipal Employees Benefit System OPEB Trust Fund	-	4,325,663	-
MetLife large cap index equity fund	25,259,024	-	-
MetLife small cap index equity fund	7,087,567	-	-
MetLife fixed income guaranteed account	33,316,720	-	-
Contributions receivable	544,645	-	-
Total Assets	66,761,364	4,325,663	65,358
Liabilities			
Current Liabilities:			
Accounts payable	2,435	-	15,529
Other liabilities	-	-	49,829
Total Current Liabilities	2,435	-	65,358
Net Position			
Held in trust for pension and other post employment benefits	$ 66,758,929	$ 4,325,663	$ -

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Pension Trust Fund and OPEB Trust Fund
Statement of Changes in Fiduciary Net Position - Fiduciary Funds
For the Year Ended December 31, 2012

	Pension Trust Fund	OPEB Trust Fund
Additions		
Contributions:		
Employer	$ 4,220,538	$ -
Plan members	880,846	153,543
Total contributions	5,101,384	153,543
Investment income:		
Interest and dividends	714,938	94,277
Net increase (decrease) in fair value of investments	5,252,991	464,000
Total investment income	5,967,929	558,277
Less: investment expense	134,991	12,393
Net investment earnings	5,832,938	545,884
Total Additions (Reductions)	10,934,322	699,427
Deductions		
Administrative expenses	37,180	18,677
Premium payments	-	677,865
Benefit payments	6,296,942	-
Total Deductions	6,334,122	696,542
Change in Net Position	4,600,200	2,885
Net Position Beginning of Year	62,158,729	4,322,778
Net Position End of Year	$ 66,758,929	$ 4,325,663

See accompanying notes to the basic financial statements.

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The City of Dalton, Georgia ("the City") operates under a Council-Administration form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, culture and recreation, education, public improvements, planning and zoning, general administrative services, and public utilities.

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States ("GAAP") as applied to governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for governmental accounting and financial reporting. The most significant of the City's accounting policies are described below.

1-A Reporting Entity

The reporting entity is comprised of the primary government and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. This entity includes the legal entity, the City of Dalton, Georgia.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs of services performed or provided by the organizations, or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units also may include organizations that are fiscally dependent on the City in that the City approves the budget, levies their taxes, or issues their debt.

The City of Dalton Building Authority ("Building Authority") is a legally separate entity and has been included as a discretely presented component unit in the accompanying financial statements. It is reported as a separate column in the government-wide statements to emphasize that it is legally separate from the City. The City appoints the members of the five person board and all debt issuances must first be approved by the City Council. Financial information of the Building Authority can be obtained from the City of Dalton Finance Department. Separate financial statements for the Building Authority are not prepared.

Related Party Organizations - The Dalton Housing Authority is a related organization which has not been included in the reporting entity. The Authority provides low-income housing to eligible families in the City. The Authority's Board consists of six members appointed by City Council; however the City is not financially accountable (impose will or have a financial benefit or burden relationship) for the Authority.

The Downtown Dalton Development Authority ("DDDA") is a related organization which has not been included in the reporting entity. The Authority provides centralized leadership for communication on downtown issues. The Authority was created by constitutional ratification by the 1980 general election. The City of Dalton does not appoint a simple majority of the DDDA's governing board, but only one member of the City Council who serves as liaison between the DDDA and the City. The remaining six DDDA board members are elected by the business and property owners in the downtown Dalton district, according to enabling legislation. The City is not able to impose its will on DDDA. The DDDA's power to issue bonds, notes, or other obligations is not subject to approval of the City of Dalton. The Authority is not a component unit because it meets none of the three criteria for consideration as a component unit. The DDDA is different from many other downtown development authorities in Georgia. Several Georgia cities created downtown development authorities by local constitutional amendments approved by the Georgia General Assembly. In 1981, the General Assembly passed enabling legislation which provided for the establishment of downtown development authorities from that point forward, and some municipalities elected to surrender provisions of existing authorities and operate under the provisions of the new Code. However, the City of Dalton chose to retain the provisions of its original act created by local constitutional amendment with enabling legislation.

1-A Reporting Entity (continued)

Joint Ventures - The City participates with Whitfield County in the Dalton-Whitfield Regional Solid Waste Management Authority ("DWRSWMA"). The City has fifty percent equity in this entity. Separately issued financial statements of the DWRSWMA can be obtained from their administrative office: 4350 Gazaway Drive SE, Dalton, Georgia 30720.

The City participates with Whitfield County in the Northwest Georgia Trade and Convention Center Authority ("Trade Center"). The Trade Center was formerly accounted for within the City as an enterprise fund. The Trade Center became a separate authority in 2003. The County and City retained their respective shares of their equity balances as of December 31, 2002. The City and County each now have fifty percent interest in the income or loss of this entity. Separately issued financial statements of the Northwest Georgia Trade and Convention Center Authority can be obtained from their administrative office: 2211 Dug Gap Battle Road, Dalton, Georgia 30720.

The City participates with Whitfield County in the Dalton-Whitfield Joint Development Authority ("JDA"), also known as the Dalton-Whitfield Economic Development Authority ("EDA"). The JDA was created during 2007 to replace and to serve the same purpose as the EDA. Both entities existed as of December 31, 2012, but shared a board and activity. The EDA will be dissolved in the near future and the JDA will continue to operate. The City has fifty percent equity in this entity. Separately issued financial statements of the Dalton-Whitfield Joint Development Authority can be obtained from their administrative office: 890 College Drive, Dalton, Georgia 30720.

Under Georgia law, the City, in conjunction with other cities and counties in the region, is a member of the Northwest Georgia Regional Commission ("NWGRC") and is required to pay annual dues thereto. The City utilizes the NWGRC for projects such as performing planning and administrative services. During its year ended December 31, 2012, the City paid $16,564 in dues to the NWGRC. Membership in a NWGRC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-39 which provides for the organizational structure of the NWGRC in Georgia. The NWGRC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the NWGRC. Separately issued financial statements may be obtained from the Northwest Georgia Regional Commission, PO Box 1798, Rome, Georgia 30162.

1-B Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements - The government-wide financial statements include the statement of net position and the statement of activities. They include all funds of the reporting entity except for fiduciary funds. Individual funds are not displayed at this financial reporting level. These statements distinguish governmental activities, which are generally supported by grants and City general revenues, from business-type activities, which are generally financed in whole or in part by charges to external customers.

The statement of net position presents the financial position of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities and for each identifiable activity of the City's business-type activities. Direct expenses are those that are specifically associated with a function and therefore are clearly identifiable to that particular function. The City does allocate the indirect expenses of the internal service funds to the functions in the statement of activities.

1-B Basis of Presentation (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, which includes fees and other charges to users of the City's services, (2) operating grants and contributions which finance annual operating activities including restricted investment income, and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which functions the revenues are restricted.

Other revenue sources not properly included with program revenues are reported as general revenues of the City. The comparison of direct expenses with program revenues identifies the extent to which each governmental function and each identifiable business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. Fund financial statements are provided for governmental, proprietary, and fiduciary funds.

Major individual governmental and enterprise funds are reported in separate columns.

Fund Accounting - The City uses funds to maintain its financial records during the year. A fund is a fiscal and accounting entity with a self-balancing set of accounts. The City uses three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Fund liabilities are assigned to the fund from which they will be liquidated. The City reports the difference between governmental fund assets and liabilities as fund balance. The City's governmental funds include one major fund and eleven nonmajor funds.

Major Governmental Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Governmental Funds – The City's nonmajor governmental funds include special revenue funds, capital projects funds, and a debt service fund. The special revenue funds include the community development block grant, community home investment grant, hotel motel tax, confiscated assets, transportation enhancement grant, airport improvement grant, and trail grant funds. The capital projects funds include the capital projects fund, the SPLOST fund, and the capital acquisition fund.

1-B Basis of Presentation (continued)

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. The City's proprietary funds are classified as major and nonmajor enterprise funds and internal service funds.

Major enterprise fund – The Water, Light, and Sinking Fund Commission ("WLSF Commission") is used to account for the operations of Dalton Utilities.

Nonmajor enterprise funds - Nonmajor enterprise funds include the municipal golf course, the municipal airport, the Northwest Georgia Trade and Convention Center Authority, and the Dalton-Whitfield Regional Solid Waste Management Authority.

Internal service funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The Internal Service Funds consist of a workers' compensation fund and health insurance fund.

Fiduciary Funds – Fiduciary funds are used to report assets that, by definition, are being held in a trustee or agency capacity for the benefit of others and are therefore not available to support City programs. The fiduciary fund reporting focuses on net assets. The City has three fiduciary funds which include two trust funds and one agency fund. The fiduciary funds are not included in the government-wide financial statements.

Pension Trust Fund – The pension trust fund accounts for the activities of the Mayor and Council of the City of Dalton Employee's Pension Plan, which accumulates resources for pension benefit payments to qualified City employees.

Other Post-Employment Benefit ("OPEB") Trust Fund – The OPEB trust fund accounts for the activities of the City of Dalton Postretirement Plan, which accumulates resources for post-employment benefit payments to qualified City retirees.

Municipal Court Agency Fund – The municipal court agency fund accounts for the activities of the municipal court. It holds the assets in a custodial nature, and remits them to the appropriate authority.

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities reports revenues and expenses.

Fund Financial Statements - The governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the governmental fund statements.

1-C Measurement Focus (continued)

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus on both financial reporting levels. All assets and all liabilities associated with the operation of these funds are included on the statements of net position. The statements of changes in fund net position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The pension and OPEB trust funds are accounted for on a flow of economic resources measurement focus. The statement of fiduciary net position presents the trust funds' assets, liabilities, and net position. The statement of changes in fiduciary net position reports additions and deductions to net position. Agency funds are not involved in the measurement of results of operations and therefore, measurement focus is not applicable to them.

1-D Basis of Accounting

The basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. At the fund reporting level, the governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting at both reporting levels. The two trust funds and the municipal court agency fund use the accrual basis at the fund reporting level. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred revenue, and in the presentation of expenses versus expenditures.

Proprietary funds follow all GASB pronouncements issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

Revenues – Exchange Transactions - Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, the phrase "available for exchange transactions" means expected to be received within 60 days of year-end.

Revenues - Non-exchange Transactions **-** Non-exchange transactions in which the City receives value without directly giving equal value in return include grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied. (Note 3-C) Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be susceptible to accrual: property taxes, sales tax, interest, and federal and state grants.

1-D Basis of Accounting (continued)

WLSF Commission - The WLSF Commission follows accounting principles generally accepted in the United States of America and governmental accounting and financial reporting standards issued by GASB and also conforms to the provisions of the Financial Accounting Standards Board's ("FASB") accounting for the effects of rate regulation. All regulatory assets and liabilities are reflected in rates. In the event that a portion of the WLSF Commission's operations are no longer subject to the provisions of FASB's accounting for the effects of rate regulation as a result of a change in regulation or the effects of competition, the WLSF Commission would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the WLSF Commission would be required to determine if any impairment to other assets, including plant, exists, and write down the assets, if impaired, to their fair value.

The WLSF Commission's accounts are maintained separately for each system generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for the electric and natural gas sectors (with the exception of its property accounts) and generally in accordance with the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners for the water, wastewater, and information technology sectors (with the exception of its property accounts.

Rates charged to customers are established solely by the WLSF Commission. Electric, natural gas, water, wastewater, and information technology customers are billed so that operating revenues and investment earnings shall be sufficient to meet operating and maintenance expenses, debt service, and certain reserve requirements. In addition, no funds obtained from ad valorem taxes are to be used for operating and maintenance expenses or debt service expense of the WLSF Commission.

WLSF Commission revenue for utility services is recorded when the commodity or service is delivered and includes an estimate for utility services provided but unbilled at the end of the year. Unbilled revenues included in operating revenues were $6,100,000 for the year ended December 31, 2012. In the information technology sector, the WLSF Commission has adopted the industry standard of billing customers in advance for telecommunication services. Such amounts are deferred and recognized as revenues in the periods the services are provided. Deferred revenues included in accounts payable and accrued expenses were $576,000 for the year ended December 31, 2012. Electricity that is generated and not used by the WLSF Commission is sold back to Southern Power Company, the wholesale power subsidiary of the Southern Company. In 2012, total MWhs sold back to Southern Power Company totaled 16,700, with proceeds of $500,000, which is shown as an offset to purchased energy expense.

Deferred/Unearned Revenue - Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

On governmental fund financial statements (modified accrual basis), receivables that will not be collected within the available period have been reported as deferred revenue (they are measurable but not available) rather than as revenue.

Grants and entitlements received (e.g., cash advances) before the eligibility requirements are met also are recorded as deferred revenue.

Deferred revenue is reclassified as "unearned revenue" on the government-wide statement of net position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. On the modified accrual basis, expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

1-E Assets, Liabilities, and Fund Equity

1-E-1 Cash, Cash Equivalents, and Investments

Cash and cash equivalents include cash on hand and amounts in demand deposits, as well as short-term investments with a maturity date within three months of the date acquired by the City. Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. All other investments are stated at fair value based on quoted market prices. The carrying amount is a reasonable estimate of fair value for such short-term investments. Restricted cash and cash equivalents refers to those funds limited by law, regulations, or WLSF Commission action as to their allowable disbursement. Unrestricted cash and cash equivalents refers to all other funds not meeting the requirements of restricted cash and cash equivalents.

Georgia law authorizes the City to invest in the following types of obligations:

- Obligations of the State of Georgia or of any other states
- Obligations of the United States Government
- Obligations fully insured or guaranteed by the United States Government or governmental agency
- Obligations of any corporation of the government
- Prime bankers' acceptances
- The State of Georgia local government investment pool (i.e., Georgia Fund I)
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia

Certain of the WLSF Commission's investments are included in the restricted revenue bond funds prescribed by the Indentures. The Indentures allow the WLSF Commission to invest the revenue bond proceeds in the following:

- Government obligations which are direct general obligations of the U.S. government or obligations which are unconditionally guaranteed by the U.S. government
- Obligations of the Federal Home Loan Bank which are senior debt obligations
- Repurchase agreements with a term of thirty days or less
- Certificates of deposit of national or state banks
- Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940
- Investments in the local government investment pool
- Any other investments to the extent and at the time permitted by then-applicable law for the investment of public funds

All investments are carried at fair value based on quoted market prices as required by GASB's accounting and reporting for investments and external investment pools, which requires that governmental entities report investments at fair value in the Statement of Net Position and Balance Sheets and recognize all investment income, including changes in the fair value of investments, as other income in the Statement of Activities and Statement of Revenues, Expenses/Expenditures, and Changes in Fund Balances/Net Position.

1-E-2 Receivables

All trade and property tax receivables are reported net of an allowance for taxes uncollectible, where applicable.

1-E-3 Interfund Balances

On the fund financial statements, receivables and payables resulting from short-term interfund loans are classified as interfund receivables and interfund payables. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are reclassified and presented as internal balances.

1-E-4 Consumable Inventories

The governmental and proprietary funds' inventories are stated at cost. Cost is determined on a first-in, first-out basis. Inventories of the governmental and proprietary funds are expensed when consumed.

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2012 and prepaid deposits are recorded as prepaid items. The expense or expenditure is recognized during the benefiting period.

1-E-6 Restricted Assets

The WLSF Commission has investments in the restricted funds and nuclear decommissioning fund. Restricted funds include the revenue bond funds prescribed by the Indentures, the fund for customer deposits, and other funds which are segregated from the operating funds at the direction of the Commission. The nuclear decommissioning fund holds funds in accordance with the Nuclear Regulatory Commission's ("NRC") guidelines. Investments in the restricted funds and the nuclear decommissioning fund are stated at fair market value.

1-E-7 Capital Assets

General capital assets - General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in governmental funds. The City reports these assets in the governmental activities column of the government-wide statement of net position but does not report these assets in the governmental fund financial statements. Capital assets utilized by enterprise funds are reported both in the business-type activities column of the government-wide statement of net position and in the enterprise funds' statement of net position.

Capital assets, which include property, plant, equipment, and infrastructure assets, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City's infrastructure consists of roads, bridges, airport infrastructure, and water lines. During initial capitalization of general infrastructure assets, the City chose to include all such items regardless of their acquisition date or amount. The City estimated the historical cost for the initial reporting of these assets. The City maintains a capitalization threshold of five thousand dollars for assets other than real property and infrastructure assets, which have no threshold. Donated capital assets are recorded at their fair market values as of the date received. Improvements to capital assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expensed. Interest incurred during the construction of capital assets utilized in enterprise funds is capitalized.

1-E-7 Capital Assets (continued)

All reported capital assets are depreciated except for land, right-of-ways, and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	Estimated Lives	
Description	Governmental Activities	Business-type Activities
Land improvements	10 - 45 years	--
Buildings	25 - 50 years	25 - 50 years
Building improvements	5 - 15 years	--
Vehicles	6 years	--
Machinery	5 - 12 years	--
Equipment	5 - 12 years	--
Furniture and fixtures	20 years	20 years
Intangibles	5 years	--
Bridges and culverts	40 - 50 years	--
Streets	20 - 50 years	--

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The City is not obligated under certain capital leases with the City of Dalton Building Authority, a component unit, as disclosed in Note 3-H, as of December 31, 2012.

WSLF Commission Utility Plant - Utility plant constructed or purchased by the WLSF Commission is stated at cost, which includes material and labor costs and applicable overheads. Property received as a contribution is recorded at its estimated fair value on the date received. The cost of maintenance, repairs, and minor replacements of property are charged to expense. The costs of renewals and betterments are capitalized. Detailed property records are not maintained for assets other than automobiles and electric transmission plants in service acquired prior to 1998. Property descriptions and dollar amounts from individual invoices are maintained in the capital asset system for all post-1998 utility plant records. Capital assets are defined as assets with an initial individual cost of more than $500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. The cost of property retired or otherwise disposed of in the normal course of business is charged to accumulated depreciation at the time such property is removed from service. The cost of property retired or disposed of in the normal course of business which does not have detailed property records is estimated by management. Property retirements and disposals totaled $3,700,000 during 2012. In the opinion of management, the property retired or disposed of in the normal course of business approximates its original cost.

Amortization of Nuclear Fuel - The cost of nuclear fuel, including a provision for the disposal of spent fuel, is amortized to fuel expense based on usage. Nuclear fuel expense included in production expense totaled $4,600,000 during 2012.

1-E-7 Capital Assets (continued)

Depreciation and Nuclear Decommissioning - Depreciation of the major classes of utility plant is computed on additions when they are placed in service using rates computed under the composite straight-line method, which approximated 2.7% in 2012, and is based on the following remaining useful lives:

Electric system	29-59 years
Natural gas system	33-45 years
Water system	45-60 years
Sewer system	40-50 years
Information technology system	5-20 years

The WLSF Commission participates in ownership of electric generation and transmission facilities to meet the present and future service demands of its customers. They have entered into agreements with Georgia Power Company ("GPC") for the construction, purchase, ownership, operation, and maintenance of the facilities. Depreciation studies are conducted periodically to update the composite rates that are approved by the Commission. When the property subject to composite rates is retired or otherwise disposed of in the normal course of business, its original cost, together with the cost of removal, less salvage, is charged to accumulated depreciation. For other property dispositions, the applicable cost and accumulated depreciation are removed from the statement of net position accounts and a gain or loss is recognized. The WLSF Commission's ownership in the jointly owned plants is as follows:

Electric plant in service:	WLSF Ownership Percentage
Plant Hatch, Nuclear Units 1 and 2	2.2%
Plant Vogtle, Nuclear Units 1 and 2	1.6%
Plant Wansley, Coal-Fired Units 1 and 2	1.4%
Plant Scherer, Coal-Fired Units 1 and 2	1.4%

In addition, the Commission is a joint owner of the new nuclear units under construction at Plant Vogtle ("Vogtle Units 3 and 4"). At December 31, 2012, the portion of total work in progress related to Vogtle Units 3 and 4 was $75.1 million. See Note 4-B for additional information about the Vogtle nuclear development projects.

The WLSF Commissions' proportionate share of direct expenses for joint operation of the above plants is included in the corresponding operating expense captions in the accompanying statements of revenues, expenses, and changes in fund net position. The Commission is responsible for providing its own financing for its ownership in the above plants.

The NRC requires all licensees operating commercial nuclear power reactors to establish a plan for providing, with reasonable assurance, funds for decommissioning. While the WLSF Commission does not operate the nuclear plants, its joint ownership requires it to bear its share of the related decommissioning costs. The WLSF Commission has an external trust fund to comply with the NRC's regulations. The NRC's minimum external funding requirements are based on a generic estimate of the cost to decommission the radioactive portions of a nuclear unit based on the size and type of reactor. The WLSF Commission has transferred and will continue to transfer sufficient funds to the external trust to ensure that, over time, the deposits and earnings of the trust will provide the minimum funding amounts prescribed by the NRC.

1-E-7 Capital Assets (continued)

Site study cost is the estimate to decommission a specific facility as of the site study year. The estimated costs of decommissioning based on the most current study as of December 31, 2012 for the Commissions' ownership interests in plants Hatch and Vogtle were as follows:

	Plant Hatch	Plant Vogtle
Decommissioning periods		
Beginning year	2034	2047
Completion year	2068	2071
Site study cost	$ 1,458,905,000	$ 1,409,239,000
WLSF's portion	2.2%	1.6%
	$ 32,096,000	$ 22,548,000

The decommissioning periods and site study costs for Plant Vogtle Units 1 and 2 reflect the extended operating license approved by the NRC in 2009. The decommissioning cost estimates are based on prompt dismantlement and removal of the plants from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed dates of decommissioning, changes in NRC and regulatory requirements, or changes in the assumptions used in making these estimates.

1-E-8 Parity Income

The WLSF Commission is required under the Integrated Transmission System Agreement (the "ITS Agreement") with GPC, Georgia Transmission Corporation, and the Municipal Electric Authority of Georgia, to maintain a specified level of investment (e.g., parity) in transmission facilities necessary to provide for the transporting of electric energy for customers within the state of Georgia, which is in proportion to the WLSF Commission's use of such system. Parity will therefore fluctuate in response to any changes in the WLSF Commission's load requirements, as well as any changes in the level of investment in transmission facilities made by the other participants in the ITS Agreement. As of December 31, 2012, the WLSF Commission's investment in ITS facilities was greater than parity, as defined by the ITS Agreement. The required level of investment and the excess investment in the transmission facilities are included in utility plant. The excess investment earns parity income from the other participants in the ITS Agreement, which is reported as parity income. The WLSF Commission intends to remain in an over parity position for the foreseeable future. The WLSF Commission's total investment in ITS facilities at December 31, 2012 was $76,900,000. During 2012, the Commission sold 60.7 line miles from its ITS parity investment to Georgia Transmission Corporation for cash considerations of $8,400,000. The Commission realized a gain of approximately $6,500,000 on the sale of these assets, which will be recognized in income ratably over the remaining useful life it its ITS facilities (approximately 40 years). The decrease in the investment is expected to result in a corresponding decrease in the amount of parity income recorded in future years. Parity income for the year ended December 31, 2012 totaled $2,500,000.

1-E-9 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable. The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

1-E-10 Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of these funds. However, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are "due for payment" during the current year. Bonds and capital leases are recognized as a liability in the governmental fund financial statements when due.

1-E-11 Bond Premiums, Discounts, and Issuance Costs

On the government-wide statement of net position and the proprietary fund type statement of net position, bond premiums and discounts are netted against bonds payable and bond issuance costs are reported as deferred charges. On the government-wide and proprietary fund type statement of activities, bond premiums and discounts and bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

At government fund reporting level, bond premiums and discounts are reported as other financing sources and uses, separate from the face amount of the bonds issued. Bond issuance costs are reported as expenditures.

1-E-12 Net Position and Fund Balances

The City's net position on the government-wide statement of net position are classified as follows:

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

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

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

1-E-12 Net Position and Fund Balances (continued)

The City implemented Government Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions as of December 31, 2010. This new standard changed the overall definitions and classifications of governmental fund balance. Fund equity at the governmental fund financial reporting level is classified as "fund balance". Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The City's fund balances are classified as follows:

1) **Non-spendable Fund Balance** - Non-cash assets such as inventories or prepaid items.

2) **Restricted Fund Balance** - Funds with limitations imposed on their use by external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

3) **Committed Fund Balance** - Amounts that can only be used for specific purposes pursuant to a majority vote of the City Council, the City's highest level of decision making authority, by resolution or contractual obligation. Commitments may only be modified or rescinded by a majority vote of the Council Commitments must be adopted prior to the end of the year; however, the amount to be committed may be determined up to 120 days after year end.

4) **Assigned Fund Balance** - Amounts intended by the City Council for specific purposes. Under the City's adopted policy, amounts may be assigned by the finance committee, under the authorization of the City Council. Amounts appropriated to eliminate a projected deficit in the subsequent year's budget shall constitute assignments and are documented by adoption of the City's annual operating budget. Equity amounts reported in special revenue funds, capital projects funds, and debt service funds not otherwise classified as nonspendable, restricted, or committed shall constitute assignments of fund balance.

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

Non-spendable fund balances and restricted fund balances are considered restricted net assets on the statement of net position. Committed, assigned, non-spendable, and unassigned fund balances are considered unrestricted net position on the statement of net assets.

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

1-E-13 Deferred Outflows/Inflows of Resources

The City implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and No. 65, Items Previously Reported as Assets and Liabilities, as of January 1, 2012. These new standards establish accounting and financial reporting for deferred outflows/inflows of resources and the concept of net position as the residual of all other elements presented in a statement of financial position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has no items that qualify for reporting in this category.

1-E-13 Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The government has no items that qualify for reporting in this category.

1-E-14 Operating and Non-Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewage, electricity, information technology systems, natural gas, golfing, airport fees, and premiums for the workers' compensation and health insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of each fund.

Non-operating revenues are those revenues that are not generated from the primary activity of the proprietary funds. These revenues include interest and investment income, changes in the fair value of investments, and allowances for funds used during construction. Non-operating expenses include interest expense on debt.

1-E-15 Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap fees to the extent they exceed the cost of the connection to the system, and grants or outside contributions of resources restricted to capital acquisition and construction.

WLSF contributions in aid of construction - Contributions in aid of construction include amounts received or receivable for improvements and extensions, including the estimated fair value of property received from customers and government agencies. Such amounts have been capitalized and are included principally in the water and sewer utility plant accounts.

WLSF deferred credit – TVA right of use - During 1999, the WLSF Commission granted a right of use over a portion of its ITS to the Tennessee Valley Authority for $1,000,000. The agreement has a term of twenty years. The WLSF Commission recorded the payment as a deferred credit and is recognizing the revenue from this agreement on a straight-line basis over the twenty-year period.

WLSF allowance for funds used during construction ("AFUDC") - AFUDC represents the estimated debt costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the assets through a higher rate base and higher depreciation expense. No AFUDC amounts were recorded for 2012 due to the maturity of the revenue bonds, thus eliminating any interest.

1-E-16 Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Payments for external services, labor, supplies, and other items provided by one department to another department are treated as reductions of the provider's expenditures/expenses and increases in the recipient's expenditures/expenses. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses section in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are presented as reductions in internal balances.

On the government-wide statement of activities, transfers between governmental and business-type activities are reported as general revenues. Direct expenses are not eliminated from the various functional categories. Interfund transfers reported in the governmental activities column are eliminated. Transfers between funds reported in the business type activities column are eliminated.

1-E-17 Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

1-E-18 Major Customers

WLSF Commission sales to one major customers for the year ended December 31, 2012 totaled approximately 15% of total sales and 16% of electricity sales. No other customer accounted for more than ten percent of the WLSF Commission's sales during 2012.

The DWRSWMA's fee revenue from two major customers during the year ended December 31, 2012 totaled approximately 26% of total fee revenue. No other customers accounted for more than ten percent of the DWRSWMA's fee revenue during 2012.

1-E-19 Comparative Data

Comparative total data for the prior year has been presented only for individual funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

1-F Reclassifications

Certain 2011 amounts have been reclassified to conform to the 2012 presentation, with no material impact on total assets, total liabilities, total net position, total revenues, total expenditures, or total expenses.

Note 2 – Stewardship, Compliance, and Accountability

2-A Budgetary Information

The City adopts an annual operating budget for the general fund, special revenue funds, and the debt service fund. A project budget is adopted for each capital projects fund. The annual budgets are adopted on a basis consistent with GAAP. The budget for the capital projects fund is adopted on a basis consistent with GAAP except the budget period is a project period rather than an annual period. Formal budgetary integration is employed for management control purposes in the enterprise funds. The legal level of control (the level at which expenditures may not legally exceed appropriations) for each adopted annual operating budget is the department/function level within each individual fund. The department head is authorized to transfer budget line-items within the department's budget. However, any change in total to a fund or departmental appropriation within a fund requires City Council approval. All unexpended annual appropriations lapse at year-end.

Note 3 - Detailed Notes on All Funds

3-A Deposits and Investments

Investments – Credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the City will not be able to recover the value of the investment or the collateral securities that are in the possession of an outside party. The City does have an investment policy for credit risk that limits its investments to those authorized by Georgia law.

Investments subject to credit risk include the following investments maintained in the pension trust fund and in the OPEB trust fund.

	Fair Value	Rating
MetLife Index Fund	$ 22,259,024	Not Rated
MetLife Small Cap Index Fund	7,087,567	Not Rated
MetLife Guaranteed Adjusted Index Value Account	33,316,720	Not Rated
Total Pension Trust Fund Investments	$ 62,663,311	
Georgia Municipal Employees Benefit System OPEB Trust Account	$ 4,325,663	Not Rated
Total OPEB Trust Fund Investments	$ 4,325,663	

Investments (WLSF) – Interest rate risk for investments is the risk a government may face should changes in the interest rate affect the fair value of its investments. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the WLSF Commission will not be able to recover the value of the investment or the collateral securities that are in the possession of an outside party. The WLSF Commission does have a policy addressing credit risk. The Commission bond ordinance follows Georgia state law in restricting investments to obligations of the United States Government.

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an investment in a single issuer. The WLSF Commission does not place a limit on the amount it may invest in any one issuer.

3-A Deposits and Investments (continued)

Investment Risk Disclosure (WLSF)

		Investment Maturities (in Years)				
	Credit Quality	Fair Value	Less than 1	1 to 5	6 to 10	10 +
Cash	Not Rated	$ 7,851,000	$ 7,851,000	$ -	$ -	$ -
Federal Home Loan Bank	AAA/Aaa	26,170,000	8,400,000	2,350,000	2,386,000	13,034,000
Federal Home Loan Mortgage Corporation	AAA/Aaa	1,759,000	-	-	1,759,000	-
Federal National Mortgage Association	AAA/Aaa	17,565,000	-	2,002,000	2,028,000	13,535,000
Federal Farm Credit Banks	AAA/Aaa	6,433,000	-	6,433,000	-	-
Fannie Mae	AAA/Aaa	402,000	-	-	402,000	-
Coupons (U.S. Strip)	AAA/Aaa	8,016,000	-	5,174,000	2,842,000	-
Coupons (Resolution Fund Corporation)	AAA/Aaa	6,838,000	-	-	6,838,000	-
Total		$ 75,034,000	$ 16,251,000	$ 15,959,000	$ 16,255,000	$ 26,569,000

3-B Receivables

Receivables at December 31, 2012 consisted of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from grants.

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and in the case of receivables, collectibility.

3-C Property Taxes

Whitfield County tax assessor's office sets property values, assesses property tax bills, and collects property taxes for the City.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax bills are mailed on October 20 and are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending sixty days after the tax billing. After December 20, the bill becomes delinquent and penalties and interest may be assessed by the City. If the tax is unpaid after ninety days from due date, a lien is placed against the property.

Taxes receivable at December 31, 2012 consists of uncollected property taxes levied during the year ended December 31, 2012 and prior years. A 1% allowance for uncollectible taxes has been considered in reporting taxes receivable. The amount of taxes uncollected sixty days subsequent to year end for all tax years has been included in taxes receivable, and corresponding deferred revenue has been recorded. Taxes receivable are summarized below.

Tax year 2012	$	1,002,155
Tax year 2011		158,175
Tax year 2010		84,901
Tax year 2009		51,600
Tax year 2008		39,317
Tax year 2007		14,923
Tax year 2006		4,973
Tax year 2005		4,215
Tax year 2004		2,771
Tax years 2003 and prior		8,282
Total taxes receivable		1,371,312
Allowance for uncollectible taxes		(13,765)
Reported property tax receivable	$	1,357,547
Taxes uncollected 60 days subsequent to year end, net of allowance, reported as deferred revenue	$	715,812

3-D Capital Assets

Governmental capital asset activity for the year ended December 31, 2012, was as follows:

	Adjusted Balance 12/31/2011	Additions	Disposals and Reclassifications	Adjusted Balance 12/31/2012
Capital assets not being depreciated:				
Land	$ 15,386,018	$ 1,782,368	$ 138,357	$ 17,306,743
Construction in progress	10,559,023	677,703	(10,195,669)	1,041,057
Total capital assets not being depreciated	25,945,041	2,460,071	(10,057,312)	18,347,800
Other capital assets:				
Land improvements	22,450,206	502,206	2,682,114	25,634,526
Buildings	22,452,081	1,679,837	6,868,298	31,000,216
Building improvements	1,987,567	851,120	209,965	3,048,652
Vehicles	4,932,065	143,087	(7,235)	5,067,917
Machinery	9,896,197	337,170	(69,636)	10,163,731
Equipment	2,315,543	158,678	(12,799)	2,461,422
Furniture & fixtures	176,692	-	-	176,692
Intangibles	1,054,698	-	-	1,054,698
Bridge and bridge culvert	8,752,560	-	-	8,752,560
Streets and streetscape	96,110,972	523,893	388,788	97,023,653
Mast arm lighting	264,218	-	-	264,218
Total other capital assets	170,392,799	4,195,991	10,059,495	184,648,285
Total cost	196,337,840	6,656,062	2,183	202,996,085
Accumulated depreciation:				
Land improvements	11,554,402	1,197,190	-	12,751,592
Buildings	6,620,746	628,317	60,253	7,309,316
Building improvements	712,093	114,086	-	826,179
Vehicles	4,370,062	198,774	(221)	4,568,615
Machinery	8,114,501	431,815	(69,636)	8,476,680
Equipment	1,878,021	116,461	(12,800)	1,981,682
Furniture & fixtures	101,256	27,779	-	129,035
Intangibles	683,369	177,015	-	860,384
Bridge and bridge culvert	5,618,515	175,051	-	5,793,566
Streets and streetscape	80,435,642	1,351,853	(254,927)	81,532,568
Mast arm lighting	105,979	13,210	-	119,189
Total accumulated depreciation	120,194,586	4,431,551	(277,331)	124,348,806
Governmental activities capital assets, net	$ 76,143,254	$ 2,224,511	$ 279,514	$ 78,647,279

During 2012, the municipal golf course fund reallocated capital assets. Some of those assets were allocated to general government functions. The transfer of capital assets, with an original cost of $346,781, accumulated depreciation of $60,253, and net value of $286,528, are included as transfers in above in the disposals and reclassifications column. Disposals with a net value of $7,014 comprise the remaining balance in the column.

3-D Capital Assets (continued)

Governmental activities depreciation expense

General government	$ 356,519
Judicial	3,383
Public safety	648,751
Public works	1,934,386
Culture and recreation	1,462,284
Health and welfare	26,228
Total governmental activities depreciation expense	$ 4,431,551

Business-type capital asset activity for the year ended December 31, 2012, was as follows:

	Adjusted Balance 12/31/2011	Additions	Disposals and Reclassifications	Adjusted Balance 12/31/2012
Capital assets not being depreciated:				
Land	$ 1,803,079	$ -	$ (138,357)	$ 1,664,722
Construction in progress	62,305,000	17,233,000	-	79,538,000
Total capital assets not being depreciated	64,108,079	17,233,000	(138,357)	81,202,722
Other capital assets:				
Land improvements	7,763,564	55,844	-	7,819,408
Buildings	3,900,858	-	(208,424)	3,692,434
Building improvements	71,054	-	-	71,054
Vehicles	60,814	-	-	60,814
Machinery	172,105	23,798	(13,637)	182,266
Equipment	1,883,845	249,318	(232,752)	1,900,411
Utility plant	1,035,316,000	8,563,000	-	1,043,879,000
Total other capital assets	1,049,168,240	8,891,960	(454,813)	1,057,605,387
Total cost	1,113,276,319	26,124,960	(593,170)	1,138,808,109
Accumulated depreciation:				
Land improvements	3,046,898	288,705	-	3,335,603
Buildings	1,637,656	79,972	(60,253)	1,657,375
Building improvements	65,654	217	-	65,871
Vehicles	60,814	-	-	60,814
Machinery	144,252	3,040	(13,637)	133,655
Equipment	795,324	119,725	(163,056)	751,993
Utility plant	409,596,000	19,065,000	-	428,661,000
Total accumulated depreciation	415,346,598	19,556,659	(236,946)	434,666,311
Nuclear fuel, at amortized cost	17,129,000	1,904,000	-	19,033,000
Business-type activities capital assets, net	$ 715,058,721	$ 8,472,301	$ (356,224)	$ 723,174,798

3-D Capital Assets (continued)

During 2012, the municipal golf course fund reallocated capital assets. Some of those assets were allocated to general government functions. The transfer of capital assets, with an original cost of $346,781, accumulated depreciation of $60,253, and net value of $286,528, are included as transfers out above in the disposals and reclassifications column. Disposals with a net value of $69,696 comprise the remaining balance in the column.

3-E Interfund Balances and Transfers

Interfund balances at December 31, 2012 consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year. Interfund balances at December 31, 2012 consisted of the following:

	Payable from:			
Payable to:	General Fund	Non-major governmental funds	Non-major enterprise funds	Total
General Fund	$ -	$ 244,207	$ 178,305	$ 422,512
Non-major governmental funds	173,759	-	-	173,759
Non-major enterprise funds	24,975	-	-	24,975
Total	$ 198,734	$ 244,207	$ 178,305	$ 621,246

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, to segregate money for anticipated capital projects, to provide additional resources for current operations or debt service, and to return money to the fund from which it was originally provided once a project is completed. All City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer. Interfund transfers for the year ended December 31, 2012 consisted of the following:

	Transfer from:				
Transfer to:	General Fund	WLSF Commission Fund	Non-major governmental funds	Non-major enterprise funds	Total
General Fund	$ -	$ 9,469,000	$ 387,223	$ -	$ 9,856,223
Non-major governmental funds	3,639,877	-	23,160	2,280	3,665,317
Non-major enterprise funds	1,925	-	474,372	-	476,297
Total	$ 3,641,802	$ 9,469,000	$ 884,755	$ 2,280	$ 13,997,837

3-E Interfund Balances and Transfers

During 2012, the municipal golf course fund (a nonmajor enterprise fund) reallocated capital assets. Some of those assets were allocated to general government functions. The transfer of capital assets, with a net value of $286,528, was reported in the municipal golf course fund as a transfer out. The transfer was not reported as a transfer in for the General Fund, since governmental funds do not report capital assets. The reallocation was reported as a transfer in on the government-wide statement of net position for governmental activities and is included a reconciling item for the net changes in fund balances of governmental funds to the change in net position of governmental activities.

3-F Compensated Absences

Employees of the City of Dalton are entitled to paid vacations, sick days, and loss leave depending on the length of their service. As of April 1, 1998, employees are entitled to accumulate ten sick days a year up to a maximum of one hundred twenty sick days. Upon retirement, up to sixty days can be added to the length of service for retirement purposes. As of April 1, 1998, employees are entitled to accumulate twelve vacation days a year up to a maximum of forty. When separated from services, employees are entitled to receive payment for accumulated vacation time. Prior to April 1, 1998, employees with sick and vacation days in excess of these amounts capped leave hours as of that date. Therefore, employees hired prior to April 1, 1998 can have leave hours in excess of maximum amounts above.

3-G Operating Leases

The City of Dalton is obligated under several operating leases for office equipment that expire over the next five years. Rent expense for these operating leases for 2012 was approximately $27,000. The annual minimum lease payments under operating leases as of December 31, 2012 are as follows:

2013	$	19,605
2014		7,519
2015		4,404
2016		1,620
2017 and thereafter		270

3-H Long-Term Debt

Notes Payable - On April 8, 2011, the City executed a note with the Dalton Housing Authority for the purpose of purchasing property to be used for the Dalton Community Center. The agreement requires that the Housing Authority's payment in lieu of taxes of $101,712 be reduced by $53,000 per year for ten years, through 2019. The implicit interest rate on the agreement is 0%.

On January 10, 1998, the City, in conjunction with Dalton Public Schools, executed a note to Joyce Hall for the purpose of purchasing real estate for the development of a public school and regional park complex. The principal sum of the note is $408,914 with an initial payment of $40,892 and the remainder due in quarterly installments of $8,755 including interest of 5% from May 17, 1998 through February 17, 2013. The outstanding balance on this note at December 31, 2012 is $8,378. The full amount of the outstanding obligation and related payments are reported in the government-wide statements. Dalton Public Schools is responsible for funding 40% of the annual debt service on the note. Payments received from Dalton Public Schools are reported as program revenue against interest on long term debt on the statement of activities and as intergovernmental revenue in the debt service fund.

3-H Long-Term Debt (continued)

On January 10, 1998, the City, in conjunction with Dalton Public Schools, executed a note to Crawford McDonald, Hazel McDonald, and Marilyn Morgan for the purpose of purchasing real estate for the development of a public school and regional park complex. The principal sum of the note was $3,500,000 with an initial payment of $350,000 and the remainder due in quarterly installments of $74,938 including interest at 5% from June 2, 1998 through March 2, 2013. The outstanding balance on this note at December 31, 2012 is $74,106. The full amount of the outstanding obligation and related payments are reported in the government-wide statements. Dalton Public Schools is responsible for funding 40% of the annual debt service on the note. Payments received from Dalton Public Schools are reported as program revenue against interest on long term debt on the statement of activities and as intergovernmental revenue in the debt service fund.

Note payable debt service requirements to maturity are as follows:

	Principal	Interest	Total
2013	$ 135,484	$ 1,030	$ 136,514
2014	53,000	-	53,000
2015	53,000	-	53,000
2016	53,000	-	53,000
2017	53,000	-	53,000
2018	53,000	-	53,000
2019	53,000	-	53,000
	$ 453,484	$ 1,030	$ 454,514

Building Authority Recovery Zone Economic Development Bonds, dated April 8, 2011, were issued in the amount of $5,600,000, with an effective interest rate of 5.4%. The bonds have a 45% federal subsidy rebate on the interest expense, reducing the effective interest rate to 3.0%. As these bonds are issued in the name of the City of Dalton Building Authority, they are reflected as a capital lease payable on the government-wide financial statements.

Bond debt service requirements to maturity are as follows:

Date Due	Principal	Interest	Federal Subsidy	Total
2013	$ 230,000	$ 275,017	$ (123,757)	$ 381,260
2014	235,000	268,577	(120,859)	382,718
2015	235,000	260,587	(117,264)	378,323
2016	240,000	251,657	(113,245)	378,412
2017	250,000	241,337	(108,601)	382,736
2018 - 2022	1,345,000	1,017,158	(457,721)	1,904,437
2023 - 2027	1,550,000	621,500	(279,674)	1,891,826
2028 - 2030	1,065,000	134,376	(60,469)	1,138,907
	$ 5,150,000	$ 3,070,209	$ (1,381,590)	$ 6,838,619

During 2013, the City became aware that sequestration cuts at the federal level will result in the above federal subsidy being reduced by approximately 9%. We have not received any formal notification at this time, but expect to receive notification of government default from the IRS in the next few months. Subsequent to default, the City will likely refinance the bonds. At this time, the effect and cost of the government default can not be measured. However, the City does not believe it will have a material effect on its' financial statements.

3-H Long-Term Debt (continued)

Natural Gas Derivatives – The WLSF Commission periodically enters into forward sales agreements to sell natural gas at an agreed upon average weighted price in the future. As the Commission holds physical natural gas in its storage facilities, they are able to lock in a margin that would remain unchanged regardless of whether natural gas prices increased or decreased. Rising natural gas prices would decrease the value of its forward sales agreement and increase the value of its natural gas inventories while falling natural gas prices would increase the value of its forward sales agreements and decrease the value of its natural gas inventories. There were no forward sales agreements for the year ended December 31, 2012.

All long-term obligations of the City's governmental funds will be financed through future Debt Service Fund expendable available financial sources as they become due. Principal and interest payments related to the City's WLSF Commission are financed from income derived from the operation of their system.

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. In prior years, the funds used to relieve the liability included the general fund, the WLSF Commission fund, and the Municipal Golf Course fund. The net pension obligation will be paid from the pension trust fund. The net OPEB obligation will be paid from the OPEB trust fund. Any remaining net pension obligation or net OPEB obligation which can not be satisfied by those funds will be paid from funds who have participants that comprise the obligation balance. Those will primarily include the general fund and the WLSF Commission fund.

Asset Retirement Obligations and Other Costs of Removal - Effective January 1, 2003, the Commission adopted FASB's accounting standard for retirement obligations, which provides standards for accounting for legal obligations associated with the ultimate costs of retiring long-lived assets. The present value of the ultimate costs for an asset's future retirement must be recorded in the period in which the liability is incurred. The costs must be capitalized as part of the related long-lived asset and depreciated over the asset's useful life. Additionally, through 2012, the Commission accrued for other future retirement costs for long-lived assets that the Commission does not have a legal obligation to retire through depreciation expense as provided in the rates. Accordingly, the accumulated retirement costs for these obligations are reflected as a regulatory liability in the Combining Schedule of Net Position – Water, Light, and Sinking Commission Fund. The other costs of removal costs are included as an offset to regulatory assets in the Combining Schedule of Net Position – Water, Light, and Sinking Commission Fund.

The asset retirement obligation recognized to retire long-lived assets primarily relates to the Commissions' ownership interests in the jointly owned nuclear plants Hatch and Vogtle, as well as coal ash ponds related to jointly owned coal-fired plants Wansley and Scherer. The Commission recognizes in the Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Water, Light, and Sinking Commission Fund allowed removal costs for both legal obligations and for other costs of removal in accordance with regulatory treatment. Any differences between costs recognized for accounting purposes and those reflected in rates are recognized as either a regulatory asset or liability. The Commission has also identified retirement obligations related to certain transmission and distribution facilities and utility plant associated with the wastewater system. However, liabilities for the removal of these assets have not been recorded because no reasonable estimate can be made regarding the timing of any related retirements.

3-H Long-Term Debt (continued)

Changes in Long-term Liabilities - The City's long-term obligations consisted of the following at December 31, 2012:

	Outstanding 12/31/2011	Additions	Reductions	Outstanding 12/31/2012	Amounts Due in One Year
Governmental activities:					
Capital leases payable	$ 5,375,000	$ -	$ (225,000)	$ 5,150,000	$ 230,000
Notes payable	827,045	-	(373,561)	453,484	135,484
Compensated absences	4,002,705	1,811,055	(1,847,389)	3,966,371	1,784,866
Total governmental activities	$ 10,204,750	$ 1,811,055	$ (2,445,950)	$ 9,569,855	$ 2,150,350
Business-type activities					
Deferred credit - TVA right of use	$ 367,000	$ -	$ (50,000)	$ 317,000	$ 50,000
Deferred gain on sale of transmissio	-	6,500,000	(52,000)	6,448,000	171,000
Asset retirement obligations	30,770,000	6,184,000	-	36,954,000	-
Revenue bonds	11,820,000	-	(11,820,000)	-	-
Compensated absences	80,864	32,510	(28,755)	84,619	21,155
Total business-type activities	$ 43,037,864	$ 12,716,510	$ (11,950,755)	$ 43,803,619	$ 242,155

3-I Pensions

Plan description - The Mayor and Council of the City of Dalton Employee's Pension Plan was established to provide retirement benefits for eligible employees. The plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10). The plan is subject to the provisions of Section 401(a) and 501(a) of the Internal Revenue Code. The Mayor and Council of the City of Dalton serve as the Plan Administrator. The Plan does not issue separate financial statements.

The defined benefit plan is a single employer public employee retirement system. The plan covers eligible employees of the Mayor and Council, the Public Safety Commission, the Water, Light, and Sinking Fund Commission, the Recreation Commission, and the Dalton Whitfield Regional Solid Waste Management Authority. All full-time employees with an employment commencement date prior to July 1, 2002 were eligible to participate after completion of six-months of continuous service. Employees who began work after this date are eligible for participation in the defined contribution plan (Note 3-K). The Plan provides pension benefits, early retirement benefits, and death benefits.

Benefits fully vest after ten years of service. Employees who retire at the normal retirement date are entitled to monthly pension payments for the remainder of their lives equal to .15% of their final average monthly earnings times the months of credited service for which they were employed by an entity of the Pension Plan. These benefit payments are subject to a discretionary annual cost-of-living adjustment as determined and approved on an annual basis by the Mayor and Council of the City of Dalton. The final average earnings are the average of basic monthly earnings during thirty-six consecutive calendar months out of the last ten years which produce the highest average. Monthly pension benefits will be paid as a life annuity to the participant, with one hundred and twenty payments guaranteed. Pension provisions include early retirement benefits whereby an employee may terminate his employment with the City after accumulating fifteen years of service and reaching the age of fifty or after accumulating ten years of service and reaching the age of fifty-five. The retirement benefits are reduced by 0.5% for each month the commencement date is prior to the normal retirement date.

Pension provisions include death benefits whereby the surviving spouse is entitled to receive annually an amount equal to 55% of the employee's pension benefit at the time of death (commencing after one hundred and twenty payments of the full benefit amount have been received). The surviving spouse may receive death benefits for life. Benefits are determined by the Pension Plan.

3-I Pensions (continued)

Current Membership of Active and Inactive Participants:

Active Participants:		
Number		358
Average age		46.6 years
Average service		16.6 years
Average annual compensation	$	51,735
Inactive Participants:		
Number of retirees (and beneficiaries)		314
Number of Participants with Vested Benefits		10

Funding Policy - In accordance with the most recent actuarial report for the year ended December 31, 2011, the Pension Plan's funding policy for employers should be increased from 18.8% (at the last valuation date for the year ended December 31, 2010) to 22.4% of covered payroll to adequately fund the Pension Plan's ongoing costs and an amortization of the unfunded actuarial accrued liability over a period of 6, 12, 13, 14, 15, 17, 27, or 28 years for various components of the liability, if the minimum funding standards under the Public Retirement Systems are not met. Employees are required to pay 5% of their basic monthly earnings to the Pension Plan. The funding policy of the Pension Plan is established and may be amended by the Mayor and the Council.

The Plan's required employer contributions for the plan years 2012, 2011, and 2010 were $4,394,917, $4,034,768, and $3,866,060, respectively. Of the required employer contributions, the percentage contributed for the plan years 2012, 2011, and 2010 was 84%, 87%, and 95%, respectively.

Summary of Significant Accounting Policies - The City of Dalton Pension Plan financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period that contributions are due. Investment income is recognized as earned by the Plan. The net appreciation (depreciation) in the fair value of investments held by the pension plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the balance sheet. Benefits and refunds of the Plan are recognized when due and payable in accordance with the terms of the plan. All contributions to the plan, less any administrative expenses paid out of the plan, are invested into an insurance contract with the Metropolitan Life Insurance Company. The Plan's investment contract is valued at fair value. The value of the assets is determined in regards to applicable laws and regulations. The value of any assets not publicly traded will reflect prevailing interest rates and prices of publicly traded securities of similar quality.

Required supplementary information – Immediately following the notes to the financial statements, two schedules related to the pension plan are presented as required supplementary information. The required schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The schedule of employer contributions presents multiyear trend information about whether the City is meeting the annual required contribution. As of the latest actuarial valuation, for the year ended December 31, 2011, the actuarial value of assets was $62,158,721 and the accrued actuarial liability was $96,181,160, resulting in an unfunded accrued actuarial liability of $34,022,439. The Plan has a current funded ratio of 65%. Covered payroll for the year totaled $19,632,308. The unfunded accrued actuarial liability as a percentage of covered payroll is 173%.

3-I Pensions (continued)

Annual Pension Cost – The City's last valuation was performed on January 1, 2012 for the 2011 year. The City is required to obtain an actuarial valuation once every two years. The City's annual pension cost and net pension obligation per the January 1, 2012 valuation and outstanding at December 31, 2012, were determined as follows:

Derivation of Annual Pension Cost	
Annual required contribution	$ 4,394,917
Interest on net pension obligation	20,165
Amortization of net pension obligation	(23,121)
Annual pension cost	$ 4,391,961
Derivation of Net Pension Obligation	
Annual pension cost of plan for prior plan year	$ 4,032,416
Actual contributions to plan for prior plan year	(3,977,435)
Increase (decrease) in net pension obligation	54,981
Net pension obligation as of December 31, 2010	213,881
Net pension obligation as of December 31, 2012 (unchanged from December 31, 2011 valuation)	$ 268,862
Basis of Valuation	
Current valuation date	January 1, 2012
Annual return on invested plan assets	7.5%
Projected annual salary increases (Merit 4%, inflation 0%)	4.0%
COLA increases	0.0%
Actuarial value of assets	Market value
Actuarial funding method	Projected Unit Credit
Amortization method	Level % of future compensation
Amortization period	15 years; open

In accordance with GASB Statement No. 27, the net pension obligation is reported in the government-wide financial statements on the Statement of Net Assets as a long-term liability. It is not reported in the governmental funds as it is not considered to represent a financial asset.

Trend Information for the Plan

Schedule of Employer Contributions

Year Ended December 31,	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net Pension Obligation
2011	$ 4,391,962	*	*	*
2010	4,032,416	3,977,435	99%	213,881
2009	3,865,995	3,657,993	95%	5,879
2008	3,571,073	3,214,925	90%	(350,269)

* To be determined at the next valuation date

3-J Other Post Employment Benefits

Plan description - The City of Dalton Employee Health Benefit Plan was established to provide other post employment benefits for eligible retirees and beneficiaries. The plan is subject to the minimum funding standards of the Public Retirement Systems Standards Law (Georgia Code Section 47-20-10.1). The Mayor and Council of the City of Dalton serve as the Plan Administrator. The Mayor and Council hold the authority to amend or establish benefit provisions and employee and employer contribution rates. The plan is not accounted for as a trust fund, as an irrevocable trust has not yet been established to account for the plan. The Plan does not issue separate financial statements.

The plan is a single employer defined benefit healthcare plan, providing both health and life insurance at the same levels afforded to active employees. The plan covers eligible retirees and beneficiaries of the Mayor and Council, the Public Safety Commission, the Water, Light, and Sinking Fund Commission, the Recreation Commission, and the Dalton Whitfield Regional Solid Waste Management Authority. All full-time employees become eligible for health insurance coverage based upon the earlier of attaining: (1) age 65 with 5 years of service, (2) age 55 with 10 years of service, (3) age 50 with 15 years of service, or (4) any age with 30 years of service. If a retiree is eligible for health insurance coverage, the Plan will also provide health insurance coverage for the retiree's spouse and/or dependent children so long as the retiree is covered. Medical benefits for the retiree and dependents lapse upon attainment of the following: (1) for employees hired prior to June 1, 1998, once the retiree turns age 65 or becomes eligible for Medicare, or (2) for employees hired on or after June 1, 1998 but prior to September 1, 2007, once the maximum of 5 years has passed or once the retiree is eligible for Medicare. Retirees are not eligible for coverage if they were hired after September 1, 2007. The Plan provides life insurance until age 70 in an amount equal to the participant's basic annual compensation in force on the date of retirement, rounded to the next higher $1,000. The maximum benefit provided is $25,000.

Membership in the Plan consisted of the following at December 31, 2011:

Active participants	599
Average age	42.57
Average service	12.08
Inactive participants (retirees & spouses)	131
Average age	58.32

Funding Policy - The City had an actuarial valuation performed as of January 1, 2012. The Mayor and Council determine the funding level on an annual basis. Eligible retirees and dependents are required to share in the cost of health insurance coverage. Annual contribution rates for 2012 and 2011 are as follows:

Coverage	2012	2011
Employee	$ 780	$ 780
Employee + 1	2,580	2,580
Family	3,600	3,600

The Plan's annual required employer contributions for the plan years 2012, 2011, and 2010 were $914,400, $1,365,000, and $1,302,000, respectively. Employer contributions for the plan years 2012, 2011, and 2010 were $0, $534,578, and $563,866, respectively, equal to 0%, 40%, and 43% of the annual required contribution for each year.

3-J Other Post Employment Benefits (continued)

Summary of Significant Accounting Policies - The City of Dalton OPEB Plan financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period that contributions are due. Investment income is recognized as earned by the Plan. The net appreciation (depreciation) in the fair value of investments held by the plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the balance sheet. All contributions to the plan, less any administrative expenses paid out of the plan, are invested in a trust fund with Georgia Municipal Association, and are valued at fair value.

Information about the Plan is as follows:

Schedule of Funding Progress

Year Ended December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2011	$4,322,800	$ 11,519,500	$ 7,196,700	38%	$ 26,861,093	27%
2009	3,813,200	14,237,100	10,423,900	27%	25,166,142	41%
2007	-	14,401,403	14,401,403	0%	29,210,495	49%
2005	-	15,746,132	15,746,132	0%	29,181,022	54%

* To be determined at the next valuation date

Schedule of Net OPEB Obligation (NOO)

Plan Year	NOO at Prior Fiscal Year	Annual Required Contribution	Interest on Existing NOO	ARC Adjustment	Annual OPEB Cost	Actual Contributions	NOO at Fiscal Year End
2012	$ 2,412,100	$ 914,400	$ 174,900	$ (204,400)	$ 884,900	$ -	$ 3,297,000
2011	1,579,300	1,365,000	123,800	(139,300)	1,349,500	534,700	2,412,100
2010	866,700	1,302,000	67,200	(74,700)	1,294,500	563,900	1,597,300
2009	854,200	1,838,000	68,300	(71,600)	1,834,700	1,822,300	866,700

* To be determined at next valuation date (all amounts rounded to the nearest hundred)

3-J Other Post Employment Benefits (continued)

The City's last valuation was performed on January 1, 2012 for the 2011 year. The City is required to obtain an actuarial valuation once every two years. The City's annual OPEB cost and net OPEB obligation per the January 1, 2012 valuation and outstanding at December 31, 2012, were determined as follows:

Derivation of Annual OPEB Cost		
Annual required contribution	$	914,400
Interest on net OPEB obligation		174,900
Annual required contribution adjustment		(204,400)
Annual OPEB cost	$	884,900
Derivation of Net OPEB Obligation		
Annual OPEB cost of plan for prior plan year	$	1,349,500
Actual contributions to plan for prior plan year		(534,734)
Increase (decrease) in net OPEB obligation		814,766
Net OPEB obligation as of December 31, 2010		1,597,334
Net OPEB obligation as of December 31, 2012 (unchanged from December 31, 2011 valuation)	$	2,412,100

Basis of Valuation	
Current valuation date	January 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, closed, 29 years
Remaining amortization period	25 years
Asset valuation method	Market value
Investment rate of return	7.25%
Inflation rate	2.50%
Medical cost trend rate	8.5%, decreasing at .5% per year until a rate of 5.0% is reached

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Those assumptions include retirement, termination, mortality, disability, participation, marital status, claims cost, and administrative fee assumptions. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the goal to reflect a long-term perspective. Amounts determined regarding the funded status of the Plan and the ARC will be subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The actuarial calculations are based on the types of benefits provided under the terms of the substantive Plan at the time of each valuation and on the pattern of sharing costs between the employer and Plan members to that point.

Trend information for the Plan:

Schedule of Employer Contributions

Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed
2012	$ 884,900	$ -	0%
2011	1,394,500	534,734	38%
2010	1,294,500	563,866	44%
2009	1,834,800	1,822,300	99%

3-K Defined Contribution Plan

Employees with an employment commencement date, including former employees rehired after a severance, on or after July 1, 2002 will not be allowed to participate in the above described Pension Plan. Employees hired or re-hired after July 1, 2002 will be covered by the City of Dalton Employee Retirement Plan (the "Retirement Plan"), which is a Combined Profit Sharing/Money Purchase Plan. The Mayor and Council of the City of Dalton approved this plan, maintain the plan, and are the authority under which the contribution requirements are established or may be amended. The Mayor and Council engaged VALIC to administer the plan. All full-time employees who have completed six months of continuous service are eligible to participate in the Retirement Plan. This plan is considered a defined contribution plan in which the employer provides $1.00 for every $1.00 of deferred compensation the employee makes to the Retirement Plan. The employer will make this match up to the first 4% of the employee's compensation, up to an annual limit of $200,000. Employer matching contributions fully vest after 1 year of service. Participation is not mandatory; however, non-participating employees will not receive any matching employer contributions. For the year 2012, employee contributions totaled $258,268 and employer contributions totaled $179,205.

3-L Net Position

Investment in capital assets reported on the government-wide statement of net position as of December 31, 2012 is calculated as follows:

	Governmental Activities	Business-type Activities	Total
Investment in capital assets			
Cost of captial assets	$ 202,996,085	$ 1,157,841,109	$ 1,360,837,194
Less: accumulated depreciation	124,348,806	434,666,311	559,015,117
Book value	78,647,279	723,174,798	801,822,077
Less: capital related debt and accrued interest	5,740,992	-	5,740,992
Less: asset retirement obligations	-	36,954,000	36,954,000
Less: derivatives	-	2,180,000	2,180,000
Less: deferred gain on sale of transmission	-	6,448,000	6,448,000
Add: regulatory asset	-	9,516,000	9,516,000
Add: unspent bond proceeds included above	4,906	-	4,906
Investment in capital assets	$ 72,911,193	$ 687,108,798	$ 760,019,991

3-M Interutility Sales

The WLSF Commission records sales of electricity, natural gas, water, wastewater, and information technology (at rates charged customers for similar services) among its utility services as revenue of the selling utility service and expense of the purchasing utility service. During the year ended December 31, 2012, interutility sales were as follows:

Electric	$	4,372,000
Natural gas		7,000
Water		179,000
Sewer		119,000
Information Technology		2,366,000
Total	$	7,043,000

Note 4 - Other Notes

4-A Hotel/Motel Lodging Tax

The City levies a 7% hotel/motel tax in accordance with the provisions of O.C.G.A. 48-13-51(b). A summary of the transactions is as follows:

Hotel/Motel tax revenue	$	1,093,798
Expenditures for promotion of tourism and support:		
Northwest Georgia Trade and Convention Center	$	474,372
Dalton Area Convention and Visitors Bureau		381,955
Various tourism product developments		247,311
Total expenditures	$	1,103,638
Percentage of expenditures to revenue		100.90%

4-B Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters. The government has transferred risk of loss to commercial insurers for the majority of the risks for which it is exposed, except for workers' compensation, for which it is self-insured. As of January 1, 2009, the City participated in a fully insured health insurance plan for all medical, dental, and vision benefits. This change transferred all risk of loss for these benefits to the commercial insurance provider for claims incurred after January 1, 2009. The health insurance internal service fund is still utilized to facilitate the payment of old claims and will eventually be closed and remaining activity will be reported in the General Fund. The City pays annual premiums to the internal service funds for its workers' compensation coverage, and these premiums are used to pay related claims, claim reserves, and administrative costs. In addition, workers' compensation claims in excess of $150,000 per covered individual are covered through a private insurer. There were no significant reductions in insurance coverage from coverage in the prior year.

4-B Risk Management (continued)

The Internal Service Fund pays premiums to a private insurance carrier to process and investigate claims. A reserve has not been made for estimated claims incurred but not paid at December 31, 2012. The private insurance carriers estimated claims incurred but not paid at December 31, 2012 were $479,306. Because actual claims estimates depend on such complex factors as inflation, changes in governing laws and standards, and court awards, the process used in computing claims estimates is reevaluated periodically to take into consideration the history, frequency, and severity of recent claims and other economic and social factors. These estimates are computed using actual claims experience amounts and include any specific, incremental claim adjustment expenses and estimated recoveries. Due to the numerous factors affecting when claims are paid, no estimate of claims due within one year is made. For the years ended December 31, 2012, 2011, and 2010 there were no settlements in excess of insurance coverage.

The School District of the City of Dalton also participates in the Workers' Compensation Insurance Fund. Eighteen percent of the liability is attributable to the School District. The School District is a separate and distinct organization operating under state legislation and is not a component unit of the City.

Date	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
Workers Compensation:				
2010	$ 991,276	$ 738,308	$ (630,172)	$ 1,099,412
2011	1,099,412	574,087	(1,070,464)	603,035
2012	603,035	459,620	(583,349)	479,306
Health Insurance:				
2010	-	79,188	(79,188)	-
2011	-	(1,220)	1,220	-
2012	-	(1,303)	1,303	-

4-B Risk Management (continued)

The workers' compensation and health insurance internal service funds had a net increase in net position in 2012. This change in net position must be allocated among the different functions of the entities that use the workers' compensation and the health insurance internal service funds. The net change was allocated based on the percentages of claims incurred for the workers' compensation fund and the health insurance fund. The following table shows the allocation of the net change to each function and activity.

	Net Income Allocated
Governmental activities:	
General government	$ 7,478
Public safety	47,651
Public works	209,148
Culture & recreation	837
Total governmental activities	265,114
Bueiness-type activities:	
WLSF	49,084
Total business-type activities	49,084
	$ 314,198

Of the total allocation to the governmental activities public works function, $163,696 of income allocated is attributable to the City's DWRSWMA joint venture.

The WLSF Commission has transferred risk of loss to commercial insurers for the majority of the risks for which it is exposed, except for any potential environmental liabilities, as disclosed in Note 4-C. The WLSF Commission maintains private insurance through its participation with GPC and agreements of indemnity with the NRC to cover third-party liability arising from a nuclear incident which might occur at the nuclear plants in which the WLSF Commission has an interest. In the event a public liability loss arising from a nuclear incident at a facility currently covered by government indemnification exceeds $375,000,000, under the current provisions of the Price-Anderson Act, the owners of a nuclear power plant could be assessed a deferred assessment of up to $117,495,000 per incident for each licensed reactor operated by it, but not more than $17,500,000 per reactor per incident to be paid in a calendar year. The WLSF Commission is liable for its share of any such deferred assessment, based on its ownership percentage in nuclear plants as set forth in Note 1.

GPC, on behalf of all co-owners of Plants Hatch and Vogtle, is a member of Nuclear Electric Insurance Limited ("NEIL"). NEIL is a mutual insurer established to provide insurance coverage against property damage to its members' nuclear generating facilities. In the event that losses exceed accumulated reserve funds, the members are subject to retroactive premium assessments in proportion to their participation in the mutual insurer. The WLSF Commission's maximum annual assessment would be $1,917,364 under current policies.

All retrospective assessments, whether generated for liability, property, or replacement power, may be subject to applicable state premium taxes.

4-C Commitments and Contingent Liabilities

Vogtle Units 3 & 4 Nuclear Development – The WLSF Commission is participating with GPC and the other co-owners of the Vogtle plant in construction of two additional nuclear units at the site. The estimated cost for the Commissions' 1.6% of the total cost is $174 million. The sources of construction funds for the Commissions' portion of Vogtle Units 3 and 4 will be from a combination of internally generated funds, investment funds restricted for renewals and extensions, and a possible future debt financing. Through December 31, 2012, the Commission has spent $75.1 million on the new nuclear units under construction, all of which is included in "construction in progress" in the financial statements.

In April 2008, GPC, acting as agent for Georgia Power Company, Oglethorpe Power Corporation, the Municipal Electric Authority of Georgia, and the WLSF Commission (collectively, "Owners"), and a consortium consisting of Westinghouse Electric Company LLC ("Westinghouse") and Stone & Webster, Inc. (collectively, "Contractor") entered into an engineering procurement and construction agreement to design, engineer, procure, construct, and test two AP1000 nuclear units with electric generating capacity of approximately 1,100 MWs each and related facilities, structures, and improvements at Plant Vogtle ("Vogtle 3 & 4 Agreement").

The Vogtle 3 & 4 Agreement is an arrangement whereby the Contractor supplies and constructs the entire facility with the exception of certain items provided by the Owners. Under the terms of the Vogtle 3 & 4 Agreement, the Owners agreed to pay a purchase price that will be subject to certain price escalations and adjustments, including fixed escalation amounts and certain index-based adjustments, as well as adjustments for change orders, and performance bonuses for early completion and unit performance. Each Owner is severally (and not jointly) liable for its proportionate share, based on its ownership interest, of all amounts owed to the Contractor under the Vogtle 3 & 4 Agreement. The WLSF Commission's share is 1.6%.

The Owners may terminate the Vogtle 3 & 4 Agreement at any time for their convenience, provided that the Owners will be required to pay certain termination costs and, at certain stages of the work, cancellation fees to the Contractor. The Contractor may terminate the Vogtle 3 & 4 Agreement under certain circumstances, including delays in the receipt of the combined construction and operating license ("COL"), or delivery of full notice to proceed, certain Owner suspension or delays of work, action by a governmental authority to permanently stop work, certain breaches of the Vogtle 3 & 4 Agreement by the Owners, Owner insolvency, and certain events.

In 2009, the Nuclear Regulatory Commission ("NRC") issued an early site permit and limited work authorization to Southern Nuclear, on behalf of the Owners related to two additional nuclear units on the site of Plant Vogtle. In 2008, Southern Nuclear filed an application with the NRC for a COL for the new units. In December 2010, Westinghouse submitted an AP1000 Design Certification Amendment ("DCA") to the NRC. On February 10, 2011, the NRC announced that it was seeking public comment on a proposed rule to approve the DCA and amend the certified AP1000 reactor design for use in the United States. The Advisory Committee on Reactor Safeguards also issued a letter on January 24, 2011, endorsing the issuance of the COL for Plant Vogtle Units 3 and 4. In addition, on March 25, 2011, the NRC submitted to the Environmental Protection Agency ("EPA") the final environmental impact statement for Plant Vogtle Units 3 and 4. On February 9, 2012, the NRC affirmed a decision directing the NRC staff to proceed with issuance of the COLs for Plant Vogtle Units 3 and 4 in accordance with its regulations. The COLs were received on February 10, 2012. Receipt of the COLs allows full construction to begin on Plant Vogtle Units 3 and 4.

4-C Commitments and Contingent Liabilities (continued)

In July 2012, the Owners and the Contractor began negotiations regarding the costs associated with design changes to the design control document ("DCD") and the delays in the timing of approval of the DCD and the issuance the COLs, including the assertion by the Contractor that the Owners are responsible for these costs under the terms of the Vogtle 3 and 4 Agreement. The Contractor's estimated adjustments attributable to the Commission, based on its ownership interest, are approximately $14 million with respect to these issues. The Contractor also has asserted it is entitled to further schedule extensions. The Owners have not agreed with either the proposed cost or schedule adjustments or that they have any responsibility for costs related to these issues. On November 1, 2012, the Owners filed suit against the Contractor in the U.S. District Court for the Southern District of Georgia seeking a declaratory judgment that the Owners are not responsible for these costs. Also on November 1, 2012, the Contractor filed suit against the Owners in the U.S. District Court for the District of Columbia alleging the Owners are responsible for these costs. While litigation has commenced and the Owners intend to vigorously defend their position, the Owners expect negotiations with the Contractor to continue with respect to cost and schedule, during which negotiations the parties may reach a mutually acceptable compromise of their positions.

In February 2013, GPC requested an amendment to the certificate to increase the estimated in-service capital cost of Vogtle Units 3 and 4 and to extend the estimated in-service dates to the fourth quarter of 2017 and the fourth quarter of 2018 for Vogtle Units 3 and 4, respectively. The Commissions' share of the expected cost increase would be approximately $14 million.

In addition, there are processes in place that are designed to assure compliance with the requirements specified in the DCD and the COLs, including rigorous inspection by Southern Nuclear (an affiliate company of GPC, acting in its capacity as agent for the owners) and the NRC that occurs throughout construction. During the fourth quarter of 2012, certain details of the rebar design for the Plant Vogtle Unit 3 nuclear island were evaluated for consistency with the DCD and a few non-safety-related deviations were identified. On February 26, 2013 and March 1, 2013, the NRC approved the two license amendment requests to conform the rebar design details to NRC requirements and, on March 14, 2013, the placement of basemat structural concrete for the nuclear island of Plant Vogtle Unit 3 was completed. Additional license amendment requests are pending before the NRC. Various design and other issues are expected to arise as construction proceeds, which may result in additional license amendments ore require other resolution. If any license amendment requests are not resolved in a timely manner, there may be delays in the project schedule that could result in increased costs either to the Owners, the Contractor, or both.

As construction continues, additional delays in the fabrication and assembly of structural modules, the failure of such modules to meet applicable standards, or other issues may further impact project schedule and cost. Additional claims by the Contractor or the Owners are also likely to arise throughout construction. These claims may be resolved through formal or informal dispute resolution procedures under the Vogtle 3 and 4 agreement, but also may be resolved through litigation.

There are other pending technical and procedural challenges to the construction and licensing of the Vogtle Units 3 and 4, including legal challenges to the NRC issuance of the COLs and certification of the DCD. Similar additional challenges at the state and federal level are expected as construction proceeds.

The ultimate outcome of these matters cannot be determined at this time.

General Litigation Matters – The WLSF Commission is subject to certain claims and legal actions arising in the ordinary course of business. Litigation over claims of various types, including property damage, personal injury, common law nuisance, and citizen enforcement of environmental requirements, has increased generally throughout the U.S. The ultimate outcome of such pending or potential litigation against the WLSF Commission cannot be predicted at this time, however, for current proceedings not specifically reported herein, management does not anticipate that the ultimate liabilities, if any, arising from such current proceedings would have a material effect on the WLSF Commission's financial statements.

Certain Environmental Contingencies and Litigation - The WLSF Commission is subject to present and developing environmental regulations by various federal, state, and local jurisdictions.

4-C Commitments and Contingent Liabilities (continued)

New Source Review Actions ("NSR") - On October 20, 2005, the EPA published a proposed rule clarifying the test for determining when an emissions increase is subject to the NSR requirements. The EPA is alleging that GPC violated the NSR provisions of the Clean Air Act and related state laws at certain coal-fired generating facilities. The Commission, through its joint ownership of Plant Wansley coal-fired units 1 and 2 and Plant Scherer coal-fired units 1 and 2 may be subject to its proportionate share of any penalties or required capital expenditures related to these plants. However, the joint owners believe they complied with applicable laws and EPA regulations and interpretations in effect at the time in question by the EPA. The ultimate outcome of this matter cannot be determined at this time.

Five-Year Permit for Wastewater Treatment - During 1997, the WLSF Commission was issued a five-year permit for its wastewater treatment systems by the Environmental Protection Division ("EPD") of the Georgia Department of Natural Resources. The permit was contingent upon the undertaking by the WLSF Commission to make certain improvements to its wastewater treatment systems and included a compliance schedule for those improvements. The WLSF Commission completed all improvements required under the 1997 permit. In March 2002, the WLSF Commission requested and received a two-year extension of the permit to allow time for a full watershed assessment to be performed. The assessment was completed on December 24, 2003 and a permit renewal application was submitted in accordance with the requirements of the existing permit. The existing five year permit was issued March 26, 2007, and expired March 25, 2012. On March 23, 2012, the WLSF Commission was granted an indefinite extension by the EPD on its existing permit while its application for a reissuance of the five year permit is evaluated.

Fuel Commitments - The WLSF Commission is obligated by various long-term commitments for the procurement of electricity and natural gas to supply its customers, as well as related transportation and storage services. The minimum contract requirements of the Commission as of December 31, 2012 are as follows:

Year Ending December 31,	Commitments	
	Natural Gas	Electricity
2013	$ 346,000	$ 15,406,000
2014	346,000	15,406,000
2015	346,000	14,796,000
2016	346,000	12,965,000
2017 and thereafter	1,038,000	12,965,000
	$ 2,422,000	$ 71,538,000

4-D Joint Ventures

The City participates with Whitfield County in the Dalton-Whitfield Regional Solid Waste Management Authority. All budgetary and financial records are maintained by the City of Dalton. The DWRSWMA issued separate audited financial statements dated May 6, 2013.

The City and Whitfield County share equally in operations of the DWRSWMA, which operates solid waste disposal sites within Whitfield County. Administration is accomplished through a five member board with each government appointing two members and those four appointing the fifth member. Current expenditures are funded through user fees and, if necessary, equal transfers from both governments. The City's equity interest in this joint venture is shown within the Proprietary Fund. The City's share of the resulting income or loss from the joint venture is shown separately as charge for services on the Statement of Activities.

4-D Joint Ventures (continued)

State and federal laws and regulations require the DWRSWMA to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the DWRSWMA reports a portion of the closure and post-closure care costs as a non-operating expense in each period based on landfill capacity used as of each balance sheet date. The accrual for closure and post-closure cost is summarized by location as follows:

Landfill sites:	Westside	Old Dixie II, IV & V	Old Dixie VI Sites I & II	Old Dixie VI Sites III & IV	Balefill	Total
Estimated future costs:						
Closure	Completed	Completed	$ 3,220,000	$ 2,210,000	$ 1,765,000	$ 7,195,000
Post-closure	$ 745,000	$ 1,805,000	2,165,000	1,490,000	1,240,000	7,445,000
	745,000	1,805,000	5,385,000	3,700,000	3,005,000	14,640,000
Percentage of total landfill capacity used as of December 31, 2012	100.0%	100.0%	100.0%	46.5%	46.6%	
	745,000	1,805,000	5,385,000	1,721,000	1,394,000	11,050,000
Land acquisition	50,000	-	-	-	-	50,000
Accrual at 12/31/12	$ 795,000	$ 1,805,000	$ 5,385,000	$ 1,721,000	$ 1,394,000	$ 11,100,000

The Authority will record the remaining estimated cost of closure and post-closure care costs of $3,555,000 as the remaining capacity is filled. Estimated remaining landfill life is more than 30 years. The above estimates are based on what it would cost to perform all closure and post-closure care in 2012. Actual costs when incurred may be higher due to inflation, changes in technology, or changes in laws and regulations.

The DWRSWMA landfill closure and post-closure requirements are being funded from user fees and interest earned from investments. If these revenues are inadequate or additional post-closure care requirements are determined, these costs may need to be covered by charges to future landfill users.

According to the latest inspection reports issued by the Georgia Department of Natural Resources, dated February 17, 2012, the Dalton-Whitfield Regional Solid Waste Management Authority was in compliance for closure and post-closure care financial assurance requirements for the 2011 year.

4-D Joint Ventures (continued)

Condensed audited financial statements for the DWRSWMA at December 31, 2012 are as follows:

Assets		
Current assets	$	15,643,560
Capital assets-net		21,066,163
Total assets	$	36,709,723
Liabilities and Net Position		
Current liabilities	$	748,076
Non-current liabilities		11,596,470
Net position		24,365,177
Total liabilities and net position	$	36,709,723
Statement of Revenues and Expenses		
Operating revenues	$	4,971,986
Operating expenses		(4,289,432)
Depreciation		(1,457,298)
Operating Income		(774,744)
Non-operating revenues (expenses)		44,042
Increase (decrease) in net position	$	(730,702)
Beginning net position		25,095,879
Ending net position	$	24,365,177

The City participates with Whitfield County in the Northwest Georgia Trade and Convention Center Authority. All budgetary and financial records are maintained by the City of Dalton. The Northwest Georgia Trade and Convention Center Authority issues separate audited financial statements dated March 15, 2013.

The City and Whitfield County share equally in operations of the Northwest Georgia Trade and Convention Center Authority, which operates to promote tourism, conventions, special events, and trade shows within the City of Dalton and Whitfield County. Current expenditures are funded through user fees and, if necessary, equal transfers from both governments. The City's equity interest in this joint venture is shown within the Proprietary Fund. The City's share of the resulting income or loss from the joint venture is shown separately as an expense on the Statement of Activities.

4-D Joint Ventures (continued)

Condensed audited financial statements for the Northwest Georgia Trade and Convention Center Authority at December 31, 2012 are as follows:

Assets		
Current assets	$	351,164
Capital assets-net		9,564,361
Total assets	$	9,915,525
Liabilities and Net Position		
Current liabilities	$	134,571
Net position		9,780,954
Total liabilities and net position	$	9,915,525
Statement of Revenues and Expenses		
Operating revenues	$	1,297,749
Operating expenses		(2,066,189)
Depreciation		(393,165)
Operating Income		(1,161,605)
Non-operating revenues (expenses)		7,604
Transfers in		1,006,886
Increase (decrease) in net position		(147,115)
Beginning net position		9,928,069
Ending net position	$	9,780,954

The City participates with Whitfield County in the Dalton-Whitfield Joint Development Authority and the Dalton-Whitfield Economic Development Authority, which are reported as one entity as disclosed in Note 1. All budgetary and financial records are maintained by the Joint Development Authority, which is housed at the Dalton-Whitfield Chamber of Commerce. The Dalton-Whitfield Joint Development Authority issues separate audited financial statements dated February 25, 2013.

The City and Whitfield County share equally in operations of the Dalton-Whitfield Joint Development Authority, which operates to promote economic development within the City of Dalton and Whitfield County. Current expenditures are funded through equal transfers from both governments and a large donation from a local advised fund. The City's transfer to this entity is shown as an expenditure of the General Fund, and the City's equity interest in this joint venture is shown as an investment in a joint venture for governmental activities in the Government-wide Statement of Net Assets. The City's share of the resulting income or loss from the joint venture is shown as an expense for economic development on the Statement of Activities.

4-D Joint Ventures (continued)

Condensed audited financial statements for the Dalton-Whitfield Joint Development Authority at December 31, 2012 are as follows:

Assets		
Current assets	$	218,202
Capital assets-net		14,390
Total assets	$	232,592
Liabilities and Net Position		
Current liabilities	$	132,688
Net position		99,904
Total liabilities and net position	$	232,592
Statement of Activities		
Program revenues	$	303,532
General revenues		267,777
Transfers in		100,000
Economic development		(785,446)
Increase (decrease) in net position		(114,137)
Beginning net position		214,041
Ending net position	$	99,904

4-E Component Unit

The City of Dalton Building Authority ("Building Authority") is a legally separate entity and has been included as a discretely presented component unit in the accompanying financial statements. It is reported as a separate column in the government-wide statements to emphasize that it is legally separate from the City. The City of Dalton Board of Education and the City of Dalton, Georgia each have outstanding debt in the Building Authority's name, as discussed in Note 4-F. All debt proceeds and payments related to Building Authority issued debt flow through the Building Authority. The entity does not report any revenues or expenses as the result of its operations, as the entity is primarily a conduit for the respective governmental entities. Transfers in and out for payments of interest and principal on outstanding debt totaled $7,301,875 for the year ended December 31, 2012. The Building Authority holds various cash balances from proceeds from debt on behalf of the City or of the Board of Education. Amounts held in the Building Authority's cash account are reported as a receivable or payable in the financials.

4-F Debt Contingency

The City of Dalton Building Authority issued qualified zone academy bonds dated May 1, 2003 in the amount of $2,000,000 to finance capital improvements within the City of Dalton Public School System. The amount of the bonds outstanding as of December 31, 2012 is $2,000,000.

The City of Dalton Building Authority issued revenue bonds during 2005 to finance capital improvements within the City of Dalton Public School System. The amount of the bonds outstanding as of December 31, 2012 is $1,775,000.

PENSION PLAN REQUIRED SUPPLEMENTARY INFORMATION

City of Dalton, Georgia
Pension Trust Fund
Schedule of Employer Contributions
December 31, 2012

Year Beginning January 1,	Annual Required Contribution	Percentage Contributed
2001	$ 2,977,018	100%
2002	2,807,427	100%
2003	3,509,284	108%
2004	2,725,470	94%
2005	2,347,380	112%
2006	2,711,343	97%
2007	2,990,129	91%
2008	2,833,927	93%
2009	3,572,850	90%
2010	3,866,060	95%
2011	4,034,768	99%
2012	4,394,917	96%

City of Dalton, Georgia
Pension Trust Fund
Schedule of Funding Progress
December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/2001	$ 43,235,142	$ 63,902,544	$ 20,667,402	68%	$ 21,065,143	98%
1/1/2003	42,452,389	74,056,656	31,604,267	57%	24,991,641	126%
1/1/2004	48,717,335	70,116,207	21,398,872	69%	25,247,408	85%
1/1/2005	52,617,082	67,353,669	14,736,587	78%	24,117,608	61%
1/1/2006	54,466,921	70,208,760	15,741,839	78%	23,777,732	66%
1/1/2007	59,715,221	75,197,188	15,481,967	79%	23,619,574	66%
1/1/2008	61,815,554	80,326,128	18,510,574	77%	24,817,638	75%
1/1/2009	50,532,696	74,982,215	24,449,519	67%	23,258,581	105%
1/1/2010	55,522,359	90,051,325	34,528,966	62%	21,418,412	161%
1/1/2011	60,628,149	94,177,910	33,549,761	64%	21,461,361	156%
1/1/2012	62,158,721	96,181,160	34,022,439	65%	19,632,308	173%

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond, capital lease, and notes payable principal and interest from governmental resources.

Capital Projects Funds

The Capital Projects Funds are used to account for the resources that are restricted, committed, or assigned for certain capital outlays. Ongoing capital outlays that are accounted for in these funds include the City's portion of SPLOST projects managed by Whitfield County, various LOST projects performed by Whitfield County, the Community Center, and James Brown Park.

City of Dalton, Georgia
Combining Balance Sheet - By Fund Type
Nonmajor Governmental Funds
December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	$ 84,643	$ 9,453	$ -	$ 94,096
Investments	-	316	-	316
Receivables:				
Accounts	88,884	-	10,000	98,884
Taxes	-	4,464	-	4,464
Intergovernmental-local	-	137,523	5,041	142,564
Intergovernmental - state and federal	303,195	-	-	303,195
Interfund	9,570	-	164,189	173,759
Prepaid expenditures	4,000	-	-	4,000
Total Assets	$ 490,292	$ 151,756	$ 179,230	$ 821,278
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 171,527	$ -	$ 164,324	$ 335,851
Accrued interest payable	-	137,508	-	137,508
Interfund payable	234,207	-	10,000	244,207
Deferred revenue	-	4,346	-	4,346
Total Liabilities	405,734	141,854	174,324	721,912
Fund Balances				
Restricted for:				
Public safety	84,556	-	-	84,556
Housing and development	2	-	-	2
Debt service	-	9,902	-	9,902
Capital projects	-	-	4,906	4,906
Total Fund Balances	84,558	9,902	4,906	99,366
Total Liabilities and Fund Balances	$ 490,292	$ 151,756	$ 179,230	$ 821,278

City of Dalton, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - By Fund Type
Nonmajor Governmental Funds
For the Year Ended December 31, 2012

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Real and personal property tax	$ -	$ 4,683	$ -	$ 4,683
Vehicle tax	-	19	-	19
Hotel/motel tax	1,093,798	-	-	1,093,798
Intergovernmental	604,018	186,910	1,633,892	2,424,820
Fines and forfeitures	75,924	-	-	75,924
Investment earnings	160	126,039	58	126,257
Miscellaneous	9,840	573	-	10,413
Total Revenues	1,783,740	318,224	1,633,950	3,735,914
Expenditures				
Current:				
General government	181,766	-	2,564	184,330
Public safety	51,773	-	87,753	139,526
Public works	-	-	586,823	586,823
Health and welfare	88,617	-	-	88,617
Culture and recreation	382,955	-	-	382,955
Housing and development	27,597	-	-	27,597
Capital Outlay				
General government	-	-	851,120	851,120
Public safety	18,500	-	75,932	94,432
Public works	-	-	1,194,263	1,194,263
Culture and recreation	172,247	-	2,182,044	2,354,291
Debt Service:				
Principal retirement	-	598,561	-	598,561
Interest and fiscal charges	-	293,792	-	293,792
Total Expenditures	923,455	892,353	4,980,499	6,796,307
Excess (Deficiency) of Revenues Over (Under) Expenditures	860,285	(574,129)	(3,346,549)	(3,060,393)
Other Financing Sources (Uses)				
Transfers in	84,036	577,066	3,004,215	3,665,317
Transfers out	(884,755)	-	-	(884,755)
Total Other Financing Sources (Uses)	(800,719)	577,066	3,004,215	2,780,562
Net Change in Fund Balances	59,566	2,937	(342,334)	(279,831)
Fund Balances Beginning of Year	24,992	6,965	347,240	379,197
Fund Balances End of Year	$ 84,558	$ 9,902	$ 4,906	$ 99,366

GENERAL FUND

The General Fund accounts for all sources of financial resources applicable to the general operations of the City which are not account for in another fund.

City of Dalton, Georgia
General Fund
Comparative Balance Sheet
December 31, 2012

	2012	2011
Assets		
Cash and cash equivalents	$ 12,481,720	$ 4,997,110
Investments	5,938,438	11,976,020
Receivables:		
Accounts	925,577	801,864
Taxes	1,353,083	1,694,429
Intergovernmental-state and federal	6,216	31,681
Intergovernmental-local	605,120	2,442,807
Interfund	422,512	412,446
Inventory	187,752	169,406
Prepaid items	19,787	15,677
Total Assets	$ 21,940,205	$ 22,541,440
Liabilities and Fund Balances		
Liabilities		
Accounts payable	494,256	401,549
Accrued expenditures	561,924	493,543
Interfund payable	198,734	18,336
Deferred revenue	838,125	1,496,231
Total Liabilities	2,093,039	2,409,659
Fund Balances		
Nonspendable	207,539	185,083
Restricted - cemetery chapel	91,029	91,959
Unrestricted		
Committed (capital projects)	-	2,781,573
Assigned (trail grants and airport)	110,315	144,500
Unassigned	19,438,283	16,928,666
Total Fund Balances	19,847,166	20,131,781
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 21,940,205	$ 22,541,440

City of Dalton, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Taxes					
Real and personal property tax	$ 7,483,000	$ 7,483,000	$ 9,303,685	$ 1,820,685	$ 8,757,658
Vehicle tax	338,000	338,000	423,440	85,440	456,957
Sales tax	2,600,000	2,600,000	2,733,981	133,981	2,601,406
Insurance premium tax	1,500,000	1,650,000	1,650,441	441	1,553,842
Recording intangibles	35,000	35,000	53,483	18,483	45,480
Franchise tax	497,000	497,000	481,914	(15,086)	490,418
Real estate transfer tax	8,000	8,000	10,187	2,187	6,383
Beer tax	496,000	496,000	536,674	40,674	493,684
Wine tax	68,000	68,000	72,863	4,863	71,998
Liquor tax	74,000	74,000	78,963	4,963	77,983
Mixed drink tax	54,000	54,000	61,723	7,723	60,012
Total taxes	13,153,000	13,303,000	15,407,354	2,104,354	14,615,821
Licenses and permits:					
Alcoholic beverage licenses	240,000	240,000	235,542	(4,458)	243,437
Occupation taxes	735,000	735,000	751,120	16,120	739,838
Other permits	-	-	200	200	100
Total licenses and permits	975,000	975,000	986,862	11,862	983,375
Intergovernmental:					
Whitfield County	150,000	1,569,000	954,173	(614,827)	478,564
Housing Authority	48,700	48,700	48,712	12	48,712
Federal grants and contracts	5,000	10,590	7,620	(2,970)	135,243
State grants and contracts	175,000	177,000	5,457	(171,543)	1,798
Total intergovernmental	378,700	1,805,290	1,015,962	(789,328)	664,317
Charges for services:					
Senior center	86,000	60,495	46,253	(14,242)	56,612
Program admission and fees	127,460	127,460	130,560	3,100	94,283
Concession revenue	165,100	165,100	194,388	29,288	128,810
Garbage and recycling revenue	3,000	3,000	7,763	4,763	3,200
Public works fees	54,500	54,500	52,725	(1,775)	53,100
Municipal court and probation fees	700,000	700,000	767,234	67,234	739,273
Public safety fees	13,000	35,000	36,130	1,130	39,012
Cemetery fees	25,000	25,000	27,960	2,960	25,740
Total charges for services	1,174,060	1,170,555	1,263,013	92,458	1,140,030
Fines and forfeitures	500,000	500,000	377,421	(122,579)	392,651
Investment earnings	60,000	60,055	124,692	64,637	95,067

(Continued)

City of Dalton, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Miscellaneous:					
Penalties and fines	64,500	64,500	129,393	64,893	96,738
Rental income	218,800	218,800	250,832	32,032	191,870
Donations	11,700	1,795,135	1,820,028	24,893	584,123
Sale of property	7,000	7,000	27,752	20,752	17,358
Reimbursements	67,000	119,585	156,991	37,406	133,738
Miscellaneous	60,100	130,275	163,296	33,021	65,128
Total miscellaneous	429,100	2,335,295	2,548,292	212,997	1,088,955
Total revenues	$ 16,669,860	$ 20,149,195	$ 21,723,596	$ 1,574,401	$ 18,980,216

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Current:					
General Government:					
Legislative					
Personal services and benefits	$ 63,235	$ 63,235	$ 60,583	$ 2,652	$ 62,574
Other	69,815	69,815	66,348	3,467	71,099
Total	133,050	133,050	126,931	6,119	133,673
Administrative					
Personal services and benefits	166,190	169,180	150,678	18,502	174,561
Other	385,935	299,490	179,788	119,702	277,302
Capital outlay	-	26,000	26,000	-	-
Total	552,125	494,670	356,466	138,204	451,863
City Clerk					
Personal services and benefits	182,060	189,165	188,413	752	190,917
Other	57,135	57,510	47,379	10,131	51,177
Total	239,195	246,675	235,792	10,883	242,094
Elections					
Other	13,000	595	20	575	13,273
Total	13,000	595	20	575	13,273
Finance					
Personal services and benefits	307,625	301,055	283,650	17,405	281,067
Other	331,960	343,860	327,534	16,326	336,375
Total	639,585	644,915	611,184	33,731	617,442
Human Resources					
Personal services and benefits	230,775	238,535	231,960	6,575	226,222
Other	125,810	133,810	113,177	20,633	105,515
Total	356,585	372,345	345,137	27,208	331,737
Technology					
Personal services and benefits	66,445	67,205	65,924	1,281	55,818
Other	100,420	74,120	65,690	8,430	85,256
Capital outlay	-	26,300	26,282	18	-
Total	166,865	167,625	157,896	9,729	141,074

(Continued)

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Infrastructure					
Other	-	281,320	174,153	107,167	72,907
Capital outlay	10,000	1,773,285	1,782,368	(9,083)	582,779
Total	10,000	2,054,605	1,956,521	98,084	655,686
Total General Government	2,110,405	4,114,480	3,789,947	324,533	2,586,842
Judicial:					
Municipal Court					
Personal services and benefits	190,330	194,510	186,716	7,794	255,244
Other	209,705	218,505	175,299	43,206	231,130
Capital outlay	8,800	-	-	-	-
Total	408,835	413,015	362,015	51,000	486,374
Total Judicial	408,835	413,015	362,015	51,000	486,374
Public Safety:					
Fire Department					
Personal services and benefits	5,999,325	6,104,300	5,803,193	301,107	5,991,099
Other	931,605	938,970	921,110	17,860	937,158
Capital outlay	-	107,150	33,941	73,209	26,639
Total	6,930,930	7,150,420	6,758,244	392,176	6,954,896
Police Department					
Personal services and benefits	5,677,335	5,671,695	5,593,920	77,775	5,829,824
Other	1,003,235	1,025,340	987,418	37,922	1,069,198
Capital outlay	-	99,450	99,295	155	-
Total	6,680,570	6,796,485	6,680,633	115,852	6,899,022
Total Public Safety	13,611,500	13,946,905	13,438,877	508,028	13,853,918
Public Works:					
Public Works					
Personal services and benefits	3,656,620	3,670,255	3,662,551	7,704	3,779,845
Other	2,256,805	2,398,660	2,291,805	106,855	2,140,030
Capital outlay	-	-	-	-	60,043
Total	5,913,425	6,068,915	5,954,356	114,559	5,979,918

(Continued)

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Infrastructure					
Other	-	926,250	695,239	231,011	122,915
Capital outlay	-	290,000	-	290,000	76,787
Total	-	1,216,250	695,239	521,011	199,702
Total Public Works	5,913,425	7,285,165	6,649,595	635,570	6,179,620
Health and Welfare:					
Senior Center					
Personal services and benefits	221,041	222,896	222,756	140	236,615
Other	166,959	124,284	117,626	6,658	155,796
Capital outlay	18,500	156,820	156,732	88	-
Total	406,500	504,000	497,114	6,886	392,411
Special Projects					
Other	30,000	33,735	33,731	4	30,750
Total	30,000	33,735	33,731	4	30,750
Infrastructure					
Other	-	890	875	15	154,793
Total	-	890	875	15	154,793
Total Health and Welfare	436,500	538,625	531,720	6,905	577,954
Culture and Recreation:					
Recreation Department					
Personal services and benefits	1,757,300	1,795,320	1,754,127	41,193	1,748,613
Other	1,159,360	1,162,655	1,115,455	47,200	1,160,770
Capital outlay	-	37,350	37,338	12	42,478
Total	2,916,660	2,995,325	2,906,920	88,405	2,951,861
Special Projects					
Other	243,810	248,530	248,530	-	247,260
Total	243,810	248,530	248,530	-	247,260
Infrastructure					
Capital outlay	-	7,150	-	7,150	26,369
Total	-	7,150	-	7,150	26,369
Total Culture and Recreation	3,160,470	3,251,005	3,155,450	95,555	3,225,490

(Continued)

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Housing and Development:					
Special Projects					
Other	290,500	296,000	295,028	972	293,000
Total	290,500	296,000	295,028	972	293,000
Total Housing and Development	290,500	296,000	295,028	972	293,000
Total expenditures	$ 25,931,635	$ 29,845,195	$ 28,222,632	$ 1,622,563	$ 27,203,198

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - Sub-Budgets - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Municipal Court					
Administration					
Personal services and benefits	$ 190,330	$ 194,510	$ 186,716	$ 7,794	$ 217,752
Other	209,705	218,505	175,299	43,206	188,348
Capital outlay	8,800	-	-	-	-
Total	408,835	413,015	362,015	51,000	406,100
Probation					
Personal services and benefits	-	-	-	-	37,492
Other	-	-	-	-	42,782
Total	-	-	-	-	80,274
Total Municipal Court	$ 408,835	$ 413,015	$ 362,015	$ 51,000	$ 486,374
Police Department					
Administration					
Personal services and benefits	$ 260,660	$ 401,945	$ 401,673	272	$ 323,205
Other	259,940	259,730	254,213	5,517	241,653
Capital outlay	-	99,450	99,295	155	-
Total	520,600	761,125	755,181	5,944	564,858
Patrol					
Personal services and benefits	3,561,395	3,483,225	3,449,005	34,220	3,606,690
Other	464,270	481,370	462,890	18,480	549,691
Total	4,025,665	3,964,595	3,911,895	52,700	4,156,381
Criminal Investigation Division					
Personal services and benefits	982,130	1,010,850	1,009,545	1,305	1,033,062
Other	131,820	120,020	117,702	2,318	125,206
Total	1,113,950	1,130,870	1,127,247	3,623	1,158,268
Support Services					
Personal services and benefits	873,150	775,675	733,697	41,978	866,867
Other	147,205	164,220	152,613	11,607	152,648
Total	1,020,355	939,895	886,310	53,585	1,019,515
Total Police Department	$ 6,680,570	$ 6,796,485	$ 6,680,633	$ 115,852	$ 6,899,022

(Continued)

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - Sub-Budgets - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Public Works Department					
Administration					
Personal services and benefits	$ 322,355	$ 368,265	$ 366,093	$ 2,172	$ 442,824
Other	691,855	711,135	676,967	34,168	659,249
Capital outlay	-	-	-	-	12,972
Total	1,014,210	1,079,400	1,043,060	36,340	1,115,045
Street					
Personal services and benefits	622,845	658,130	655,415	2,715	639,116
Other	236,465	242,480	187,386	55,094	206,145
Capital outlay	-	-	-	-	32,172
Total	859,310	900,610	842,801	57,809	877,433
Sanitation					
Personal services and benefits	1,625,375	1,573,695	1,573,019	676	1,598,481
Other	273,140	258,030	257,740	290	235,979
Total	1,898,515	1,831,725	1,830,759	966	1,834,460
Shop					
Personal services and benefits	426,190	403,590	402,351	1,239	427,979
Other	735,805	845,510	831,583	13,927	731,103
Capital outlay	-	-	-	-	14,899
Total	1,161,995	1,249,100	1,233,934	15,166	1,173,981
Traffic engineer					
Personal services and benefits	334,140	337,245	337,002	243	341,605
Other	95,780	122,580	120,317	2,263	110,143
Total	429,920	459,825	457,319	2,506	451,748
Landscaping					
Personal services and benefits	325,715	329,330	328,671	659	329,840
Other	223,760	218,925	217,812	1,113	197,411
Total	549,475	548,255	546,483	1,772	527,251
Total Public Works	$ 5,913,425	$ 6,068,915	$ 5,954,356	$ 114,559	$ 5,979,918

(Continued)

City of Dalton, Georgia
Schedule of Expenditures - Budget and Actual - Sub-Budgets - General Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Recreation Department					
Administration					
Personal services and benefits	$ 776,980	$ 786,305	$ 767,759	$ 18,546	$ 779,453
Other	146,330	148,405	141,632	6,773	130,694
Total	923,310	934,710	909,391	25,319	910,147
Programs					
Personal services and benefits	234,150	248,030	245,328	2,702	214,066
Other	326,355	402,995	371,522	31,473	315,198
Total	560,505	651,025	616,850	34,175	529,264
Parks					
Personal services and benefits	746,170	760,985	741,040	19,945	755,094
Other	686,675	611,255	602,301	8,954	714,878
Capital outlay	-	37,350	37,338	12	42,478
Total	1,432,845	1,409,590	1,380,679	28,911	1,512,450
Total Recreation Department	$ 2,916,660	$ 2,995,325	$ 2,906,920	$ 88,405	$ 2,951,861

NONMAJOR SPECIAL REVENUE FUNDS

Hotel Motel Tax – Established to account for the collection of excise tax on charges for hotel/motel accommodations in the City. Prior to August 2010, the rate imposed was 6%. Subsequently, the rate imposed is 7%. The levy is used to promote tourism, trade shows, and other related purposes.

Confiscated Assets – Established to account for the City's share of forfeited revenues that are restricted for law enforcement purposes.

Community Development Block Grant – Established to account for grant proceeds from the Department of Housing and Urban Development for the operations of the City's community development program. The program is used to develop viable urban communities by providing a suitable living environment and expanding economic opportunities, principally for low to moderate income areas.

Community HOME Investment Program Grant – Established to account for grant proceeds from the Department of Housing and Urban Development for the operations of the City's home improvement program. The program provides assistance to low and very low income families for home improvements.

Transportation Enhancement Grant – Established to account for grant proceeds from the Georgia Department of Transportation for the Crown Mill Trail Project.

Airport Improvement Grant – Established to account for grant proceeds from the Georgia Department of Transportation for improvements at the Dalton Municipal Airport.

Trail Grant – Established to account for grant proceeds from the Georgia Department of Natural Resources for the Crown Mill Trail Project.

City of Dalton, Georgia
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2012

	Hotel Motel Tax	Confiscated Assets	Community Development Block Grant	Community HOME Invest. Program Grant	Transportation Enhancement Grant	Airport Improvement Grant	Trail Grant	Total Nonmajor Special Revenue Funds
Assets								
Cash and cash equivalents	$ -	$ 84,641	$ 1	$ 1	$ -	$ -	$ -	$ 84,643
Receivables:								
Accounts	88,884	-	-	-	-	-	-	88,884
Intergovernmental - federal	-	-	192,975	-	-	107,108	3,112	303,195
Interfund	-	-	-	631	8,161	-	778	9,570
Prepaid expenditures	4,000	-	-	-	-	-	-	4,000
Total Assets	$ 92,884	$ 84,641	$ 192,976	$ 632	$ 8,161	$ 107,108	$ 3,890	$ 490,292
Liabilities and Fund Balances								
Liabilities								
Accounts payable	$ 22,823	$ 85	$ 116,229	$ 631	$ 8,161	$ 19,708	$ 3,890	$ 171,527
Interfund payable	70,061	-	76,746	-	-	87,400	-	234,207
Total Liabilities	92,884	85	192,975	631	8,161	107,108	3,890	405,734
Fund Balances								
Restricted for:								
Public safety	-	84,556	-	-	-	-	-	84,556
Housing and development	-	-	1	1	-	-	-	2
Total Fund Balances	-	84,556	1	1	-	-	-	84,558
Total Liabilities and Fund Balances	$ 92,884	$ 84,641	$ 192,976	$ 632	$ 8,161	$ 107,108	$ 3,890	$ 490,292

City of Dalton, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2012

	Hotel Motel Tax	Confiscated Assets	Community Development Block Grant	Community HOME Invest. Program Grant	Transportation Enhancement Grant	Airport Improvement Grant	Trail Grant	Total Nonmajor Special Revenue Funds
Revenues								
Hotel/motel taxes	$ 1,093,798	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,093,798
Intergovernmental	-	53,755	414,341	25,702	-	107,108	3,112	604,018
Fines & forfeitures	-	75,924	-	-	-	-	-	75,924
Investment earnings	-	160	-	-	-	-	-	160
Miscellaneous	9,840	-	-	-	-	-	-	9,840
Total Revenues	1,103,638	129,839	414,341	25,702	-	107,108	3,112	1,783,740
Expenditures								
Current:								
General government	-	-	71,912	-	-	109,854	-	181,766
Public safety	-	51,773	-	-	-	-	-	51,773
Health and welfare	-	-	88,617	-	-	-	-	88,617
Culture and recreation	382,955	-	-	-	-	-	-	382,955
Housing and development	-	-	-	27,597	-	-	-	27,597
Total Current	382,955	51,773	160,529	27,597	-	109,854	-	732,708
Capital Outlay:								
Public safety	-	18,500	-	-	-	-	-	18,500
Culture and recreation	-	-	89,740	-	78,617	-	3,890	172,247
Total Capital Outlay	-	18,500	89,740	-	78,617	-	3,890	190,747
Total Expenditures	382,955	70,273	250,269	27,597	78,617	109,854	3,890	923,455
Excess (Deficiency) of Revenues Over (Under) Expenditures	720,683	59,566	164,072	(1,895)	(78,617)	(2,746)	(778)	860,285
Other Financing Sources (Uses)								
Transfers in (out)	(720,683)	-	(164,072)	1,895	78,617	2,746	778	(800,719)
Net Change in Fund Balances	-	59,566	-	-	-	-	-	59,566
Fund Balances Beginning of Year	-	24,990	1	1	-	-	-	24,992
Fund Balances End of Year	$ -	$ 84,556	$ 1	$ 1	$ -	$ -	$ -	$ 84,558

City of Dalton, Georgia
Hotel/Motel Tax Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Accounts receivable	$ 88,884	$ 82,094
Prepaid expenditures	4,000	-
Total Assets	$ 92,884	$ 82,094
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 22,823	$ -
Interfund payable	70,061	82,094
Total Liabilities	$ 92,884	$ 82,094

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Hotel/Motel Tax Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Hotel/motel taxes	$ 1,040,000	$ 1,093,680	$ 1,093,798	$ 118	$ 1,060,665
Miscellaneous	-	10,000	9,840	(160)	10,978
Total Revenues	1,040,000	1,103,680	1,103,638	(42)	1,071,643
Expenditures					
Current:					
Culture and recreation:					
Other	419,000	382,955	382,955	-	344,624
Total Expenditures	419,000	382,955	382,955	-	344,624
Excess (Deficiency) of Revenues Over (Under) Expenditures	621,000	720,725	720,683	(42)	727,019
Other Financing (Uses)					
Transfers out	(621,000)	(720,725)	(720,683)	42	(727,019)
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			$ -		$ -

City of Dalton, Georgia
Confiscated Assets Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Cash	$ 84,641	$ 24,240
Prepaid expenditures	-	750
Total Assets	$ 84,641	$ 24,990
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 85	$ -
Total Liabilities	85	-
Fund Balances		
Nonspendable	-	750
Restricted - public safety	84,556	24,240
Total Fund Balances	84,556	24,990
Total Liabilities and Fund Balances	$ 84,641	$ 24,990

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Confiscated Assets Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ 10,000	$ 35,000	$ 53,755	$ 18,755	$ 2,666
Fines & forfeitures	40,000	47,000	75,924	28,924	69,574
Investment earnings	100	100	160	60	524
Total Revenues	50,100	82,100	129,839	47,739	72,764
Expenditures					
Current:					
Public Safety:					
Other	35,250	59,195	51,773	7,422	56,453
Capital Outlay:					
Public Safety:					
Capital outlay	10,000	18,555	18,500	55	193,183
Total Expenditures	45,250	77,750	70,273	7,477	249,636
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ 4,850	$ 4,350	59,566	$ 55,216	(176,872)
Fund Balances Beginning of Year			24,990		201,862
Fund Balances End of Year			$ 84,556		$ 24,990

City of Dalton, Georgia
Community Development Block Grant Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Cash	$ 1	$ 1
Intergovernmental receivable - federal	192,975	12,467
Total Assets	$ 192,976	$ 12,468
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 116,229	$ 5,530
Interfund payable	76,746	6,937
Total Liabilities	192,975	12,467
Fund Balances		
Restricted - housing and development	1	1
Total Liabilities and Fund Balances	$ 192,976	$ 12,468

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - CDBG Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental-federal	$ 164,000	$ 535,270	$ 414,341	$ (120,929)	$ 172,275
Total Revenues	164,000	535,270	414,341	(120,929)	172,275
Expenditures					
Current:					
General Government:					
Other	22,000	76,090	71,912	4,178	77,328
Health and Welfare:					
Other	23,500	120,576	88,617	31,959	59,454
Capital outlay:					
Culture and Recreation:					
Capital outlay	100,000	165,444	89,740	75,704	-
Total Expenditures	145,500	362,110	250,269	111,841	136,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	18,500	173,160	164,072	(9,088)	35,493
Other Financing (Uses)					
Transfers out	(18,500)	(173,160)	(164,072)	9,088	(35,493)
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			1		1
Fund Balances End of Year			$ 1		$ 1

City of Dalton, Georgia
Community HOME Investment Program Grant
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Cash	$ 1	$ 1
Receivables:		
Interfund	631	-
Total Assets	$ 632	$ 1
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 631	$ -
Total Liabilities	631	-
Fund Balances		
Restricted - housing and development	1	1
Total Liabilities and Fund Balances	$ 632	$ 1

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - CHIP Grant
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ 101,250	$ 101,250	$ 25,702	$ (75,548)	$ 91,883
Total Revenues	101,250	101,250	25,702	(75,548)	91,883
Expenditures					
Current:					
Housing and Development:					
Other	106,250	106,250	27,597	78,653	93,679
Total Expenditures	106,250	106,250	27,597	78,653	93,679
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,000)	(5,000)	(1,895)	3,105	(1,796)
Other Financing Sources					
Transfers in	5,000	5,000	1,895	(3,105)	1,796
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			1		1
Fund Balances End of Year			$ 1		$ 1

City of Dalton, Georgia
Transportation Enhancement Grant Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Receivables:		
Interfund	$ 8,161	$ -
Total Assets	$ 8,161	$ -
Liabilities		
Accounts payable	$ 8,161	$ -
Total Liabilities	$ 8,161	$ -

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances-Budget and Actual-Transportation Enhancement Grant Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ 500,000	$ 500,000	$ -	$ (500,000)	$ -
Total Revenues	500,000	500,000	-	(500,000)	-
Expenditures					
Capital Outlay:					
Culture and Recreation:					
Capital outlay	$ 637,500	$ 637,500	$ 78,617	$ 558,883	$ -
Total Expenditures	637,500	637,500	78,617	558,883	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,500)	(137,500)	(78,617)	58,883	-
Other Financing Sources					
Transfers in	137,500	137,500	78,617	(58,883)	-
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			$ -		$ -

City of Dalton, Georgia
Airport Improvement Grant Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Receivables:		
Intergovernmental	$ 107,108	$ -
Total Assets	$ 107,108	$ -
Liabilities		
Accounts payable	$ 19,708	$ -
Interfund payable	87,400	-
Total Liabilities	$ 107,108	$ -

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Airport Improvement Grant Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ -	$ 412,675	$ 107,108	$ (305,567)	$ -
Total Revenues	-	412,675	107,108	(305,567)	-
Expenditures					
Current:					
General Government:					
Other	-	423,760	109,854	313,906	-
Total Expenditures	-	423,760	109,854	313,906	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(11,085)	(2,746)	8,339	-
Other Financing Sources					
Transfers in	-	11,085	2,746	(8,339)	-
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			$ -		$ -

City of Dalton, Georgia
Trail Grant Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Receivables:		
Interfund	$ 778	$ -
Intergovernmental	3,112	-
Total Assets	$ 3,890	$ -
Liabilities		
Accounts payable	$ 3,890	$ -
Total Liabilities	$ 3,890	$ -

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Trail Grant Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ 100,000	$ 100,000	$ 3,112	$ (96,888)	$ -
Total Revenues	100,000	100,000	3,112	(96,888)	-
Expenditures					
Capital Outlay:					
Culture and Recreation:					
Capital outlay	107,000	107,000	3,890	103,110	-
Total Expenditures	107,000	107,000	3,890	103,110	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,000)	(7,000)	(778)	6,222	-
Other Financing Sources					
Transfers in	7,000	7,000	778	(6,222)	-
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			$ -		$ -

NONMAJOR DEBT SERVICE FUND

City of Dalton, Georgia
Comparative Balance Sheet
Debt Service Fund
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	$ 9,453	$ 6,229
Investments	316	40
Receivables:		
Property taxes	4,464	6,811
Intergovernmental-local	137,523	140,250
Total Assets	$ 151,756	$ 153,330
Liabilities and Fund Balances		
Liabilities		
Accrued interest payable	$ 137,508	$ 139,871
Deferred revenue	4,346	6,494
Total Liabilities	141,854	146,365
Fund Balances		
Restricted - debt service	9,902	6,965
Total Liabilities and Fund Balances	$ 151,756	$ 153,330

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Debt Service Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Taxes:					
Real and personal property tax	$ -	$ -	$ 4,683	$ 4,683	$ 4,718
Vehicle tax	-	-	19	19	212
Intergovernmental	186,910	186,910	186,910	-	690,760
Investment earnings	125,885	125,885	126,039	154	128,338
Miscellaneous	-	-	573	573	1,205
Total Revenues	312,795	312,795	318,224	5,429	825,233
Expenditures					
Debt Service:					
Principal retirement	598,575	598,560	598,561	(1)	1,568,034
Interest and fiscal charges	297,445	297,460	293,792	3,668	333,766
Total Expenditures	896,020	896,020	892,353	3,667	1,901,800
Excess (Deficiency) of Revenues Over (Under) Expenditures	(583,225)	(583,225)	(574,129)	9,096	(1,076,567)
Other Financing Sources (Uses)					
Transfers in	583,225	583,225	577,066	(6,159)	752,735
Net Change in Fund Balances	$ -	$ -	2,937	$ 2,937	(323,832)
Fund Balances Beginning of Year			6,965		330,797
Fund Balances End of Year			$ 9,902		$ 6,965

NONMAJOR CAPITAL PROJECTS FUNDS

Capital Projects Fund – Established to account for all significant general capital projects undertaken by the City.

SPLOST Capital Projects Fund – Established to account for all SPLOST proceeds and related current and capital expenditures of SPLOST proceeds.

Capital Acquisition Fund – Established to account for other capital asset activity. The activity in this fund is primarily related to the purchase of machinery, equipment, vehicles, and furniture and fixtures.

City of Dalton, Georgia
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2012

	Capital Projects Fund	SPLOST Capital Projects Fund	Capital Acquisition Fund	Total Nonmajor Capital Projects Funds
Assets				
Receivables:				
Accounts	$ -	$ 10,000	$ -	$ 10,000
Intergovernmental	5,041	-	-	5,041
Interfund	-	-	164,189	164,189
Total Assets	$ 5,041	$ 10,000	$ 164,189	$ 179,230
Liabilities and Fund Balances				
Liabilities				
Accounts payable	$ 135	$ -	$ 164,189	$ 164,324
Interfund payable	-	10,000	-	10,000
Total Liabilities	135	10,000	164,189	174,324
Fund Balances				
Restricted for:				
Capital projects	4,906	-	-	4,906
Total Fund Balances	4,906	-	-	4,906
Total Liabilities and Fund Balances	$ 5,041	$ 10,000	$ 164,189	$ 179,230

City of Dalton, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2012

	Capital Projects Fund	SPLOST Capital Projects Fund	Capital Acquisition Fund	Total Nonmajor Capital Projects Funds
Revenues				
Intergovernmental	$ 158,633	$ 1,475,259	$ -	$ 1,633,892
Investment earnings	58	-	-	58
Total Revenues	158,691	1,475,259	-	1,633,950
Expenditures				
Current:				
General government	-	-	2,564	2,564
Public safety	-	-	87,753	87,753
Public works	-	586,823	-	586,823
Total Current	-	586,823	90,317	677,140
Capital Outlay:				
General government	851,120	-	-	851,120
Public safety	-	-	75,932	75,932
Public works	-	888,436	305,827	1,194,263
Culture and recreation	2,182,044	-	-	2,182,044
Total Capital Outlay	3,033,164	888,436	381,759	4,303,359
Total Expenditures	3,033,164	1,475,259	472,076	4,980,499
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,874,473)	-	(472,076)	(3,346,549)
Other Financing Sources (Uses)				
Transfers in (out)	2,532,139	-	472,076	3,004,215
Net Change in Fund Balances	(342,334)	-	-	(342,334)
Fund Balances Beginning of Year	347,240	-	-	347,240
Fund Balances End of Year	$ 4,906	$ -	$ -	$ 4,906

City of Dalton, Georgia
Capital Projects Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Accounts receivable	$ -	$ 22,077
Intergovernmental receivable - local	5,041	916,671
Total Assets	$ 5,041	$ 938,748
Liabilities and Fund Balances		
Liabilities		
Accounts payable	$ 135	$ 309,269
Interfund payable	-	282,239
Total Liabilities	135	591,508
Fund Balances		
Restricted - capital projects	4,906	4,969,509
Total Liabilities and Fund Balances	$ 5,041	$ 5,561,017

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Projects Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ 300,000	$ 166,000	$ 158,633	$ (7,367)	$ 2,107,479
Investment earnings	-	-	58	58	7,638
Donations	-	-	-	-	61,000
Total Revenues	300,000	166,000	158,691	(7,309)	2,176,117
Expenditures					
Current:					
Public Works:					
Road projects	-	-	-	-	77,465
Total Current	-	-	-	-	77,465
Capital Outlay:					
General Government:					
Old Post Office	827,000	851,120	851,120	-	201,879
Parking Deck	-	-	-	-	60,427
Culture and Recreation:					
Community Center	1,845,000	1,679,840	1,679,837	3	4,209,728
James Brown Park	-	502,250	502,207	43	2,175,919
Crown Mill	-	-	-	-	6,685
Public Works:					
Road projects	300,000	-	-	-	375,866
Total Capital Outlay	2,972,000	3,033,210	3,033,164	46	7,030,504
Debt Service:					
Issuance costs/fiscal fees	-	-	-	-	40
Total Expenditures	2,972,000	3,033,210	3,033,164	46	7,108,009
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,672,000)	(2,867,210)	(2,874,473)	(7,263)	(4,931,892)
Other Financing Sources (Uses)					
Transfers in	2,518,150	2,690,250	2,532,139	(158,111)	429,517
Transfers out	-	-	-	-	(119,894)
Total Other Financing Sources (Uses)	2,518,150	2,690,250	2,532,139	(158,111)	309,623
Net Change in Fund Balances	$ (153,850)	$ (176,960)	(342,334)	$ (165,374)	(4,622,269)
Fund Balances Beginning of Year			347,240		4,969,509
Fund Balances End of Year			$ 4,906		$ 347,240

City of Dalton, Georgia
SPLOST Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Accounts receivable	$ 10,000	$ -
Total Assets	$ 10,000	$ -
Liabilities		
Interfund payable	$ 10,000	$ -
Total Liabilities	$ 10,000	$ -

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - SPLOST Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	$ 300,000	$ 1,402,540	$ 1,475,259	$ 72,719	$ -
Total Revenues	300,000	1,402,540	1,475,259	72,719	-
Expenditures					
Current:					
Public Works:					
Road projects	300,000	557,685	586,823	(29,138)	-
Total Current	300,000	557,685	586,823	(29,138)	-
Capital Outlay:					
Public Works:					
Road projects	-	844,855	888,436	(43,581)	-
Total Expenditures	300,000	1,402,540	1,475,259	(72,719)	-
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			$ -		$ -

City of Dalton, Georgia
Capital Acquisition Fund
Comparative Balance Sheet
December 31, 2012 and 2011

	2012	2011
Assets		
Interfund receivable	$ 164,189	$ -
Total Assets	$ 164,189	$ -
Liabilities		
Accounts payable	$ 164,189	$ -
Total Liabilities	$ 164,189	$ -

City of Dalton, Georgia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Capital Acquisition Fund
For the Year Ended December 31, 2012
(With Actual Amounts for the Year Ended December 31, 2011)

	2012				2011
	Original Budget	Final Budget	Actual	Variance	Actual
Expenditures					
Current:					
General Government:					
Equipment	$ -	$ 3,000	$ 2,564	$ 436	$ -
Public Safety:					
Equipment	-	92,000	87,753	4,247	-
Total Current	-	95,000	90,317	4,683	-
Capital Outlay:					
Public Safety:					
Equipment	-	88,000	75,932	12,068	-
Public Works:					
Equipment	-	305,830	305,827	3	-
Total Capital Outlay	-	393,830	381,759	12,071	-
Total Expenditures	-	488,830	472,076	16,754	-
Other Financing Sources (Uses)					
Transfers in	-	488,830	472,076	(16,754)	-
Net Change in Fund Balances	$ -	$ -	-	$ -	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			$ -		$ -

NONMAJOR PROPRIETARY FUNDS

Enterprise Funds

Municipal Golf Course – This fund is used to account for the maintenance and operations of Nob North Golf Course.

Dalton Municipal Airport – This fund is used to account for the maintenance and operations of the Dalton Municipal Airport.

Northwest Georgia Trade and Convention Center Authority – This fund is used to account for the maintenance and operations of the Northwest Georgia Trade and Convention Center Authority, which operates to promote tourism, conventions, special events, and trade shows within the City of Dalton and Whitfield County. The City operates this entity in conjunction with Whitfield County, and has a fifty percent equity interest.

Dalton-Whitfield Regional Solid Waste Management Authority – This fund is used to account for the Dalton-Whitfield Regional Solid Waste Management Authority, which operates and maintains solid waste disposal sites within Whitfield County. The City operates this entity in conjunction with Whitfield County, and has a fifty percent equity interest.

City of Dalton, Georgia
Combining Statement of Net Assets
Non-major Enterprise Funds
December 31, 2012

	Municipal Golf Course	Municipal Airport	Northwest Georgia Trade and Convention Center Authority	Dalton/Whitfield Regional Solid Waste Mgt Authority	Total Non-major Enterprise Funds
Assets					
Current Assets:					
Cash and cash equivalents	$ 322,994	$ -	$ -	$ -	$ 322,994
Receivables:					
Accounts	-	1,495	-	-	1,495
Interfund	-	24,975	-	-	24,975
Inventory	13,104	-	-	-	13,104
Total Current Assets	336,098	26,470	-	-	362,568
Noncurrent Assets:					
Capital Assets:					
Land	739,352	925,370	-	-	1,664,722
Depreciable capital assets, net	753,963	6,967,113	-	-	7,721,076
Other Assets:					
Investment in joint ventures	-	-	6,392,398	12,182,539	18,574,937
Total Noncurrent Assets	1,493,315	7,892,483	6,392,398	12,182,539	27,960,735
Total Assets	1,829,413	7,918,953	6,392,398	12,182,539	28,323,303
Liabilities					
Current Liabilities:					
Accounts payable	39,716	2,545	-	-	42,261
Accrued expenses	14,056	554	-	-	14,610
Unearned revenue	8,529	195	-	-	8,724
Interfund payable	178,305	-	-	-	178,305
Compensated absences payable	21,155	-	-	-	21,155
Total Current Liabilities	261,761	3,294	-	-	265,055
Long-Term Liabilities:					
Compensated absences payable, net of current portion	63,464	-	-	-	63,464
Total Long-Term Liabilities	63,464	-	-	-	63,464
Total Liabilities	325,225	3,294	-	-	328,519
Net Position					
Investment in capital assets	1,493,315	7,892,483	-	-	9,385,798
Unrestricted	10,873	23,176	6,392,398	12,182,539	18,608,986
Total Net Position	$ 1,504,188	$ 7,915,659	$ 6,392,398	$ 12,182,539	$ 27,994,784

City of Dalton, Georgia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended December 31, 2012

	Municipal Golf Course	Municipal Airport	Northwest Georgia Trade and Convention Center	Dalton/Whitfield Regional Solid Waste Mgt Authority	Total Non-major Enterprise Funds
Operating Revenues					
Charges for services	$ 783,166	$ 117,765	$ -	$ -	$ 900,931
Merchandise sales	76,082	-	-	-	76,082
Tournaments	100,564	-	-	-	100,564
Concessions	72,123	-	-	-	72,123
Miscellaneous	1,411	-	-	-	1,411
Total Operating Revenues	1,033,346	117,765	-	-	1,151,111
Operating Expenses					
Cost of sales and services	339,237	87,563	-	-	426,800
Personal services and benefits	432,275	25,928	-	-	458,203
Depreciation	87,032	404,628	-	-	491,660
Total Operating Expenses	858,544	518,119	-	-	1,376,663
Operating Income (Loss)	174,802	(400,354)	-	-	(225,552)
Non-Operating Revenues					
Investment earnings	689	-	-	-	689
Gain on sale of assets	-	-	-	-	-
Income (loss) from joint venture	-	-	(547,930)	(365,350)	(913,280)
Total Non-Operating Revenues	689	-	(547,930)	(365,350)	(912,591)
Income (Loss) Before Transfers In	175,491	(400,354)	(547,930)	(365,350)	(1,138,143)
Transfers in (out)	(286,528)	(355)	474,372	-	187,489
Net Change in Net Position	(111,037)	(400,709)	(73,558)	(365,350)	(950,654)
Net Postion Beginning of Year	1,615,225	8,316,368	6,465,956	12,547,889	28,945,438
Net Position End of Year	$ 1,504,188	$ 7,915,659	$ 6,392,398	$ 12,182,539	$ 27,994,784

City of Dalton, Georgia
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended December 31, 2012

	Municipal Golf Course	Municipal Airport	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from customers	$ 1,034,128	$ 117,115	$ 1,151,243
Cash payments for personnel services	(428,325)	(25,836)	(454,161)
Cash payments for goods and services	(314,622)	(93,204)	(407,826)
Net Cash Provided by (Used in) Operating Activities	291,181	(1,925)	289,256
Cash Flows from Investing Activities			
Investment earnings	689	-	689
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	(78,145)	-	(78,145)
Payments on interfund loan	(5,095)	-	(5,095)
Proceeds from interfund transfer	-	1,925	1,925
Net Cash Provided by (Used in) Capital and Related Financing Activities	(83,240)	1,925	(81,315)
Net Increase (Decrease) in Cash and Cash Equivalents	208,630	-	208,630
Cash and Cash Equivalents Beginning of Year	114,364	-	114,364
Cash and Cash Equivalents End of Year	$ 322,994	$ -	$ 322,994
Reconciliation of Operating Income (Loss) to Net Cash (Used in) Operating Activities			
Operating Income (Loss)	$ 174,802	$ (400,354)	$ (225,552)
Adjustments:			
Depreciation	87,032	404,628	491,660
(Increase) Decrease in Assets:			
Accounts receivable	50	(670)	(620)
Interfund receivable	-	(6,639)	(6,639)
Inventory	(3,640)	-	(3,640)
Increase (Decrease) in Liabilities:			
Accounts payable	28,255	998	29,253
Unearned revenue	732	20	752
Accrued expenses	195	92	287
Compensated absences payable	3,755	-	3,755
Net Cash Provided by (Used in) Operating Activities	$ 291,181	$ (1,925)	$ 289,256

City of Dalton, Georgia
Combining Schedule of Net Position
Water, Light, and Sinking Commission Fund
December 31, 2012

	Electric System	Gas System	Water System	Wastewater System	Information Technology System	Total
Assets						
Current Assets:						
Cash and cash equivalents	$ 5,707,000	$ 885,000	$ 1,082,000	$ 1,082,000	$ 1,082,000	$ 9,838,000
Accounts receivable, less doubtful accounts allowance	7,105,000	1,111,000	1,418,000	1,423,000	1,020,000	12,077,000
Unbilled revenues	2,987,000	1,321,000	1,082,000	748,000	-	6,138,000
Interest receivable	163,000	2,000	17,000	19,000	10,000	211,000
Fuel stocks	4,291,000	1,139,000	-	-	-	5,430,000
Inventories	8,796,000	260,000	460,000	111,000	753,000	10,380,000
Prepaid expenses and deposits	527,000	83,000	72,000	72,000	72,000	826,000
Restricted customer deposit fund	1,789,000	280,000	363,000	363,000	-	2,795,000
Total Current Assets	31,365,000	5,081,000	4,494,000	3,818,000	2,937,000	47,695,000
Noncurrent Assets:						
Construction in progress	79,538,000	-	-	-	-	79,538,000
Depreciable capital assets, net	203,454,000	11,573,000	173,363,000	170,099,000	75,762,000	634,251,000
Restricted combined utilities renewals/extensions fund	7,884,000	415,000	4,565,000	4,980,000	2,905,000	20,749,000
Restricted nuclear decommissioning	51,490,000	-	-	-	-	51,490,000
Regulatory asset	6,029,000	-	-	-	3,487,000	9,516,000
Total Noncurrent Assets	348,395,000	11,988,000	177,928,000	175,079,000	82,154,000	795,544,000
Total Assets	379,760,000	17,069,000	182,422,000	178,897,000	85,091,000	843,239,000

City of Dalton, Georgia
Combining Schedule of Net Position
Water, Light, and Sinking Commission Fund
December 31, 2012

	Electric System	Gas System	Water System	Wastewater System	Information Technology System	Total
Liabilities						
Current Liabilities:						
Deferred credit - TVA right of use	50,000	-	-	-	-	50,000
Accounts payable and accrued expenses	5,906,000	2,795,000	1,060,000	1,320,000	4,142,000	15,223,000
Customer deposits	2,301,000	359,000	467,000	467,000	-	3,594,000
Total Current Liabilities	8,257,000	3,154,000	1,527,000	1,787,000	4,142,000	18,867,000
Long-Term Liabilities:						
Deferred credit - TVA right of use	267,000	-	-	-	-	267,000
Other deferred credits and liabilities	2,180,000	-	-	-	-	2,180,000
Deferred gain on sale of transmission	6,448,000	-	-	-	-	6,448,000
Asset retirement obligations	36,954,000	-	-	-	-	36,954,000
Total Long-Term Liabilities	45,849,000	-	-	-	-	45,849,000
Total Liabilities	54,106,000	3,154,000	1,527,000	1,787,000	4,142,000	64,716,000
Net Position						
Investment in capital assets	243,439,000	11,573,000	173,363,000	170,099,000	79,249,000	677,723,000
Restricted for:						
Capital projects	7,884,000	415,000	4,565,000	4,980,000	2,905,000	20,749,000
Customer deposit fund and nuclear decommissioning	53,279,000	280,000	363,000	363,000	-	54,285,000
Unrestricted	21,052,000	1,647,000	2,604,000	1,668,000	(1,205,000)	25,766,000
Total Net Position	$ 325,654,000	$ 13,915,000	$ 180,895,000	$ 177,110,000	$ 80,949,000	$ 778,523,000

City of Dalton, Georgia
Combining Schedule of Revenues, Expenses, and Changes in Fund Net Position
Water, Light, and Sinking Commission Fund
For the Year Ended December 31, 2012

	Electric System	Gas System	Water System	Wastewater System	Information Technology System	Total
Operating Revenues						
Electric	$ 100,316,000	$ -	$ -	$ -	$ -	$ 100,316,000
Parity income	2,520,000	-	-	-	-	2,520,000
Natural gas	-	15,938,000	-	-	-	15,938,000
Water	-	-	19,449,000	-	-	19,449,000
Sewer	-	-	-	19,438,000	-	19,438,000
Information technology	-	-	-	-	19,281,000	19,281,000
Total Operating Revenues	102,836,000	15,938,000	19,449,000	19,438,000	19,281,000	176,942,000
Operating Expenses						
Production	25,564,000	-	3,835,000	8,856,000	-	38,255,000
Purchased electricity	38,300,000	-	-	-	-	38,300,000
Purchased natural gas	-	11,622,000	-	-	-	11,622,000
Distribution	5,529,000	1,540,000	3,094,000	1,287,000	10,763,000	22,213,000
Depreciation and amortization	7,450,000	747,000	6,037,000	6,924,000	7,110,000	28,268,000
General administration	4,154,000	2,019,000	3,978,000	2,118,000	1,412,000	13,681,000
Total Operating Expenses	80,997,000	15,928,000	16,944,000	19,185,000	19,285,000	152,339,000
Operating Income (Loss)	21,839,000	10,000	2,505,000	253,000	(4,000)	24,603,000
Non-Operating Revenues (Expenses)						
Interest income	818,000	23,000	28,000	28,000	28,000	925,000
Net increase (decrease) in fair value of investments and derivatives	310,000	(9,000)	(12,000)	(12,000)	(10,000)	267,000
Miscellaneous income (expense)	192,000	30,000	37,000	37,000	37,000	333,000
Total Non-Operating Revenues (Expenses)	1,320,000	44,000	53,000	53,000	55,000	1,525,000
Income Before Contributions and Transfers	23,159,000	54,000	2,558,000	306,000	51,000	26,128,000
Contributions and Transfers						
Contributions and reallocations	9,397,000	1,998,000	(3,735,000)	(2,214,000)	(4,849,000)	597,000
Transfers out	(5,491,000)	(852,000)	(1,042,000)	(1,042,000)	(1,042,000)	(9,469,000)
Total Contributions and Transfers	3,906,000	1,146,000	(4,777,000)	(3,256,000)	(5,891,000)	(8,872,000)
Change in Net Position	27,065,000	1,200,000	(2,219,000)	(2,950,000)	(5,840,000)	17,256,000
Net Position Beginning of Year	298,589,000	12,715,000	183,114,000	180,060,000	86,789,000	761,267,000
Net Position End of Year	$ 325,654,000	$ 13,915,000	$ 180,895,000	$ 177,110,000	$ 80,949,000	$ 778,523,000

City of Dalton, Georgia
Municipal Golf Course Fund
Comparative Statement of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 322,994	$ 114,364
Accounts receivable	-	50
Inventory	13,104	9,464
Total Current Assets	336,098	123,878
Noncurrent Assets:		
Capital Assets:		
Land	739,352	877,709
Depreciable capital assets, net	753,963	727,621
Total Noncurrent Assets	1,493,315	1,605,330
Total Assets	1,829,413	1,729,208
Liabilities		
Current Liabilities:		
Accounts payable	39,716	11,461
Accrued expenses	14,056	13,861
Unearned revenue	8,529	7,797
Interfund payable	178,305	-
Compensated absences payable	21,155	20,216
Total Current Liabilities	261,761	53,335
Long-Term Liabilities:		
Compensated absences payable (net of current portion)	63,464	60,648
Total Liabilities	325,225	113,983
Net Assets		
Invested in capital assets	1,493,315	1,605,330
Unrestricted	10,873	9,895
Total Net Assets	$ 1,504,188	$ 1,615,225

City of Dalton, Georgia
Municipal Golf Course Fund
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Charges for services	$ 783,166	$ 696,923
Merchandise sales	76,082	53,997
Tournaments	100,564	88,456
Concessions	72,123	64,149
Miscellaneous	1,411	2,112
Total Operating Revenues	1,033,346	905,637
Operating Expenses		
Cost of sales and services	339,237	266,984
Personal services and benefits	432,275	428,158
Depreciation	87,032	93,648
Total Operating Expenses	858,544	788,790
Operating Income (Loss)	174,802	116,847
Non-Operating Revenues		
Interest	689	453
Gain on sale of assets	-	3,200
Total Non-Operating Revenues	689	3,653
Income (Loss) Before Transfers In	175,491	120,500
Transfers out	(286,528)	-
Change in Net Position	(111,037)	120,500
Net Position Beginning of Year	1,615,225	1,494,725
Net Position End of Year	$ 1,504,188	$ 1,615,225

City of Dalton, Georgia
Dalton Municipal Airport Fund
Comparative Statement of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Receivables:		
Accounts	$ 1,495	$ 825
Interfund	24,975	18,336
Total Current Assets	26,470	19,161
Noncurrent Assets:		
Capital Assets:		
Land	925,370	925,370
Depreciable capital assets, net	6,967,113	7,374,021
Total Noncurrent Assets	7,892,483	8,299,391
Total Assets	7,918,953	8,318,552
Liabilities		
Current Liabilities:		
Accounts payable	2,545	1,547
Accrued expenses	554	462
Unearned revenue	195	175
Total Current Liabilities	3,294	2,184
Net Position		
Investment in capital assets	7,892,483	8,299,391
Unrestricted	23,176	16,977
Total Net Position	$ 7,915,659	$ 8,316,368

City of Dalton, Georgia
Dalton Municipal Airport Fund
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Charges for services	$ 117,765	$ 103,407
Total Operating Revenues	117,765	103,407
Operating Expenses		
Cost of sales and services	87,563	83,863
Personal services and benefits	25,928	17,354
Depreciation	404,628	401,928
Total Operating Expenses	518,119	503,145
Operating (Loss)	(400,354)	(399,738)
Transfers In/(Out)		
Transfers in	1,925	119,894
Transfers out	(2,280)	-
Net Transfers	(355)	119,894
Change in Net Position	(400,709)	(279,844)
Net Position Beginning of Year	8,316,368	8,596,212
Net Position End of Year	$ 7,915,659	$ 8,316,368

INTERNAL SERVICE FUNDS

Internal Service Funds

Workers' Compensation – This fund is used to account for the financing of workers' compensation insurance provided to other departments of the City on a cost reimbursement basis.

Health Insurance – This fund is used to account for the financing of health insurance provided to other departments of the City on a cost reimbursement basis.

City of Dalton, Georgia
Combining Statement of Net Position
Internal Service Funds
December 31, 2012

	Workers Compensation	Health Insurance	Total
Assets			
Current Assets:			
Cash and cash equivalents	$ 1,179,223	$ 4,984	$ 1,184,207
Total Current Assets	1,179,223	4,984	1,184,207
Liabilities			
Current Liabilities:			
Accounts payable	2,344	-	2,344
Claims payable	479,306	-	479,306
Total Current Liabilities	481,650	-	481,650
Net Position			
Unrestricted	697,573	4,984	702,557
Total Net Position	$ 697,573	$ 4,984	$ 702,557

City of Dalton, Georgia
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2012

	Workers Compensation	Health Insurance	Total
Operating Revenues			
Charges for services	$ 800,000	$ -	$ 800,000
Operating Expenses			
Claims	167,821	(1,303)	166,518
Premiums and administrative fees	322,089	-	322,089
Total Operating Expenses	489,910	(1,303)	488,607
Operating Income (Loss)	310,090	1,303	311,393
Non-Operating Revenues and Expenses			
Investment earnings	2,793	12	2,805
Total Non-Operating Revenues and Expenses	2,793	12	2,805
Change in Net Position	312,883	1,315	314,198
Net Position Beginning of Year	384,690	3,669	388,359
Net Position End of Year	$ 697,573	$ 4,984	$ 702,557

City of Dalton, Georgia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2012

	Workers Compensation	Health Insurance	Total
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from interfund services provided	$ 800,000	$ -	$ 800,000
Cash received for refunds of claims and fees	-	1,303	1,303
Cash payments for claims and fees	(620,057)	-	(620,057)
Net Cash Provided by (Used in) Operating Activities	179,943	1,303	181,246
Cash Flows from Investing Activities			
Proceeds from sale of investments	1	-	1
Receipts from interest on investments	2,793	12	2,805
Net Cash Provided by (Used in) Investing Activities	2,794	12	2,806
Net Increase (Decrease) in Cash and Cash Equivalents	182,737	1,315	184,052
Cash and Cash Equivalents Beginning of Year	996,486	3,669	1,000,155
Cash and Cash Equivalents End of Year	$ 1,179,223	$ 4,984	$ 1,184,207
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	$ 310,090	$ 1,303	$ 311,393
Increase (Decrease) in Liabilities:			
Accounts payable	(6,418)	-	(6,418)
Claims payable	(123,729)	-	(123,729)
Net Cash Provided by (Used in) Operating Activities	$ 179,943	$ 1,303	$ 181,246

City of Dalton, Georgia
Workers Compensation Fund
Comparative Statement of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,179,223	$ 996,486
Investments	-	1
Total Current Assets	1,179,223	996,487
Liabilities		
Current Liabilities:		
Accounts payable	2,344	8,762
Claims payable	479,306	603,035
Total Current Liabilities	481,650	611,797
Net Position		
Unrestricted	697,573	384,690
Total Net Position	$ 697,573	$ 384,690

City of Dalton, Georgia
Workers Compensation Fund
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Years Ended December 31, 2012 and 2011

	2012	2011
Operating Revenues		
Charges for services	$ 800,000	$ 800,000
Operating Expenses		
Claims	167,821	(7,419)
Premiums and administrative fees	322,089	384,167
Total Operating Expenses	489,910	376,748
Operating Income (Loss)	310,090	423,252
Non-Operating Revenues and Expenses		
Investment earnings	2,793	3,347
Total Non-Operating Revenues and Expenses	2,793	3,347
Change in Net Assets	312,883	426,599
Net Position Beginning of Year	384,690	(41,909)
Net Position End of Year	$ 697,573	$ 384,690

City of Dalton, Georgia
Health Insurance Fund
Comparative Statement of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 4,984	$ 3,669
Total Current Assets	4,984	3,669
Net Position		
Unrestricted	4,984	3,669
Total Net Position	$ 4,984	$ 3,669

City of Dalton, Georgia
Health Insurance Fund
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Years Ended December 31, 2012 and 2011

	2012	2011
Operating Expenses		
Claims	$ (1,303)	$ (931)
Total Operating Expenses	(1,303)	(931)
Non-Operating Revenues (Expenses)		
Investment earnings	12	12
Change in Net Assets	1,315	943
Net Position Beginning of Year	3,669	2,726
Net Position End of Year	$ 4,984	$ 3,669

FIDUCIARY FUND

The Fiduciary Funds are used to account for assets held by the City in a fiduciary capacity.

Municipal Court Fund – Established to account for funds collected by the City court on behalf of individuals and other governmental entities.

City of Dalton, Georgia
Municipal Court Agency Fund
Statement of Changes in Assets and Liabilities - Fiduciary Funds
For The Years Ended December 31, 2012 and 2011

	2011	Additions	Deductions	2012
Assets				
Cash and cash equivalents	$ 129,381	$ 1,729,154	$ (1,793,177)	$ 65,358
Liabilities				
Accounts payable	19,785	246,502	(250,758)	15,529
Interfund payable	-	1,473,261	(1,473,261)	-
Other liabilities	109,596	1,407,991	(1,467,758)	49,829
Total Liabilities	$ 129,381	$ 3,127,754	$ (3,191,777)	$ 65,358

DISCRETELY PRESENTED COMPONENT UNIT

The City of Dalton Building Authority is a component unit of the City of Dalton, Georgia. The City treats the Authority as a discretely presented component unit in the government-wide financial statements.

The Authority does not issue separate financial statements, so their activity is required to be disclosed in the financial section of the City's Comprehensive Annual Financial Report.

City of Dalton, Georgia
Discretely Presented Component Unit - City of Dalton Building Authority
Comparative Statement of Net Position
December 31, 2012 and 2011

	2012	2011
Assets		
Current Assets:		
Cash and cash equivalents	$ 1,316,967	$ 1,882,230
Capital leases receivable	805,000	6,930,000
Total Current Assets	2,121,967	8,812,230
Noncurrent Assets:		
Capital leases receivable	8,120,000	8,925,000
Total Assets	$ 10,241,967	$ 17,737,230
Liabilities		
Current Liabilities:		
Accounts payable	1,316,967	1,882,230
Revenue bonds payable	575,000	6,705,000
Recovery zone economic development bonds payable	230,000	225,000
Total Current Liabilities	2,121,967	8,812,230
Liabilities		
Long-Term Liabilities:		
Revenue bonds payable	1,200,000	1,775,000
Recovery zone economic development bonds payable	4,920,000	5,150,000
QZAB gonds payable	2,000,000	2,000,000
Total Long-Term Liabilities:	8,120,000	8,925,000
Total Liabilities	$ 10,241,967	$ 17,737,230

City of Dalton, Georgia
Discretely Presented Component Unit - City of Dalton Building Authority
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Years Ended December 31, 2012 and 2011

	2012	2011
Transfers		
Transfers in (inflows from the City and City of Dalton Board of Education)	$ 7,301,875	$ 8,576,799
Transfers out (principal and interest payments on debt)	(7,301,875)	(8,576,799)
Change in Net Assets	$ -	$ -

City of Dalton, Georgia
Discretely Presented Component Unit - City of Dalton Building Authority
Comparative Statement of Cash Flows
For The Years Ended December 31, 2012 and 2011

	2012	2011
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Capital and Related Financing Activities		
Proceeds from City of Dalton and City of Dalton Board of Education	$ 7,301,875	$ 8,576,799
Principal paid on capital debt	(6,930,000)	(7,645,000)
Interest paid on capital debt	(371,875)	(931,799)
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	$ -	$ -

STATISTICAL SECTION

This part of the City of Dalton, Georgia'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 City's overall financial health.

Financial Trends

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

Revenue Capacity

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

Debt Capacity

These schedules present information to help readers assess the affordability of the City's current levels of outstanding debt and the City'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 City's financial activities take place.

Operating Information

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

City of Dalton, Georgia
Net Position by Component
Ten Year Summary
Prepared using the accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities										
Investment in capital assets	$ 54,986,410	$ 65,145,853	$ 70,240,397	$ 75,019,657	$ 76,036,989	$ 77,111,490	$ 68,155,502	$ 69,252,168	$ 70,314,771	$ 72,911,193
Restricted	6,567,936	6,575,030	3,269,618	1,284,713	1,260,953	1,117,309	2,637,360	5,617,799	577,427	240,347
Unrestricted	13,301,923	9,323,770	11,250,638	14,174,179	15,545,677	13,406,176	14,118,540	10,953,991	15,469,318	15,011,536
Total governmental activities	$ 74,856,269	$ 81,044,653	$ 84,760,653	$ 90,478,549	$ 92,843,619	$ 91,634,975	$ 84,911,402	$ 85,823,958	$ 86,361,516	$ 88,163,076
Business-type activities										
Investment in capital assets	$ 296,947,820	$ 343,684,581	$ 392,238,902	$ 520,340,969	$ 562,000,483	$ 586,400,998	$ 612,348,335	$ 649,134,503	$ 679,345,721	$ 687,108,798
Restricted	308,691,000	256,382,000	210,062,000	158,172,000	129,344,000	113,054,000	96,992,000	90,783,000	77,948,000	75,034,000
Unrestricted	121,735,358	120,945,768	118,139,332	32,788,986	37,168,370	39,386,246	36,253,969	30,672,743	31,802,060	43,307,413
Total business-type activities	$ 727,374,178	$ 721,012,349	$ 720,440,234	$ 711,301,955	$ 728,512,853	$ 738,841,244	$ 745,594,304	$ 770,590,246	$ 789,095,781	$ 805,450,211
Primary government										
Investment in capital assets	$ 351,934,230	$ 408,830,434	$ 462,479,299	$ 595,360,626	$ 638,037,472	$ 663,512,488	$ 680,503,837	$ 718,386,671	$ 749,660,492	$ 760,019,991
Restricted	315,258,936	262,957,030	213,331,618	159,456,713	130,604,953	114,171,309	99,629,360	96,400,799	78,525,427	75,274,347
Unrestricted	135,037,281	130,269,538	129,389,970	46,963,165	52,714,047	52,792,422	50,372,509	41,626,734	47,271,378	58,318,949
Total primary government	$ 802,230,447	$ 802,057,002	$ 805,200,887	$ 801,780,504	$ 821,356,472	$ 830,476,219	$ 830,505,706	$ 856,414,204	$ 875,457,297	$ 893,613,287

City of Dalton, Georgia
Changes in Net Position
Ten Year Summary
Prepared using the accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental activities										
General government	$ 5,524,351	$ 4,353,343	$ 4,071,038	$ 2,933,500	$ 2,839,767	$ 4,270,206	$ 2,530,960	$ 2,612,956	$ 3,312,603	$ 3,302,093
Judicial	-	-	-	-	-	704,747	683,158	647,196	488,815	369,253
Public safety	12,234,307	12,691,382	13,077,718	13,631,626	15,145,033	14,903,803	14,587,205	14,539,913	14,459,706	13,990,949
Public works	9,387,278	9,778,344	10,322,707	10,762,882	12,790,923	10,136,329	7,934,126	9,265,438	7,841,578	9,010,672
Health and welfare	-	-	-	-	-	679,018	895,475	611,320	634,598	488,545
Culture and recreation	5,438,637	5,023,790	5,272,738	5,425,002	5,692,834	4,749,408	4,149,087	4,301,151	4,641,686	4,967,978
Housing and development	-	-	-	72,898	152,264	1,279,210	756,136	596,388	312,225	379,694
Education	23,293,870	28,668,083	27,593,227	27,450,015	29,237,233	240,061	-	-	-	-
Interest on long-term debt	965,736	807,791	615,149	584,478	272,296	226,898	178,413	325,111	354,337	459,985
Total governmental activities expenses	56,844,179	61,322,733	60,952,577	60,860,401	66,130,350	37,189,680	31,714,560	32,899,473	32,045,548	32,969,169
Business-type activities										
Electric system	62,865,371	69,127,132	78,075,006	77,704,298	75,149,652	73,614,065	79,230,193	85,200,911	87,423,887	80,988,971
Gas system	21,261,143	23,490,029	26,935,417	25,565,385	23,620,508	25,082,808	21,810,937	20,770,369	18,319,278	15,924,970
Water system	16,638,348	18,261,632	17,676,876	20,238,893	21,580,197	21,625,495	21,291,524	18,527,773	17,740,827	16,929,002
Sewer system	19,520,140	18,442,853	18,927,394	19,497,405	20,367,610	19,532,011	21,271,307	20,783,836	19,242,572	19,170,608
Information technology system	10,762,684	12,264,206	15,403,179	14,261,918	16,463,005	19,156,275	17,814,163	17,948,994	18,585,143	19,276,365
Landfill	-	-	-	-	1,013,513	-	223,566	64,727	302,599	365,350
Trade Center	-	-	-	608,332	682,020	673,926	749,552	745,787	717,958	547,930
Municipal golf course	1,159,882	1,229,176	1,072,990	1,081,389	1,191,672	1,219,530	888,328	939,516	788,790	858,544
Municipal airport	-	-	-	-	-	-	459,636	482,586	503,145	518,119
Total business-type activities expenses	132,207,568	142,815,028	158,090,862	158,957,620	160,068,177	160,904,110	163,739,206	165,464,499	163,624,199	154,579,859
Total primary government expenses	$ 189,051,747	$ 204,137,761	$ 219,043,439	$ 219,818,021	$ 226,198,527	$ 198,093,790	$ 195,453,766	$ 198,363,972	$ 195,669,747	$ 187,549,028

(continued)

Note: In 2008, a change occurred in the presentation and classification of expenses. Certain expenses were reclassified to other functions, and three new functional categories were implemented.

City of Dalton, Georgia
Changes in Net Position
Ten Year Summary
Prepared using the accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program revenues										
Governmental activities										
Charges for services										
General government	$ 1,991,493	$ 1,769,075	$ 2,625,013	$ 3,021,900	$ 3,653,811	$ 1,335,624	$ 1,152,739	$ 964,306	$ 983,375	$ 986,862
Judicial	-	-	-	-	-	1,585,097	1,098,525	1,066,062	739,273	767,234
Public safety	2,115,085	1,951,465	1,003,610	1,117,906	1,040,320	1,009,892	972,303	632,724	572,989	604,417
Public works	608,470	807,426	792,123	1,202,851	420,417	395,118	193,246	100,749	136,400	142,808
Health and welfare	-	-	-	-	-	207,792	54,500	68,581	56,612	46,253
Culture and recreation	358,366	422,379	718,029	683,328	781,469	485,980	361,532	322,813	223,093	324,948
Housing and development	-	-	-	-	-	-	-	215,308	-	-
Education	-	122,865	122,716	122,796	97,600	142,000	-	-	-	-
Operating grants and contributions	6,289,541	6,867,424	6,800,635	6,122,681	3,233,969	1,508,234	1,782,722	2,065,115	1,383,138	2,258,686
Capital grants and contributions	-	-	-	-	1,619,714	1,600,048	2,301,508	2,801,087	2,353,880	1,182,154
Total governmental activities program revenues	11,362,955	11,940,634	12,062,126	12,271,462	10,847,300	8,269,785	7,917,075	8,236,745	6,448,760	6,313,362

(continued)

City of Dalton, Georgia
Changes in Net Position
Ten Year Summary
Prepared using the accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities										
Charges for services										
Electric system	57,932,000	59,934,000	66,495,000	71,339,000	89,490,000	89,918,000	96,890,000	106,911,000	105,347,000	102,836,000
Gas system	24,248,000	24,877,000	30,728,000	26,227,000	24,155,000	25,694,000	17,787,000	21,001,000	19,701,000	15,938,000
Water system	13,271,000	15,378,000	17,150,000	19,595,000	20,438,000	18,216,000	18,302,000	20,170,000	20,039,000	19,449,000
Sewer system	14,756,000	16,523,000	19,198,000	23,385,000	23,245,000	19,244,000	20,424,000	22,134,000	20,814,000	19,438,000
Information technology system	7,479,000	8,932,000	12,014,000	11,241,000	14,530,000	17,186,000	18,574,000	19,314,000	18,989,000	19,281,000
Joint ventures - Landfill & Trade Center	-	-	-	439,970	-	207,977	-	-	-	-
Municipal golf course	1,032,521	1,016,873	1,005,419	1,023,875	1,078,337	961,943	788,503	825,777	905,637	1,033,346
Municipal airport	-	-	-	-	-	-	90,848	91,349	103,407	117,765
Capital grants and contributions	1,858,000	580,000	431,000	180,300	124,000	112,000	332,856	-	-	597,000
Total business-type activities program revenues	120,576,521	127,240,873	147,021,419	153,431,145	173,060,337	171,539,920	173,189,207	190,447,126	185,899,044	178,690,111
Total primary government program revenues	$ 131,939,476	$ 139,181,507	$ 159,083,545	$ 165,702,607	$ 183,907,637	$ 179,809,705	$ 181,106,282	$ 198,683,871	$ 192,347,804	$ 185,003,473
Net revenues (expenses)										
Governmental activities	$ (45,481,224)	$ (49,382,099)	$ (48,890,451)	$ (48,588,939)	$ (55,283,050)	$ (28,919,895)	$ (23,797,485)	$ (24,662,728)	$ (25,596,788)	$ (26,655,807)
Business-type activities	(11,631,047)	(15,574,155)	(11,069,443)	(5,526,475)	12,992,160	10,635,810	9,450,001	24,982,627	22,274,845	24,110,252
Total primary government net revenue (expense)	$ (57,112,271)	$ (64,956,254)	$ (59,959,894)	$ (54,115,414)	$ (42,290,890)	$ (18,284,085)	$ (14,347,484)	$ 319,899	$ (3,321,943)	$ (2,545,555)

(continued)

City of Dalton, Georgia
Changes in Net Position
Ten Year Summary
Prepared using the accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General revenues and other changes in net position										
Governmental activities										
Property taxes levied for										
General purposes	$ 5,948,212	$ 7,182,195	$ 6,615,045	$ 6,781,633	$ 6,995,308	$ 6,782,866	$ 9,937,794	$ 9,006,423	$ 8,757,658	$ 9,303,685
Education	23,293,870	28,508,593	27,279,581	27,136,687	29,093,305	-	-	-	-	-
Debt service	522,947	533,210	514,763	326,782	342,916	346,686	356,958	33,115	4,718	4,683
Recreation	2,626,197	3,109,594	3,009,682	3,054,139	3,362,499	3,454,864	465,090	58,150	-	-
Selective taxes	6,658,286	6,963,600	7,196,529	7,374,626	7,534,604	6,164,971	5,560,754	5,686,337	5,858,375	6,103,688
Hotel/motel taxes	697,346	714,403	706,542	742,003	771,984	714,896	692,065	862,298	1,060,665	1,093,798
Unrestricted payments from housing authority	101,712	101,712	101,712	101,712	101,712	-	-	-	-	-
Investment earnings	1,406,913	321,795	399,731	593,781	725,851	393,570	149,895	122,113	227,288	253,696
Donations	-	2,071,485	352,089	107,309	2,000	604,488	90,309	192,349	584,123	1,820,028
Miscellaneous	689,676	560,596	808,255	453,877	985,769	557,910	283,120	436,717	495,556	596,278
Transfers	5,494,878	5,995,369	5,764,303	7,647,460	7,719,000	8,691,000	(677,381)	9,177,782	9,145,963	9,281,511
Total governmental activities general revenues and other changes in net assets	47,440,037	56,062,552	52,748,232	54,320,009	57,634,948	27,711,251	16,858,604	25,575,284	26,134,346	28,457,367
Business-type activities										
Income (loss) from investment in joint venture	959,078	20,471	(406,262)	-	-	-	-	-	-	-
Investment earnings	8,524,957	14,619,498	15,402,893	2,699,302	11,247,738	7,887,581	(4,056,322)	7,389,350	3,945,453	1,192,689
Miscellaneous	1,796,000	1,814,000	1,265,000	1,381,000	690,000	496,000	682,000	1,801,747	1,431,200	333,000
Transfers	(6,000,000)	(5,995,369)	(5,764,303)	(7,647,460)	(7,719,000)	(8,691,000)	677,381	(9,177,782)	(9,145,963)	(9,281,511)
Total business-type activities general revenues and other changes in net assets	5,280,035	10,458,600	10,497,328	(3,567,158)	4,218,738	(307,419)	(2,696,941)	13,315	(3,769,310)	(7,755,822)
Total primary government general revenues and other changes in net assets	$ 52,720,072	$ 66,521,152	$ 63,245,560	$ 50,752,851	$ 61,853,686	$ 27,403,832	$ 14,161,663	$ 25,588,599	$ 22,365,036	$ 20,701,545

(continued)

City of Dalton, Georgia
Changes in Net Position
Ten Year Summary
Prepared using the accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Change in net position										
Governmental activities	$ 1,958,813	$ 6,680,453	$ 3,857,781	$ 5,731,070	$ 2,351,898	$ (1,208,644)	$ (6,938,881)	$ 912,556	$ 537,558	$ 1,801,560
Business-type activities	(6,351,012)	(5,115,555)	(572,115)	(9,093,633)	17,210,898	10,328,391	6,753,060	24,995,942	18,505,535	16,354,430
Total primary government change	$ (4,392,199)	$ 1,564,898	$ 3,285,666	$ (3,362,563)	$ 19,562,796	$ 9,119,747	$ (185,821)	$ 25,908,498	$ 19,043,093	$ 18,155,990

City of Dalton, Georgia
Fund Balances of Governmental Funds
Ten Year Summary
Prepared using the modified accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General fund										
Nonspendable	$ 5,000	$ -	$ -	$ 38,012	$ 27,658	$ 34,820	$ 138,532	$ 97,011	$ 185,083	$ 207,539
Restricted	-	-	-	105,500	105,500	105,500	102,316	91,959	91,959	91,029
Unassigned	13,938,628	10,020,302	10,927,055	13,170,670	14,801,938	13,395,178	17,145,924	17,568,683	16,928,666	19,438,283
Total general fund	$ 13,943,628	$ 10,020,302	$ 10,927,055	$ 13,314,182	$ 14,935,096	$ 13,535,498	$ 17,386,772	$ 17,757,653	$ 17,205,708	$ 19,736,851
Nonmajor governmental funds										
Nonspendable	$ 7,155	$ 6,991	$ 6,915	$ 5,599	$ 5,526	$ 15,837	$ 17,936	$ 8,897	$ 750	$ -
Restricted	11,145,516	9,064,553	7,322,723	4,465,388	4,480,394	4,700,249	2,495,831	5,493,273	378,447	99,366
Total nonmajor governmental funds	$ 11,152,671	$ 9,071,544	$ 7,329,638	$ 4,470,987	$ 4,485,920	$ 4,716,086	$ 2,513,767	$ 5,502,170	$ 379,197	$ 99,366

City of Dalton, Georgia
Changes in Fund Balances of Governmental Funds
Ten Year Summary
Prepared using the modified accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	$ 39,746,858	$ 47,011,595	$ 45,322,142	$ 45,415,870	$ 48,100,616	$ 17,464,283	$ 17,012,661	$ 15,646,323	$ 15,681,416	$ 16,505,854
Licenses and permits	1,572,146	1,769,075	1,952,997	1,752,849	2,029,227	1,335,624	1,152,739	964,306	983,375	986,862
Intergovernmental revenues	6,391,253	6,969,136	6,902,347	6,224,393	4,955,395	3,108,282	4,084,230	4,866,202	3,729,380	3,440,782
Charges for services	966,835	968,755	1,875,178	2,778,049	2,355,614	2,331,802	1,633,223	1,572,660	1,140,030	1,263,013
Fines and forfeitures	2,115,085	1,951,465	1,003,610	1,117,906	1,040,320	964,673	840,251	506,110	462,225	453,345
Investment income	1,340,431	309,415	368,735	521,582	686,626	371,002	140,959	117,557	231,567	250,949
Miscellaneous	689,677	2,632,081	1,160,344	561,186	987,769	1,437,982	682,326	943,058	1,162,138	2,558,705
Total Revenues	52,822,285	61,611,522	58,585,353	58,371,835	60,155,567	27,013,648	25,546,389	24,616,216	23,390,131	25,459,510
Expenditures										
General government	3,523,592	3,892,689	3,580,189	3,268,927	3,729,484	2,404,601	1,911,892	2,022,594	2,081,391	2,139,627
Judicial	-	-	-	-	-	686,788	698,354	654,770	486,374	362,015
Public safety	12,070,669	12,580,716	12,630,817	13,629,246	14,458,606	14,231,734	14,133,661	13,732,562	13,883,732	13,445,167
Public works	10,695,114	13,450,186	11,806,875	11,398,450	12,209,967	8,092,435	6,149,832	7,419,974	6,120,255	7,236,418
Health and welfare	-	-	-	-	-	595,669	891,226	607,982	637,408	463,605
Culture and recreation	4,845,398	4,017,035	4,269,528	4,530,155	5,115,500	3,741,273	2,988,772	3,047,410	3,501,267	3,501,067
Housing and development	-	-	-	86,070	142,500	1,163,681	926,360	589,742	386,679	322,625
Education	23,293,870	28,508,593	27,279,581	27,136,687	29,093,305	-	-	-	-	-
Capital Outlay	8,379,837	5,044,091	1,441,736	1,046,339	139,473	4,605,673	3,119,404	4,960,817	8,038,782	6,656,062
Debt Service:										
Principal retirement	3,874,893	4,065,421	4,236,396	4,832,929	1,100,051	1,147,790	1,196,099	1,298,247	1,568,034	598,561
Interest and fiscal charges	977,303	908,284	592,687	562,016	249,834	204,436	155,951	477,827	333,806	293,792
Total Expenditures	67,660,676	72,467,015	65,837,809	66,490,819	66,238,720	36,874,080	32,171,551	34,811,925	37,037,728	35,018,939
Excess of Revenues Over (Under) Expenditures	(14,838,391)	(10,855,493)	(7,252,456)	(8,118,984)	(6,083,153)	(9,860,432)	(6,625,162)	(10,195,709)	(13,647,597)	(9,559,429)

(continued)

Note: In 2008, a change occurred in the presentation and classification of expenses. Certain expenses were reclassified to other functions, and three new functional categories were implemented.

City of Dalton, Georgia
Changes in Fund Balances of Governmental Funds
Ten Year Summary
Prepared using the modified accrual basis of accounting
(Unaudited)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Other Financing Sources (Uses)										
Bonds issued	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,130,000	$ -	$ -
Transfers in	11,545,920	10,117,273	8,355,113	11,127,203	9,306,268	9,996,811	9,947,366	15,230,728	11,188,924	13,521,540
Transfers out	(6,051,042)	(4,774,164)	(1,937,810)	(3,479,743)	(1,587,268)	(1,305,811)	(1,673,249)	(6,052,946)	(2,042,961)	(4,526,557)
Total other Financing Sources (Uses)	5,494,878	5,343,109	6,417,303	7,647,460	7,719,000	8,691,000	8,274,117	15,307,782	9,145,963	8,994,983
Net Change in Fund Balance	$ (9,343,513)	$ (5,512,384)	$ (835,153)	$ (471,524)	$ 1,635,847	$ (1,169,432)	$ 1,648,955	$ 5,112,073	$ (4,501,634)	$ (564,446)
Debt Service as a % of noncapital expenditures	8.9%	8.0%	8.1%	9.0%	2.1%	4.4%	4.9%	6.3%	7.0%	3.2%

City of Dalton, Georgia
Assessed Value and Estimated Actual Value of Taxable Property
Ten Year Summary
(Unaudited)

Fiscal Year	Real Property	Personal Property	Public Utilities	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2003	$ 1,948,322,199	$ 1,193,297,885	$ 46,472,555	$ 87,264,120	$ 3,100,828,519	3.898
2004	1,748,909,580	1,378,139,450	44,721,045	93,392,450	3,078,377,625	3.857
2005	1,842,791,190	1,403,339,300	44,522,298	130,265,366	3,160,387,422	3.797
2006	1,954,445,189	1,537,856,776	41,566,765	145,206,625	3,388,662,105	3.721
2007	2,139,401,407	1,590,117,669	42,578,173	161,443,322	3,610,653,927	3.606
2008	2,288,433,413	1,608,962,174	39,531,613	166,913,529	3,770,013,671	3.002
2009	2,261,143,928	1,562,971,156	38,765,258	173,595,248	3,689,285,094	2.974
2010	2,179,604,008	1,404,109,825	35,274,050	263,376,173	3,355,611,710	2.875
2011	2,123,448,963	1,433,785,109	32,304,213	276,731,830	3,312,806,455	2.780
2012	2,084,647,818	1,551,656,253	28,039,843	298,161,930	3,366,181,984	2.697

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. A reappraisal of residential and agricultural property was completed in 2008. Tax rates are per $1,000 of assessed value.

City of Dalton, Georgia
Direct and Overlapping Property Tax Rates
Ten Year Summary
(Unaudited)

Fiscal Year	Operating Millage	Debt Service Millage	Recreation Millage	Total City Millage	Dalton Public Schools Millage	Special Districts Millage	Whitfield County Millage	Total Direct and Overlapping Rates
2003	2.712	0.186	1.000	3.898	8.350	2.000	5.616	19.864
2004	2.689	0.168	1.000	3.857	8.700	2.000	5.538	20.095
2005	2.629	0.168	1.000	3.797	8.565	3.000	5.713	21.075
2006	2.621	0.100	1.000	3.721	8.393	3.000	5.466	20.580
2007	2.506	0.100	1.000	3.606	8.134	3.000	5.242	19.982
2008	1.902	0.100	1.000	3.002	7.845	2.250	5.061	18.158
2009	2.874	0.100	0.000	2.974	7.845	1.000	5.061	16.880
2010	2.875	0.000	0.000	2.875	7.845	0.950	5.061	16.731
2011	2.780	0.000	0.000	2.780	7.845	0.950	5.061	16.636
2012	2.697	0.000	0.000	2.697	7.845	0.950	6.061	17.553

Source: Whitfield County Board of Tax Assessors

Note: Overlapping rates are those of local 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 debt service tax revenue is reported in the debt service fund. The recreation tax revenue is reported in the recreation special revenue fund.

City of Dalton, Georgia
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

	2012			2003		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Shaw Industries, Inc.	$ 548,675,935	1	16.6%	$ 380,487,895	1	14.3%
Mohawk Industries, Inc.	131,661,460	2	3.9%	146,283,993	2	5.5%
Beaulieu of America, Inc.	119,745,632	3	3.6%	128,845,986	3	4.8%
J & J Industries, Inc.	79,390,232	4	2.4%	57,013,259	4	2.1%
TANDUS Group (formerly Collins & Aikman)	57,359,241	5	1.7%	36,536,465	5	1.4%
The Peeples Group	39,706,166	6	1.2%	-	NA	0.0%
Lexmark Carpet Mills, Inc.	30,205,298	7	0.9%	-	NA	0.0%
CBL & Associates	26,748,527	8	0.8%	24,238,262	9	0.9%
Indian Summer Carpet Mills, Inc.	17,358,563	9	0.5%	-	NA	0.0%
Shiroki Georgia, LLC	15,933,724	10	0.5%	-	NA	0.0%
Alltel	-	NA	0.0%	-	NA	0.0%
Mattel	-	NA	0.0%	34,387,826	6	1.3%
Callahan Properties (Cherokee Carpet)	-	NA	0.0%	28,640,867	7	1.1%
Synthetic Industries	-	NA	0.0%	25,739,080	8	1.0%
				22,279,609	10	

Source: Whitfield County Tax Commissioner.

City of Dalton, Georgia
Property Tax Levies and Collections
Ten Year Summary
(Unaudited)

Fiscal 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
2003	$ 34,007,488	$ 3,243,048	9.5%	$ 30,756,158	$ 33,999,206	100.0%
2004	36,284,746	30,593,267	84.3%	5,688,708	36,281,975	100.0%
2005	36,944,389	31,790,728	86.1%	5,149,446	36,940,174	100.0%
2006	39,066,393	32,976,187	84.4%	6,085,233	39,061,420	100.0%
2007	40,451,745	35,995,374	89.0%	4,441,448	40,436,822	100.0%
2008	10,717,290	4,315,761	40.3%	6,362,212	10,677,973	99.6%
2009	10,439,104	4,091,977	39.2%	6,295,527	10,387,504	99.5%
2010	9,208,612	6,935,407	75.3%	2,188,304	9,123,711	99.1%
2011	8,714,014	7,444,424	85.4%	1,111,415	8,555,839	98.2%
2012	8,597,292	7,595,137	88.3%	-	7,595,137	88.3%

Note: Effective 11/08, the City no longer received real and personal property taxes on behalf of the Dalton Public School System or the Downtown Dalton Development Authority.
Note: 2008 property tax bills were mailed late and not considered delinquent until 1/07/09.
Note: 2009 property tax bills were mailed late and not considered delinquent until 1/11/10.
Source: Whitfield County Board of Tax Assessors

City of Dalton, Georgia
Ratios of Outstanding Debt by Type
Ten Year Summary
(Unaudited)

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: Capital Leases	Governmental Activities: Notes Payable	Business-Type Activities: Revenue Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
2003	$ 17,050,000	$ -	$ 2,467,012	$ 140,810,000	$ 160,327,012	19.8%	$ 5,284
2004	13,200,000	-	2,251,591	129,363,000	144,814,591	17.5%	4,685
2005	9,190,000	-	2,025,195	115,748,000	126,963,195	14.8%	4,033
2006	4,595,000	-	1,787,266	101,556,000	107,938,266	12.0%	3,358
2007	3,745,000	-	1,537,215	86,635,000	91,917,215	9.5%	2,782
2008	2,860,000	-	1,274,425	71,033,000	75,167,425	7.8%	2,250
2009	1,940,000	-	998,326	54,593,000	57,531,326	6.1%	1,712
2010	-	6,585,000	1,185,079	29,973,000	37,743,079	4.1%	1,132
2011	-	5,375,000	827,045	11,820,000	18,022,045	2.5%	539
2012	-	5,150,000	453,484	-	5,603,484	NA	NA

Note: Details regarding the City's outstanding debt are disclosed in Note 4-H of the Notes to the Basic Financial Statements.
NA Not yet available

City of Dalton, Georgia
Ratios of General Obligation Debt Outstanding
Ten Year Summary
(Unaudited)

Fiscal Year	General Obligation Bonds	Percentage of Actual Taxable Value of Property	Per Capita
2003	$ 17,050,000	0.5%	562
2004	13,200,000	0.4%	427
2005	9,190,000	0.3%	292
2006	4,595,000	0.1%	143
2007	3,745,000	0.1%	113
2008	2,860,000	0.1%	86
2009	1,940,000	0.1%	58
2010	-	0.0%	-
2011	-	0.0%	-
2012	-	0.0%	-

NA Not yet available
Note: Details regarding the City's outstanding debt is disclosed in Note 4-H of the Notes to the Basic Financial Statements.
Note: The actual taxable value of property is obtained from the Schedule of Assessed and Estimated Actual Value of Taxable Property.
Note: Population data can be found in the Schedule of Demographic and Economic Statistics.

City of Dalton, Georgia
Direct and Overlapping Governmental Activities Debt
As of December 31, 2012
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Direct and Overlapping Debt
Debt repaid with revenues other than property taxes			
Dalton Public School System agreement with City - notes payable	$ 32,994	100.0%	$ 32,994
Dalton Public School System capital leases	416,644	100.0%	416,644
Dalton Public School System agreement with City - QZA Bonds 2003 Issue	2,000,000	100.0%	2,000,000
Dalton Public School System agreement with City - 2007, 2006, and 2005 Issues	1,775,000	100.0%	1,775,000
Total overlapping debt			4,224,638
City direct debt			5,570,490
Total direct and overlapping debt			$ 9,795,128

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. 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'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.

Note: The amount reported as City direct debt is less than the amount reported on the Statement of Net Position because the Dalton Public School System is responsible for 40% ($32,994) of specific notes payable carried by the City ($82,484), as disclosed in Note 3-H.

City of Dalton, Georgia
Legal Debt Margin Information
Ten Year Summary
(Unaudited)

	For the year ending December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	$ 318,809,264	$ 317,177,008	$ 329,065,279	$ 353,386,873	$ 377,209,725	$ 360,474,151	$ 386,288,034	$ 361,898,788	$ 358,953,829	$ 366,434,391
Total net debt applicable to limit	11,798,132	9,483,726	25,806,202	25,563,873	36,220,989	30,908,236	24,162,832	23,169,203	15,848,035	8,915,098
Legal debt margin	$ 307,011,132	$ 307,693,282	$ 303,259,077	$ 327,823,000	$ 340,988,736	$ 329,565,915	$ 362,125,202	$ 338,729,585	$ 343,105,794	$ 357,519,293
Total net debt applicable to limit as a % of debt limit	3.7%	3.0%	7.8%	7.2%	9.6%	8.6%	6.3%	6.4%	4.4%	2.4%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	$ 3,366,181,984
Add: exempt real property	298,161,930
Total assessed value	3,664,343,914
	10.0%
Debt limit (10% of assessed value)	$ 366,434,391
Debt applicable to limit	
Total bonded debt	$ 8,925,000
Less: Amount available for repayment of general obligation bonds	9,902
Total debt applicable to limit	$ 8,915,098
Legal debt margin	$ 357,519,293

City of Dalton, Georgia
Pledged-Revenue Coverage
Ten Year Summary
(Unaudited)

	Utility Revenue Bonds					
				Debt Service		
Fiscal Year	Utility Service Charges	Utility Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2003	$ 110,207,000	$ 96,799,000	$ 13,408,000	$ 12,685,000	$ 7,610,000	0.7
2004	116,712,000	103,640,000	13,072,000	13,310,000	6,785,000	0.7
2005	133,571,000	113,970,000	19,601,000	13,920,000	6,569,000	1.0
2006	140,546,000	114,373,000	26,173,000	14,700,000	5,595,000	1.3
2007	155,356,000	112,203,000	43,153,000	15,430,000	4,867,000	2.1
2008	150,273,000	111,552,000	38,721,000	16,305,000	3,995,000	1.9
2009	150,470,000	115,284,000	35,186,000	17,170,000	3,127,000	1.7
2010	167,388,000	120,981,000	46,407,000	18,105,000	2,191,000	2.3
2011	162,948,000	120,490,000	42,458,000	11,820,000	702,000	3.4
2012	155,141,000	111,896,000	43,245,000	-	-	-

Note: Details regarding the City's outstanding debt can be found in Note 3-H of the Notes to the Basic Financial Statements. Operating expenses do not include interest, depreciation, or amortization.

City of Dalton, Georgia
Demographic and Economic Statistics
Ten Year Summary
(Unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	School Enrollment
2003	30,341	$ 808,648	$ 26,652	3.2%	5,704
2004	30,909	825,456	26,706	4.3%	6,207
2005	31,478	860,231	27,328	4.2%	6,306
2006	32,140	900,981	28,033	4.1%	6,448
2007	33,045	963,229	29,149	4.5%	6,583
2008	33,401	965,590	28,909	5.7%	6,694
2009	33,604	941,819	28,027	12.5%	6,815
2010	33,343	910,059	27,471	12.4%	6,972
2011	33,413	716,041	21,430	12.1%	7,225
2012	NA	NA	NA	11.0%	7,564

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

NA Not yet available

City of Dalton, Georgia
Principal Employers
Current Year and Nine Years Ago
(Unaudited)

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

NA Information not available
Note: The above figures for the City of Dalton include Dalton Utilities and employees leased to joint ventures.
Source: Dalton-Whitfield Chamber of Commerce and City occupation tax data
(1) Includes City of Dalton only

City of Dalton, Georgia
Full-Time Equivalent City Government Employees by Function/Program
Ten Year Summary
(Unaudited)

Function/Program	For the year ending December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Administration and elected officials	11	12	13	11	15	14	13	16	14	14
Human Resources	2	3	4	4	4	4	3	3	3	3
City Clerk	6	3	2	2	4	4	4	4	4	3
Finance	-	5	5	5	4	5	4	4	4	4
Building Inspection	5	5	5	5	5	5	5	-	-	-
Municipal Court	9	5	11	9	9	10	9	8	4	4
Public Safety										
Police										
Officers	89	84	79	92	95	98	86	81	82	79
Civilians	10	10	20	11	11	12	14	15	13	15
Fire										
Firefighters and officers	90	87	83	89	89	91	87	85	88	83
Civilians	2	2	2	2	1	-	-	-	1	1
Streets and Sanitation										
Refuse collection	33	32	32	32	32	32	32	31	31	31
Streets	25	24	22	15	32	10	10	10	11	11
Other	59	55	57	54	31	23	23	23	24	27
DWRSWMA (Landfill)	44	39	43	38	38	38	38	38	38	37
WLSF (Dalton Utilities)	310	320	323	322	320	309	310	402	307	301
Culture and Recreation										
Recreation	34	34	37	38	37	37	24	25	25	28
Golf Course	11	11	11	11	11	11	9	9	7	6
Senior Center	3	2	3	4	4	4	5	5	4	4
Trade Center	19	13	15	21	18	16	-	-	-	5

Source: City of Dalton and WLSF Commission payroll departments

Note: A full time employee is scheduled to work 1,560 hours per year (including vacation and sick leave).

Note: The City leases employees to the Dalton-Whitfield Solid Waste Management Authority, the Dalton Whitfield Community Development Corporation, and the Dalton-Whitfield Convention and Visitors Bureau

Note: The Building Inspection department was part of the City until September 2009, when it merged with Whitfield County government.

Note: The Northwest Georgia Trade and Convention Cener Authority leased employees from the City until January 2009, when operations were outsourced.

City of Dalton, Georgia
Operating Indicators by Function/Program
Ten Year Summary
(Unaudited)

Function/Program	For the year ending December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building permits issued	360	582	505	459	424	298	160	-	-	-
Public Safety										
Police										
Physical arrests	3,759	4,024	3,926	4,080	8,048	2,852	2,647	3,221	3,868	4,212
Traffic citations and warnings	19,719	17,772	15,501	16,331	17,473	19,140	11,727	9,384	12,621	10,831
Fire										
Calls answered	1,228	1,396	1,439	1,608	1,460	1,323	1,323	1,517	2,766	2,744
Inspections conducted	1,073	897	677	478	275	170	616	469	468	220
Culture and Recreation										
Youth athletic enrollment	NA	NA	2,420	2,306	2,571	2,725	2,850	3,098	3,575	2,698
Adult athletic enrollment	NA	NA	2,534	2,510	2,380	2,390	2,390	2,441	2,398	2,292
Special events	NA	NA	9,511	9,830	9,860	10,500	12,000	20,000	25,000	25,120
Tournaments	NA	NA	2,355	10,856	16,664	17,200	16,000	18,225	21,655	22,868

(continued)

Source: Various City departments
(1) In millions of gallons
(2) Includes Whitfield County
Note: Building Inspection absorbed by Whitfield County.

City of Dalton, Georgia
Operating Indicators by Function/Program
Ten Year Summary
(Unaudited)

Function/Program	For the year ending December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
WLSF (Dalton Utilities) (1) (2)										
Electric System										
Number of service connections	15,034	15,273	15,446	15,612	15,858	15,904	15,691	15,532	15,500	15,625
Daily average consumption	3,792	3,978	4,090	3,997	3,725	4,164	4,005	4,178	3,977	3,976
Maximum daily peak (MW's)	258	258	266	264	262	262	262	262	262	243
Natural Gas System										
Number of service connections	8,365	8,659	8,532	8,374	8,255	8,031	8,013	7,789	7,602	7,623
Daily average consumption	7,260	6,785	6,730	5,925	5,840	5,532	5,170	6,305	5,679	4,798
Maximum daily peak (Dkthms)	20,304	17,651	17,078	14,992	15,380	17,868	19,154	19,055	16,487	17,217
Sewer system										
Number of service connections	11,356	11,610	11,930	12,185	12,490	12,466	12,393	12,323	12,317	12,450
Daily average treatment	32	34	34	34	30	24	24	21	21	20
Maximum daily capacity (Mil/gallons)	45	40	40	40	40	67	67	67	67	67
Water system										
Number of service connections	32,894	33,853	34,717	35,218	35,513	32,457	35,790	35,559	35,501	35,674
Daily average consumption (Mil/gallons	38	37	38	38	32	24	21	21	1	22
Maximum daily capacity (Mil/gallons)	57	59	59	59	59	66	66	66	66	66
Optilink (Telecom) System										
Number of service connections	97	3,746	6,280	8,163	10,334	11,650	11,930	11,776	11,827	12,033

City of Dalton, Georgia
Capital Asset Statistics by Function/Program
Ten Year Summary
(Unaudited)

Function/Program	For the year ending December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	58	58	58	58	58	58	57	58	58	58
Fire										
Number of stations	5	5	5	5	5	5	5	5	5	5
Streets and Sanitation										
Miles of streets	165	167	168	169	169	169	173	173	174	174
Streetlights	3,960	3,960	4,002	4,052	4,420	4,435	4,472	4,485	4,505	4,525
Culture and Recreation										
Community centers	3	3	3	3	3	3	3	3	3	3
Parks	11	11	11	11	11	11	11	12	12	13
Park acreage	405	459	459	459	459	459	459	644	644	719
Golf courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	1	1	2
Tennis courts	16	16	14	14	18	18	16	22	22	22
WLSF (Dalton Utilities)										
Electric System										
Miles of distribution	195	195	195	195	197	197	199	204	206	301
Number of substations	8	8	8	9	9	9	9	9	9	9
Water system										
Miles of distribution	249	251	251	251	255	255	256	276	277	324
Sewer system										
Miles of sewer	240	260	260	260	284	278	284	298	299	319
Number of treatment plants	3	4	4	4	4	5	5	5	5	5
Water system										
Miles of water mains	1,250	1,415	1,390	1,390	1,291	1,288	1,285	1,259	1,259	1,249
Number of fire hydrants	990	3,326	4,297	4,297	4,950	5,299	5,190	5,230	5,004	5,004
Optilink (Telecom) System										
Miles of fiber optics	230	230	241	321	570	578	586	592	601	601

Source: Various City departments

Note: Dalton Utilities figures include Whitfield County

ESTES & WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON SPECIAL PURPOSE LOCAL OPTION SALES TAX

Honorable Mayor, Members of the City Council,
City Administrator and Finance Director
City of Dalton, Georgia

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax as of December 31, 2012. The Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is prepared using the accrual basis of accounting. This Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is the responsibility of the City of Dalton, Georgia's management. Our responsibility is to express an opinion on the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is prepared for the purpose of demonstrating compliance with the rules and regulations identified in the resolution or ordinance calling for imposition of the special sales and use tax authorized by Section 48-8-110 OCGA.

In our opinion, the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the financial progress of the two projects being constructed using the Special Purpose Local Option Sales Tax for the period ended December 31, 2012, in conformity with accounting principles generally accepted in the United States of America.

Estes & Williams

Dalton Georgia
June 18, 2013

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City of Dalton, Georgia
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax
For the Year Ended December 31, 2012

Project Name	Original Estimated Project Cost	Revised Estimated SPLOST Funds	Prior Years	Current Years	Total	Estimated Percentage Complete
SPLOST 2008:						
Road Projects	$ 30,384,359	$ 11,710,215	$ 3,396,786	$ 1,475,259	$ 4,872,045	42%
Total	$ 30,384,359	$ 11,710,215	$ 3,396,786	$ 1,475,259	$ 4,872,045	

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*

Honorable Mayor, Members of the City Council,
City Administrator and Finance Director
City of 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Dalton, Georgia's basic financial statements, and have issued our report thereon dated June 18, 2013. Our report includes a reference to other auditors who audited the financial statements of the Water, Light, and Sinking Fund Commission, as described in our report on the City of Dalton, Georgia's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the City of Dalton, Georgia'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, Georgia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton, Georgia'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. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. (FS12-1, FS12-2)

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Compliance and Other Matters

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

City of Dalton, Georgia's Response to Findings

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

Purpose of this Report

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

Estes & Williams

Dalton Georgia
June 18, 2013

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

Honorable Mayor, Members of the City Council,
City Administrator and Finance Director
City of Dalton, Georgia

Report on Compliance for Each Major Federal Program

We have audited the City of Dalton, Georgia's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Dalton, Georgia's major federal programs for the year ended December 31, 2012. The City of Dalton, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Dalton, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dalton, Georgia'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, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Dalton, Georgia, 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 December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA12-1, FA12-2, and FA12-3. Our opinion on each major federal program is not modified with respect to these matters.

The City of Dalton, Georgia'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, Georgia's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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Report on Internal Control Over Compliance

Management of the City of Dalton, Georgia, 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, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton, Georgia'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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA12-4 to be a significant deficiency.

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

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

Estes & Williams

Dalton Georgia
June 18, 2013

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2012

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the City of Dalton, Georgia.

2. Two significant deficiencies were disclosed during the audit of the financial statements that are required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statements of the City of Dalton, Georgia were disclosed during the audit.

4. Four significant deficiencies in internal control over major federal award programs were disclosed during the audit which are required to be reported in the Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditor's report on compliance for the major federal award programs for the City of Dalton, Georgia expresses an unqualified opinion.

6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.

7. The program tested as a major program is:

   U.S. Department of Housing and Urban Development
   Direct funding:
   Entitlement Grants Cluster:
   Community Development Block Grants/Entitlement Grants
   CFDA # 14.218

8. The threshold for distinguishing Type A and B programs is $300,000.

9. The City of Dalton, Georgia was not determined to be a low-risk auditee.

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2012

Findings – Financial Statement Audit

FS12-1	Condition:	Controls related to concession revenues and inventory at the Recreation Department are inadequate.
	Criteria:	Controls should be in place in order to sufficiently prevent, or detect and correct misstatements on a timely basis.
	Cause:	The department has not implemented controls sufficient to reduce the risk of asset misappropriation.
	Effect:	Concession revenues or inventory misappropriation may not be prevented or detected on a timely basis.
	Recommendation:	The department should implement controls to monitor inventories and to reconcile concession receipts to inventory consumption on a regular basis.
	Management Response:	We concur. The City has purchased and placed point of sale software in the concession venues. This automated cash and credit card system also contains an inventory module. The recreation department is currently utilizing the system for revenues and will implement the system for inventory before the end of 2013. The recreation department is also developing written procedures for revenue and inventory controls.
FS12-2	Condition:	Controls related to payroll processing are not consistent among departments.
	Criteria:	Written procedures and related controls should be in place in order to consistently and sufficiently report payroll information to the City's central payroll office.
	Cause:	Departments lack formal guidance on how to gather and report payroll information consistently.
	Effect:	Departments use disparate methods to accumulate and report payroll information to the central payroll office, and the information reported can be incorrect.
	Recommendation:	Management should create and implement written procedures to dictate how employees track and report their time, and how that information is accumulated and reported to the central payroll office. Further, all payroll records should be maintained at the central payroll office.
	Management Response:	We concur. The City is in the process of evaluating new biometric timekeeping software that will import information into the current payroll module. Once the software is procured, written procedures will be developed to ensure consistent application City-wide. The written procedures will also address the custodial aspect of source documents.

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2012

Findings – Federal Awards Programs

US Department of Housing and Urban Development
Community Development Block Grants/Entitlement Grants
CFDA 14.218

Reporting
Questioned Costs: None

FA12-1	Condition:	The SF-425 Federal Financial Report was not filed in accordance with grant guidelines.
	Criteria:	The SF-425 Federal Financial Report should be filed quarterly.
	Cause:	The report was not filed for several quarters during the period under audit.
	Effect:	The City does not meet the compliance requirement for reporting as dictated in the grant guidelines.
	Recommendation:	The City should implement controls, including increased monitoring, to make sure all reporting compliance requirements are met.
	Management Response:	We concur. Two staff members have marked their electronic calendars for notification of processing and filing dates of the SF-425. The CDBG program consultants will also be providing the finance officer an annual calendar with due dates and report names/form numbers for the CDBG federal funds program.

Subrecipient Monitoring
Questioned Costs: None

FA12-2	Condition:	Inadequate monitoring of subrecipients.
	Criteria:	The grant guidelines indicate that subrecipients should be monitored periodically.
	Cause:	No subrecipient field reviews or other significant monitoring had occurred for the last several years.
	Effect:	The City does not meet the compliance requirement for subrecipient monitoring as dictated in the grant guidelines.
	Recommendation:	The City should implement subrecipient monitoring criteria to determine when and if a subrecipient should be reviewed. Criteria should consider the amount of time elapsed since the last review of that subrecipient.
	Management Response:	We concur. The CDBG program manager will be provided training by more seasoned staff within WFN, Inc., the City's hired agent for CDBG administration, including financial and programmatic subrecipient monitoring. Each subrecipient will have a programmatic and financial review performed within the next twelve months.

Findings – Federal Awards Programs (continued)

Special Tests and Provisions
Questioned Costs: None

FA12-3	Condition:	Deficient environmental reviews.
	Criteria:	The grant guidelines indicate that the City must maintain a written record of environmental reviews undertaken, that public notices be published for certain levels of reviews, and that funds should not be committed until the appropriate reviews and notices are compiled and a Request for Release of Funds has been processed.
	Cause:	The City did not perform the required environmental reviews, did not make the appropriate public notices, and awarded funds without meeting these guidelines.
	Effect:	The City does not meet the compliance requirement for the environmental testing portion of the special tests and provisions section as dictated in the grant guidelines.
	Recommendation:	The City should attend training and develop adequate policies and procedures to ensure compliance with these requirements.
	Management Response:	We concur. This finding was brought to the City's attention prior to the financial audit by a HUD monitoring activity. As a result of the HUD monitoring, the City took several steps to correct the findings. The City's CDBG program manager received environmental review training sponsored by the Atlanta Office of Community Planning and Development in March 2012. All environmental reviews in question were closed on April 18, 2013 by the Atlanta Office of Community Planning and Development. Written policies and procedures were developed and incorporated into the City of Dalton CDBG Policy and Procedure Manual.

Internal Control Finding

FA12-4	Condition:	Noted several errors on subrecipent contracts.
	Criteria:	Contracts should be prepared and reviewed to assure that all information contained in the subrecipient contract is accurate.
	Cause:	Noted several discrepancies in the contracts related to period of availiability of funding, effective dates, and other similar issues.
	Effect:	The terms of the subrecipient contracts and related requirements are unclear.
	Recommendation:	The City should implement controls, including increased monitoring of subrecipient contracts, to assure all contracts are correct.
	Management Response:	We concur. The contracts will be reviewed by an additional WFN, Inc. staff member once prepared and will be reviewed by the CDBG program manager.

City of Dalton, Georgia
Schedule of Expenditures of Federal Awards
December 31, 2012

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Current Year Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Direct funding:		
Entitlement Grants Cluster:		
Community Development Block Grants/Entitlement Grants	14.218	$ 414,341
Pass-through Georgia Department of Community Affairs:		
Home Investment Partnerships Program	14.239	25,702
U.S. DEPARTMENT OF THE INTERIOR		
Pass-through Georgia Department of Natural Resources:		
Historic Preservation Fund Grants-In-Aid	15.904	3,720
U.S. DEPARTMENT OF JUSTICE		
Direct funding:		
Bulletproof Vest Partnership Program	16.607	4,967
U.S. DEPARTMENT OF TRANSPORTATION		
Pass-through Georgia Department of Transportation:		
Airport Improvement Program	20.106	104,361
Pass-through Georgia Department of Natural Resources:		
Highway Planning and Construction Cluster:		
Recreational Trails Program	20.219	3,112
U.S. DEPARTMENT OF HOMELAND SECURITY		
Pass-through Georgia Bureau of Investigation:		
Homeland Security Grant Program	97.067	3,191
Total		$ 559,394

City of Dalton, Georgia
Notes to Schedule of Expenditures of Federal Awards
December 31, 2012

A. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards received by the City of Dalton, Georgia. All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included in this schedule.

B. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the full accrual basis of accounting.

C. Relationship to Federal Financial Reports

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

City of Dalton, Georgia
Schedule of Prior Year Audit Findings
December 31, 2012

Prior Year Findings – Financial Statement Audit

FS11-1	Condition:	Controls related to concession revenues and inventory at the Recreation Department are inadequate.
	Current Status:	The City has the same finding this year. Management has made significant process in their efforts to eliminate this finding, as noted in their Management Response to the current year finding FS12-1. Management believes this will not be a finding next year.
FS11-2	Condition:	Controls related to payroll processing are not consistent among departments.
	Current Status:	The City has the same finding this year. Management has made significant process in their efforts to eliminate this finding, as noted in their Management Response to the current year finding FS12-2. Management believes this will not be a finding next year.