CITY OF DALTON BOARD OF EDUCATION

DALTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010

PREPARED BY THE FINANCE DEPARTMENT

CITY OF DALTON BOARD OF EDUCATION
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

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January 8, 2011

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Dalton Board of Education (the School System) for the fiscal year ended June 30, 2010. The Finance Department prepared this report. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the School System's administration.

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

Estes & Williams, Certified Public Accountants, have issued an unqualified opinion on the City of Dalton Board of Education's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the School System

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

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

There are 6,522 students enrolled in the School System in school year 2009-2010. The ethnic make-up of the students is as follows: 67% Hispanic, 22% White, 5% Black, 3% Multi-racial, and 3% Asian. Projected enrollment for the 2010-2011 school year is 6,697.

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

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

Dalton Public Schools has one of the highest levels of staff training and experience of any K-12 school system in Georgia. More than 81% of all teaching staff have a master's degree or higher. The high percentage of employees with advanced degrees and the high retention rate for teachers translates into a highly trained and qualified staff at every school. The school system employs 558 certified staff members and 284 support staff.

Local Economy

Dalton's main industry continues to be non-unionized textile and textile-related industries. Dalton is known as the "Carpet Capital of the World." It houses 30 carpet manufacturers that produce 70% of the goods that make up the world's $16 billion carpet industry. This base has diversified into related areas such as rugs, wood, laminate, and vinyl flooring. Most recent data indicates that the manufacturing industry makes up approximately 37% of the 34,000 jobs in Dalton.

The economic downturn has adversely affected the national housing market and construction in general. Because the economy of Dalton is so heavily dominated by construction-related industry, the area has been especially hard-hit. Unemployment rates have consistently exceeded both national and Georgia levels. The latest unemployment rate for the Dalton Metropolitan Area is 11.5%, which is above the national rate of 9.3% and the Georgia rate of 10.1%. This trend is not expected to change in the short-term.

The national economic downturn presents challenges in funding for K-12 public education in Georgia. The State of Georgia has been funding a smaller percentage of the total cost of education over the last several years. In 1996, the overall support for education in Georgia was funded 59.39% by the State. By 2008, that percentage had dropped to 42.4% and is expected to continue to decline. In 2009 the State provided 37% of the total revenues for Dalton Public Schools.

Most of the funding reductions have occurred due to austerity or budget cuts imposed by the State. These reductions to the amounts earned by school systems based on a funding formula written in State law have been allocated to all systems across the state to help the State provide for a balanced budget. From FY 2003 through FY 2010, Dalton Public Schools has received over $14.1 million less than earned due to these cuts. The State offset $3.4 million with Federal Stimulus Funding, which brought the net reduction to $10.7 million. In addition, the funding formula has not been adjusted in recent years for inflation. As a result, the local taxpayer has had to shoulder the burden of State budget cuts and inflationary costs. An additional burden was added to the Dalton City taxpayer by the repeal of the Homeowners Tax Relief Grant (HTRG) for FY 2010.

Planning for the Future

Several years ago the Board of Education set a target for unreserved general fund balance of 15% of the current year's budget, which would provide two months operating revenues and eliminate the need for short-term borrowing. At the end of FY 2008, the unreserved fund balance was $9,478,179, or 16% of general fund expenditures. By the end of FY 2010 this figure had dropped to $6,350,757, which is 11.2% of the general fund expenditures. To address this downturn, and with district-wide input from employees, the Board of Education and the administration implemented a three year budget reduction plan in January 2009. To date this program has allowed a net decrease in the budget shortfall of approximately $10 million. The expected continuing instability in the Georgia economy will require that the budget reduction efforts be expanded in the coming year.

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

Relevant Financial Policies

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

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

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

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

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

The School System maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget as approved by the Board of Education. Activities of the general fund, debt service fund, and most of the special revenue funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is established at the aggregate level by fund type. The School System maintains an encumbrance accounting system as one way of maintaining budgetary control. Budget balances are encumbered, or set aside, when purchase orders are issued. Encumbered amounts lapse at the end of each fiscal year.

Major Initiatives

To realize the mission of educating students to become contributing citizens of the world, the School System must deliver effective instruction and set high expectations that will result in continued improvement in student achievement. Six years ago, the School System began a phased-in implementation of programs that targeted English, Language Arts, and Reading instruction. The programs are fully implemented through sixth grade, and have been effective.

For the last three years a similar process has been in effect for math instruction. This process includes the expanded use of technology, tutoring support for the students and the use of collaborative teacher teams for planning, implementing and evaluating the programs. Although it is early in the implementation, we are encouraged by the progress.

To effectively evaluate student progress, a number of indicators must be identified. Although the State of Georgia Criterion-Referenced Competency Test (CRCT) is only one indicator of success, it is readily recognized by the public and is used to determine adequate yearly progress by the federal and state governments. The following schedule compares the CRCT results for FY 2004 and FY 2010 in Reading, English, Language Arts and Math:

Dalton Public Schools
Comparison of CRCT Scores
FY 2009 and FY 2004

	Reading			English/Language Arts			Math		
Grade	FY 2010	FY 2004	Change	FY 2010	FY 2004	Change	FY 2010	FY 2004	Change
1	92%	87%	5%	85%	79%	6%	88%	86%	2%
2	86%	81%	5%	84%	81%	3%	89%	85%	4%
3	93%	84%	9%	89%	81%	8%	84%	85%	-1%
4	89%	65%	24%	90%	73%	17%	78%	68%	10%
5	94%	76%	18%	95%	79%	16%	93%	85%	8%
6	94%	76%	18%	94%	64%	30%	79%	71%	8%
7	89%	81%	8%	93%	83%	10%	89%	78%	11%
8	97%	76%	21%	94%	74%	20%	88%	65%	23%

Numerous interventions have been applied at the high school to help students be successful. In FY 2010 the results of students passing the Georgia High School Graduation Test are as follows: 93% for English/Language Arts, 96% for Math, 89% for Social Studies, and 93% for Science.

In January 2009, the School System employed a new superintendent who has implemented a new, more collaborative approach to leadership through the use of cross-functional teams. Teams are currently in place to direct efforts on budget and the established district priorities.

Acknowledgment

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

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

Respectfully submitted,

Dr. Jim Hawkins
Superintendent

Carol Shanahan
Director of Business Services

CITY OF DALTON BOARD OF EDUCATION
ELECTED OFFICIALS AND ADMINISTRATION
JUNE 30, 2010

Elected Officials

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

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

Tulley Johnson, Treasurer
In office since January 1996
Current term expries December 2011

Dr. Rick Fromm
In office since January 2004
Current term expries December 2011

Danny Crutchfield
In office since January 2008
Current term expries December 2011

School Administration

Dr. Jim Hawkins, PhD, Superintendent

Lisa Goode, Principal
Blue Ridge School

Will Esters, Principal
Brookwood Elementary School

Rick Little, Principal
City Park School

Phil Jones, Principal
Park Creek School

Cindy Parrott, Principal
Roan School

Angela Garrett, Principal
Westwood Elementary School

Brian Suits, Principal
Dalton Middle School

Debbie Freeman, Principal
Dalton High School

Jennifer Phinney, Principal
Morris Innovative High School

Centralized Administration

Don Amonett
Deputy Superintendent

Rhonda Hayes
Assistant Superintendent for Content and Engagement

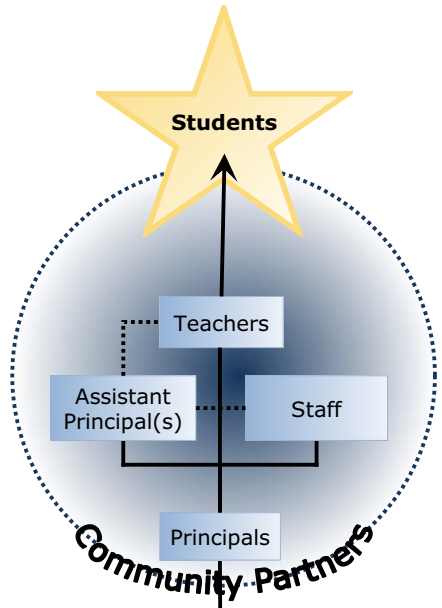
Carol Shanahan
Finance and Business Services

Craig Harper
Human Resources and Student Services

Palmer Griffin
Director of Operations

Dalton Public Schools

Educating students to become contributing citizens of the world



Vision

To create a dynamic, innovative model of public education that engages a culturally and socially diverse student population and prepares them for the world of the future.

Challenge
ELL
Reading Recovery
District Literacy Collaborative
Exceptional Student Services
PK-8
Assistant Superintendents for Teaching & Learning
9-12
Technical Support
School Nutrition Program
Custodians and Transportation
Maintenance and Security
Student Services
Assistant Superintendent for Human Resources
Assistant Superintendent for Business Services
Assistant Superintendent for Maintenance and Operations
Data and Knowledge
Instructional Technology Design
Grants
Community Relations
Strategic Development
Superintendent
Executive Administrative Assistant
Dalton Board of Education

Values

- We respect the dignity and worth of each person
- We embrace integrity as the foundation of every action
- We value learning that leads to excellence and continuous improvement in everything we do
- We commit to the physical and emotional safety of each person
- We pursue innovation that results in improvement
- We achieve success through teamwork and collaboration

District Organization Chart

Approved 1/14/2008

FINANCIAL SECTION

ESTES & WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the City of Dalton Board of Education's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dalton Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education, as of June 30, 2010, and the respective changes in financial position thereof and the budgetary comparison information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2011, on our consideration of the City of Dalton Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

201 N. Thornton Ave | P.O. Box 749 | Dalton, GA 30722 | Phone 706.529.0749 | Fax 706.529.5549

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalton Board of Education's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Estes & Williams

Dalton, Georgia
January 26, 2011

The Discussion and Analysis of City of Dalton Board of Education's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the complete financial statements, with notes, to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2010 are as follows:

- Total net assets increased from $90.0 million in 2009 to $94.1 million in 2010, an increase of $4.1 million.
- Program revenues accounted for $37.9 million of all revenues in 2009, and $42.0 million in 2010, an increase of $4.1 million.
- The District had $72.8 million in expenses related to governmental activities in 2009, and $72.2 million in 2010. General revenues (primarily taxes) of $34.3 million were sufficient to fund the balance cost of these programs.
- Among the major funds, the general fund has $58.0 million in revenues in 2010, compared to $58.2 million in 2009, and $56.9 million in expenditures in 2010, compared to $59.9 million in 2009.

Overview of the Financial Statements

This Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements are comprised of three components: 1) District-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District–wide Financial Statements

The District-wide Financial Statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

Statement of Net Assets
The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Governmental activities amounts reported for 2009 have been restated due to an adjustment to net assets.

	Governmental Activities	
	2010	2009
Assets		
Current and other assets	$ 34,165,177	$ 43,412,529
Capital assets	85,378,998	79,650,671
Total assets	119,544,175	123,063,200
Liabilities		
Current liabilities	13,431,097	13,984,040
Long-term liabilities	12,019,034	19,063,287
Total liabilities	25,450,131	33,047,327
Net assets		
Invested in capital assets, net of related debt	66,272,552	53,732,986
Restricted	13,667,315	14,646,535
Unrestricted	14,154,177	21,636,352
Total net assets	$ 94,094,044	$ 90,015,873

Statement of Activities

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

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	$ 663,209	$ 687,182
Operating grants and contributions	41,354,697	37,214,271
General revenues:		
Property taxes	28,173,650	29,352,719
Sales taxes	5,560,456	5,704,504
Investment earnings	536,398	1,135,942
Other	-	144,254
Total revenues	76,288,410	74,238,872
Expenses		
Instruction	44,949,020	47,234,377
Support services	21,231,473	20,005,302
Food services operation	4,824,835	4,118,441
Community service operation	298,337	115,038
Interest on long-term debt	906,574	1,350,650
Total expenses	72,210,239	72,823,808
Increase in net assets	4,078,171	1,415,064
Net assets, beginning of year	90,015,873	88,600,809
Net assets, end of year	$ 94,094,044	$ 90,015,873

The Statement of Activities reports the total and net cost of major District activities: instruction, pupil and instructional services, school and administrative services, maintenance and operations, transportation, and other. Net Cost of Governmental Activities is the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost shows the financial burden on the district's taxpayers by each activity.

Fund Financial Statements

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

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

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

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

District-wide Financial Analysis

As previously stated, total net assets for 2010 were $94.1 million and $90.0 million in 2009. The School District's net assets increase of $4.1 million over the prior year is primarily due to a more focused spending policy**.**

Governmental Activities

Revenues
The District's revenues from taxes and from state sources accounted for the majority of the School District's revenue. State sources of revenue were $27,426,320 and $27,253,761 in 2010 and 2009, respectively. This reflects a decrease of $172,559. For the eighth year in a row, these funds were awarded net of a State austerity reduction/formula adjustment. The FY 2010 formula reduction of $5,661,173 is 173% higher than the FY 2009 reduction of $2,077,196. This loss of state funding has required the System to institute expenditure budget reductions.

Taxes comprise the significant majority of local revenue sources. Despite a 9% decrease in the net local digest, the Board of Education has elected to maintain the millage rate at 7.845 mills, the same as 2009.

Expenses
The School District's total governmental funds expenses decreased in 2010 by $938,021 from 2009. The decrease was the result of budget reductions in the form of a hiring freeze and a 10% reduction in operating expenses**.**

The School District's Funds

The combined 2010 fund balance of all governmental funds, which includes capital projects, is $27 million. This represents an $8.7 million decrease from 2009. Much of the decrease was due to the cost of the construction of additions at two elementary schools, Dalton Middle School, and Dalton High School. SPLOST funds were used for these projects.

General Fund Budgetary Highlights
In developing the current budget, the administration addressed the need to maintain a quality education for all students while dealing with unstable State funding and declining local tax digests. In developing the FY 2010 budget the Board of Education set priorities or filters through which all decisions were to be assessed. These filters were to: minimize negative classroom impact, preserve employment, and maintain reserves adequate to meet cash flow requirements. For FY 2011, when it became apparent that the system would be unable to meet budgetary requirements without the loss of positions, the Board added a fourth filter of preserving teacher capacity. A total of 57 positions were eliminated. Through half-time work, job sharing, and giving priority in hiring for open positions, we were able to reemploy 27 of these individuals.

In addition to the budgetary revenue shortfalls, the State of Georgia requires that each school district levy five (5) mils for property taxes before it can receive state QBE education funding. The five mils are deducted from state funding each year. This deduction when combined with the austerity reduction/formula adjustment results in less State revenues to help fund local education.

Other Governmental Funds

The District uses capital projects funds to account for school construction and improvement projects. Since 1997, sales tax proceeds have become the primary funding source for these activities. In March of 1997 the Whitfield County voters approved the first five-year special purpose local option sales tax (SPLOST) to fund capital projects. The sales tax is proportionately distributed to Dalton Public Schools and Whitfield County Schools based on the full-time equivalent of students (FTE). The 1997 SPLOST expenditures and debt repayment have been completed. The voters of Whitfield County passed another SPLOST in November 2001, which provided revenues of $26.3 million for Dalton Public Schools. The 2001 SPLOST expenditures and debt repayment have been completed. In September 2007 a third SPLOST was passed for education, which was expected to provide up to $37 million for approved projects. Due to the economic downturn, we believe that $30 million is a more realistic collections expectation, and have adjusted projections accordingly.

Capital Assets

Capital assets increased by $5,728,327 in 2010. This increase was due to construction of five projects. See Note 5 of the financial statement for further information.

	Governmental Activities	
	2010	2009
Capital assets not being depreciated:		
Land	$ 8,263,583	$ 8,263,583
Construction in progress	14,736,130	19,066,760
Total	22,999,713	27,330,343
Capital assets being depreciated:		
Land improvements	1,797,279	1,797,279
Buildings	82,382,433	70,387,116
Vehicles	429,755	425,255
Equipment	3,048,301	2,428,878
Total	87,657,768	75,038,528
Less accumulated depreciation for:		
Land improvements	(1,326,223)	(1,233,247)
Buildings	(21,958,770)	(19,801,844)
Vehicles	(368,611)	(326,297)
Equipment	(1,624,879)	(1,356,812)
Total	(25,278,483)	(22,718,200)
Total capital assets, net of depreciation	62,379,285	52,320,328
Governmental activities capital assets, net	$ 85,378,998	$ 79,650,671

Long-Term Debt

At the end of June 30, 2010, the District has a long-term liability in the form of capital leases and compensated absences. The District also has a policy which enables employees to accumulate sick leave, however, the District does not compensate employees for unused sick leave. See Note 7 of the financial statements for further information.

Governmental activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	$ 25,917,685	$ -	$ 6,811,239	$ 19,106,446	$ 7,087,412
Compensated absences	65,925	67,670	106,130	27,465	27,464
	$ 25,983,610	$ 67,670	$ 6,917,369	$ 19,133,911	$ 7,114,876

Factors Bearing on the District's Future

The State of Georgia is required to maintain a balanced budget, and any revenue shortfalls must be offset by decreased expenditures. The current recession has made it increasingly difficult for the State to meet this requirement. Unemployment is over 10%, which has resulted in decreased personal and corporate income tax revenue. The decrease in personal income has resulted in a decline in sales tax revenues. For the last nine years these decreases have been passed to the school systems in the form of austerity cuts or formula adjustments to revenue allotments. As of June 30, 2011, the System has absorbed decreases totaling $19,030,799. Federal Stabilization funds were used by the State to offset $4,012,286 of this amount. The austerity reduction for FY 2011 is currently listed at $4,925,301. Although State of Georgia revenues are beginning to rebound, the increase is not expected to offset the loss of Federal Stabilization funding. For this reason it is possible that further austerity reductions will be required during the second half of FY 2011 and into FY 2012.

The industry base in Dalton, Whitfield County and the surrounding region is primarily flooring related. The current national economic decline has had an adverse affect on this industry. The net digest for this year is down over 9%, and we anticipate the digest will decline as much as an additional 10% before stabilizing. The decrease in local revenues was exacerbated in FY 2011 by the implementation of a 20% Freeport exemption on commercial inventories. For FY 2011 the Freeport exemption cost the System $685,529 in local revenue. While this exemption is expected to stimulate growth of the tax digest over time, it will adversely affect local property tax revenues in the short-term.

While the economic picture is expected to be challenging in the short-term, the Board of Education and administrative staff are committed to ensuring the long-term viability of the system. To address budgetary shortfalls the system began a three year cost reduction plan in FY 2010. As the state and local economies declined, the efforts have increased to address these funding challenges. For FY 2010 and FY 2011 the budget has been reduced by close to $10 million. We anticipate that an additional reduction of $5 million may be needed in FY 2012.

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

Requests for Information

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

BASIC FINANCIAL STATEMENTS

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
Assets	
Current Assets	
Cash	$ 9,842,567
Investments	14,587,543
Receivables:	
Accounts	267,421
Intergovernmental	7,009,248
Taxes	1,590,888
Inventory	216,462
Restricted assets:	
Investments	651,048
Total Current Assets	34,165,177
Noncurrent Assets	
Nondepreciable capital assets	33,058,670
Depreciable capital assets, net	52,320,328
Total Noncurrent Assets	85,378,998
Total Assets	119,544,175
Liabilities	
Current Liabilities	
Accounts payable	1,497,154
Salaries payable	3,924,672
Accrued interest payable	209,951
Retainage payable	684,443
Capital leases payable	7,087,412
Compensated absences	27,465
Total Current Liabilities	13,431,097
Long-Term Liabilities	
Capital leases, less current portion	12,019,034
Total Liabilities	25,450,131
Net Assets	
Invested in capital assets, net of related debt	66,272,552
Restricted for capital projects	6,285,184
Restricted for debt service	7,382,131
Unrestricted	14,154,177
Total Net Assets	$ 94,094,044

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Function/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities				
Instruction	$ 44,949,020	$ 244,607	$ 23,750,055	$ (20,954,358)
Support services				
Pupil services	2,139,030	-	1,371,667	(767,363)
Improvement of instructional services	2,593,505	-	2,121,052	(472,453)
Educational media services	1,164,142	-	631,006	(533,136)
General administration	897,271	-	707,136	(190,135)
School administration	3,051,347	-	1,620,076	(1,431,271)
Business administration	676,402	-	354,786	(321,616)
Maintenance and operation of plant	4,748,609	-	3,129,566	(1,619,043)
Student transportation services	2,870,261	-	1,524,726	(1,345,535)
Central support services	2,586,306	-	1,320,032	(1,266,274)
Other support services	504,600	-	485,437	(19,163)
Food services operation	4,824,835	418,602	4,114,791	(291,442)
Community services operations	298,337	-	224,367	(73,970)
Interest on long-term debt	906,574	-	-	(906,574)
Total Governmental Activities	$ 72,210,239	$ 663,209	$ 41,354,697	(30,192,333)

General Revenues	
Property taxes	28,173,650
Sales taxes	5,560,456
Unrestricted investment earnings	536,398
Total General Revenues	34,270,504
Changes in Net Assets	4,078,171
Net Assets Beginning of Year	90,015,873
Net Assets End of Year	$ 94,094,044

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	General	Capital Projects	Debt Service	Special Purpose Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
Assets						
Cash	$ (287,246)	$ -	$ 3,288,550	$ 5,170,943	$ 1,670,320	$ 9,842,567
Investments	10,816,878	3,770,665	-	-	-	14,587,543
Receivables						
Accounts	267,421	-	-	-	-	267,421
Intergovernmental	3,952,834	-	896,948	-	2,159,466	7,009,248
Taxes	1,590,888	-	-	-	-	1,590,888
Due from other funds	1,395,195	3,444,815	3,177,812	-	192,858	8,210,680
Inventory	-	-	-	-	216,462	216,462
Restricted assets						
Investments	-	-	651,048	-	-	651,048
Total Assets	$ 17,735,970	$ 7,215,480	$ 8,014,358	$ 5,170,943	$ 4,239,106	$ 42,375,857
Liabilities and Fund Balances						
Liabilities						
Accounts payable	$ 1,182,165	$ -	$ -	$ 88,251	$ 226,738	$ 1,497,154
Salaries payable	3,501,179	-	-	-	423,493	3,924,672
Due to other funds	5,635,884	-	632,227	157,602	1,784,967	8,210,680
Retainage payable	-	-	-	684,443	-	684,443
Deferred revenue	1,065,985	-	-	-	-	1,065,985
Total Liabilities	11,385,213	-	632,227	930,296	2,435,198	15,382,934
Fund Balances						
Reserved						
Inventory	-	-	-	-	216,462	216,462
Debt service	-	-	7,382,131	-	-	7,382,131
Unreserved, reported in						
General fund	6,350,757	-	-	-	-	6,350,757
Special revenue funds	-	-	-	-	1,587,446	1,587,446
Capital projects fund	-	7,215,480	-	4,240,647	-	11,456,127
Total Fund Balances	6,350,757	7,215,480	7,382,131	4,240,647	1,803,908	26,992,923
Total Liabilities and Fund Balances	$ 17,735,970	$ 7,215,480	$ 8,014,358	$ 5,170,943	$ 4,239,106	$ 42,375,857

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNEMTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Governmental Fund Balances		$ 26,992,923
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Interfund receivables and payables between governmental funds are reported on the fund balance sheet but eliminated on the government-wide Statement of Net Assets.		
Interfund receivables	8,210,680	
Interfund payables	(8,210,680)	-
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements.		
Cost	110,657,481	
Accumulated depreciation	(25,278,483)	85,378,998
Amounts due from property taxpayers not collected within 60 days subsequent to year end are considered long-term assets for fund statements and are not reported. Those amounts are reported as revenues for governmental activities.		1,065,985
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund statements but are reported for governmental activities.		
Accrued interest payable on capital leases	(209,951)	
Capital leases payable	(19,106,446)	
Compensated absences	(27,465)	(19,343,862)
Net Assets of Governmental Activities		$ 94,094,044

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	General	Capital Projects	Debt Service	Special Purpose Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
Revenues						
Federal sources	$ 3,529,415	$ -	$ -	$ -	$ 8,382,962	$ 11,912,377
State sources	25,086,458	-	-	1,020,969	1,368,893	27,476,320
Local sources and other funds	29,296,673	48,948	5,759,520	258,511	1,316,669	36,680,321
On behalf payments	110,304	-	-	-	-	110,304
Total Revenues	58,022,850	48,948	5,759,520	1,279,480	11,068,524	76,179,322
Expenditures						
Current						
Instruction	39,492,290	-	-	-	3,195,219	42,687,509
Support services						
Pupil services	1,618,610	-	-	-	522,994	2,141,604
Improvement of instructional services	1,081,476	-	-	-	1,508,752	2,590,228
Educational media services	1,110,324	-	-	-	53,818	1,164,142
General administration	437,044	-	-	-	463,932	900,976
School administration	2,989,925	-	-	-	63,509	3,053,434
Business administration	680,708	-	-	-	-	680,708
Maintenance and operation of plant	4,045,647	58,010	-	601,788	-	4,705,445
Student transportation services	2,813,647	-	-	-	56,614	2,870,261
Central support services	2,512,093	-	-	-	10,995	2,523,088
Other support services	17,772	-	-	-	486,828	504,600
Food services operation	-	-	-	-	4,624,064	4,624,064
Community services operations	145,509	-	-	-	152,828	298,337
Capital outlay						
Instruction	13,476	-	-	-	-	13,476
Support services						
Maintenance and operation of plant	-	-	-	7,651,981	-	7,651,981
Central support services	-	-	-	-	-	-
Food services operation	-	-	-	-	660,599	660,599
Debt service						
Principal retirement	-	-	6,811,239	-	-	6,811,239
Interest and fiscal charges	-	-	989,232	-	-	989,232
Total Expenditures	56,958,521	58,010	7,800,471	8,253,769	11,800,152	84,870,923
Excess (deficiency) of revenues over (under) expenditures	1,064,329	(9,062)	(2,040,951)	(6,974,289)	(731,628)	(8,691,601)
Other Financing Sources (Uses)						
Transfers in	351,493	-	10,167,964	9,174,561	162,316	19,856,334
Transfers out	(600,791)	-	(10,017,964)	(9,174,561)	(63,018)	(19,856,334)
Total Other Financing Sources (Uses)	(249,298)	-	150,000	-	99,298	-
Net Changes in Fund Balances	815,031	(9,062)	(1,890,951)	(6,974,289)	(632,330)	(8,691,601)
Fund Balance, Beginning of Year	5,535,726	7,224,542	9,273,082	11,214,936	2,436,238	35,684,524
Fund Balance, End of Year	$ 6,350,757	$ 7,215,480	$ 7,382,131	$ 4,240,647	$ 1,803,908	$ 26,992,923

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Net Changes in Fund Balances - Total Governmental Funds		$ (8,691,601)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Elimination of transfers between governmental funds.		
Transfers in	(19,856,334)	
Transfers out	19,856,334	-
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	8,326,056	
Depreciation expense	(2,562,314)	5,763,742
Write off of capital assets not reported at the fund level.		(35,415)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Net change in deferred tax revenue		109,088
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Proceeds from issuance of debt	-	
Principal payments of debt	6,811,239	6,811,239
Net change in accrued interest on long-term debt		82,658
Compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Net change in accrued compensated absence liability		38,460
Changes in Net Assets - Governmental Activities		$ 4,078,171

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budget			
	Original	Final	Actual	Variance
Revenues				
Federal sources	$ 347,000	$ 3,065,845	$ 3,529,415	$ 463,570
State sources	29,854,736	25,629,783	25,086,458	(543,325)
Local sources and other funds	29,388,388	29,393,443	29,296,673	(96,770)
On behalf payments	-	-	110,304	110,304
Total Revenues	59,590,124	58,089,071	58,022,850	(66,221)
Expenditures				
Current				
Instruction	41,344,740	39,908,273	39,492,290	415,983
Support services				
Pupil services	1,586,866	1,640,462	1,618,610	21,852
Improvement of instructional services	1,053,984	1,186,062	1,081,476	104,586
Educational media services	1,118,168	1,107,526	1,110,324	(2,798)
General administration	559,785	634,051	437,044	197,007
School administration	2,870,055	3,025,848	2,989,925	35,923
Business administration	812,125	1,419,720	680,708	739,012
Maintenance and operation of plant	5,054,171	4,482,298	4,045,647	436,651
Student transportation services	2,905,105	2,900,801	2,813,647	87,154
Central support services	3,043,869	3,291,614	2,512,093	779,521
Other support services	59,500	22,531	17,772	4,759
Community services operations	-	119,000	145,509	(26,509)
Capital outlay				
Instruction	-	-	13,476	(13,476)
Total Expenditures	60,408,368	59,738,186	56,958,521	2,779,665
Excess (deficiency) of revenues over (under) expenditures	(818,244)	(1,649,115)	1,064,329	2,713,444
Other Financing Sources (Uses)				
Transfers in	-	-	351,493	(351,493)
Transfers out	-	-	(600,791)	600,791
Total Other Financing Sources (Uses)	-	-	(249,298)	249,298
Net Changes in Fund Balances	$ (818,244)	$ (1,649,115)	815,031	$ 2,464,146
Fund Balance, Beginning of Year			5,535,726	
Fund Balance, End of Year			$ 6,350,757	

See accompanying notes to the financial statements.

CITY OF DALTON BOARD OF EDUCATION
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2010

	Agency Funds
Assets	
Cash	$ 77,039
Accounts receivable	13,166
Total Assets	$ 90,205
Liabilities	
Due to others	$ 90,205
Total Liabilities	$ 90,205

See accompanying notes to the financial statements.

Note 1 Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

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

District-wide Statements: The Statement of Net Assets and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. For the year ended June 30, 2010, the School District had no activities accounted for as business-type activities.

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

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

The School District reports the following major governmental funds:

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

Note 1 Summary of Significant Accounting Policies - Continued

- The Capital Projects Fund accounts for the acquisition of capital assets and construction or improvement of major capital projects, such as construction of new schools. The projects accounted for in this fund are not funded by SPLOST revenue.

- The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- The Special Purpose Local Option Sales Tax Fund is a capital projects fund which accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) to be used for building renovations, land and building acquisitions, and construction of new educational facilities.

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

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

Basis of Accounting

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

Compensated absences earned during the year are not reported in the basic financial statements. To conform to generally accepted accounting principles, the amounts earned for compensated absences should be reported in the basic financial statements.

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

Note 1 Summary of Significant Accounting Policies - Continued

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

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

Cash, Cash Equivalents, and Investments

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

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

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

Note 1 Summary of Significant Accounting Policies - Continued

Receivables and Payables

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

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

Property Taxes

The City of Dalton Councilmembers fixed the property tax levy for the 2009 tax digest year (calendar year) on January 1, 2009 (levy date). Tax bills are mailed on October 20 (lien date) and are considered due upon receipt by the taxpayer. However, the actual due date is based on a period ending sixty days after the tax billing, on December 20, 2009 (due date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2009 tax digest are reported as revenue in the governmental funds for fiscal year 2010. The Whitfield County Tax Commissioner bills and collects the property taxes for the School District, withholds a percentage of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, net of the collection fee, combined with penalties and interest received on delinquent taxes, at the fund reporting level, during the fiscal year ended June 30, 2010, amounted to $28,064,562.

Sales Taxes

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $5,560,456 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be reauthorized at least every five years.

Note 1 Summary of Significant Accounting Policies - Continued

On-Behalf Payments

The School District has recognized revenues and costs in the amount of $110,304 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For health insurance of non-certified personnel
In the amount of $71,036

Paid to the Teachers Retirement System of Georgia
For teachers retirement system (TRS) employer's cost
In the amount of $23,558

Office of Treasury and Fiscal Services
Paid to the Public School Employees Retirement Ssytem
For public school employees retirment (PSERS) employer's cost
In the amount of $15,710

Inventories

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

Note 1 Summary of Significant Accounting Policies - Continued

Capital Assets

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

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

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

Compensated Absences

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

Note 1 Summary of Significant Accounting Policies - Continued

Long-Term Obligations

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

Fund Equity

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

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

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

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

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Use of Estimates

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

Note 2 Legal Compliance - Budgets

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

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

Note 3 Deposits and Investments

Deposits

OCGA Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110% of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (OCGA 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance. Deposits held by the School District at June 30, 2010 totaled $12,975,017. At June 30, 2010, $40,117 of deposits were not secured by surety bond, insurance or collateral as specified above. The School District is working with the affected financial institutions to ensure appropriate levels of collateral are maintained for all of the School District's deposits.

Note 3 Deposits and Investments - Continued

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

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, notes, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Investments

The School District's investments as of June 30, 2010 are presented below. Investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Investment Maturity Less Than 1 Year
Debt Securities		
U.S. Agencies	$ 651,048	$ 651,048
Investment Pools		
Office of Treasury and Fiscal Services		
Georgia Fund 1	14,587,543	14,587,543
	$ 15,238,591	$ 15,238,591

Note 3 Deposits and Investments - Continued

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

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAm rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2010, was 46 days.

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

Custodial Credit Risk - Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. As of June 30, 2010, all of the School District's investments were properly collateralized as required by State statutes. The School District's investment policy states that safety of principal is the foremost objective of the investment program. Investment of funds shall be undertaken in a manner that seeks to insure the preservation of capital and protection of the investment principal.

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

Note 4 Nonmonetary Transactions

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

Note 5 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable Capital Assets				
Land	$ 8,263,583	$ -	$ -	$ 8,263,583
Construction in Progress	19,066,760	7,651,981	(11,982,611)	14,736,130
Total	27,330,343	7,651,981	(11,982,611)	22,999,713
Depreciable Capital Assets				
Land Improvements	1,797,279	-	-	1,797,279
Buildings and Building Improvements	70,387,116	11,995,317	-	82,382,433
Machinery, Equipment, and Technology	2,428,878	738,505	(119,082)	3,048,301
Vehicles	425,255	4,500	-	429,755
Total	75,038,528	12,738,322	(119,082)	87,657,768
Less Accumulated Depreciation				
Land Improvements	(1,233,247)	(92,976)	-	(1,326,223)
Buildings and Building Improvements	(19,801,844)	(2,156,926)	-	(21,958,770)
Machinery, Equipment, and Technology	(1,356,812)	(333,897)	65,830	(1,624,879)
Vehicles	(326,297)	(42,314)	-	(368,611)
Total	(22,718,200)	(2,626,113)	65,830	(25,278,483)
Depreciable Capital Assets, net	52,320,328	10,112,209	(53,252)	62,379,285
Governmental Activities Capital Assets, Net	$ 79,650,671	$ 17,764,190	$ (12,035,863)	$ 85,378,998

Note 5 Capital Assets – Continued

Current year depreciation expense by function is as follows:

Governmental Activities:		
Instruction	$	2,305,220
Improvement of instructional services		16,324
Maintenance and operation of plant		24,327
Central support services		68,102
Food services operation		148,341
Total Depreciation Expense - Governmental Activities	$	2,562,314

Note 6 Interfund Balances and Transfers

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions and from interfund loans of cash. Interfund balances at June 30, 2010 consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 1,395,844	$ 5,635,884
Capital Projects Fund	3,444,815	-
Debt Service Fund	3,177,812	632,227
SPLOST Fund	-	157,602
Nonmajor Governmental Funds	192,858	1,784,967
Total Governmental Funds	$ 8,211,329	$ 8,210,680

Transfers are used to move revenues such as sales tax and property tax revenues as required matching funds or to provide supplemental funding for projects. Interfund transfers for the year ended June 30, 2010 consisted of the following:

	Transfer From				
Transfer To	General Fund	SPLOST Fund	Debt Service	Nonmajor Governmental Funds	Total
General Fund	$ 351,493	$ -	$ -	$ -	$ 351,493
Capital Projects Fund	-	-	-	-	-
Debt Service Fund	150,000	-	10,017,964	-	10,167,964
SPLOST Fund	-	9,174,561	-	-	9,174,561
Nonmajor Governmental Funds	99,298	-	-	63,018	162,316
Total Governmental Funds	$ 600,791	$ 9,174,561	$ 10,017,964	$ 63,018	$ 19,856,334

Note 7 Long Term Debt

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

The following is an analysis of leased assets under the capital leases of June 30, 2010:

Land		$ 3,669,687
Buildings and building improvements	18,730,346	
Net of accumulated amortization	(1,876,788)	16,853,558
		$ 20,523,245

At June 30, 2010, payments due by fiscal year, which includes principal and interest, are as follows:

Year Ending June 30,	Principal	Interest
2011	$ 7,087,412	$ 733,193
2012	7,393,169	452,527
2013	1,267,308	120,631
2014-2017	1,358,557	221,977
2018	2,000,000	59,099
Total Principal and Interest	$ 19,106,446	$ 1,587,427

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

Note 7 Long Term Debt - Continued

Long-term liability activity for the year ended June 30, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Capital leases	$ 25,917,685	$ -	$ 6,811,239	$ 19,106,446	$ 7,087,412
Compensated absences	65,925	67,670	106,130	27,465	27,465
	$ 25,983,610	$ 67,670	$ 6,917,369	$ 19,133,911	$ 7,114,877

Note 8 Retirement Plans

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

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

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

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

Note 8 Retirement Plans - Continued

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2010, were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 were 9.74% of annual salary as required by the June 30, 2006, actuarial valuation. The employer contribution rate will increase to 10.28% effective July 1, 2010.

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

Fiscal Year	Percentage Contributed	Required Contribution
2010	100%	$ 3,621,060
2009	100%	3,652,949
2008	100%	3,643,580

Employee contributions for the years ended June 30, 2010, 2009, and 2008 were $1,951,595, $1,968,237, and $1,961,659, respectively.

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

Covered employees are required by state statute to contribute $4 per month for the nine month school year. Unlike TRS, the School District makes no contribution to PSERS. Total contributions from employees of the School District made during the fiscal year ended June 30, 2010 totaled $4,172.

The State of Georgia is required by statute to make an annual contribution to PSERS based upon an actuarial calculation. The state's contribution for employees for the fiscal year ended June 30, 2010 for School District employees was $15,710.

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

Note 8 Retirement Plans - Continued

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

ERS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Member contributions are set at 1.5% of compensation. Employer contributions required for fiscal year 2010 were 10.4% of compensation for participants on the new plan. Covered payroll for the year ended June 30, 2010 was $47,776. Employer contributions for the years ended June 30, 2010, 2009 and 2008 were $5,429, $5,437, and $4,704 equal to 11.4%, 10.4% and 10.4% of covered payroll, respectively. Employee contributions for the years ended June 30, 2010, 2009 and 2008 were $652, $783 and $678, equal to 1.4%, 1.5% and 1.5% of covered payroll, respectively.

Note 9 Post-Employment Benefits

The School District contributes to the Georgia Retiree Health Benefit Fund ("GRHBF"), a cost-sharing, multiple employer defined benefit postemployment healthcare plan administered by the Department of Community Health. The GRHBF is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers retired employees of the State including all departments, agencies and local school systems. GRHBF provides health insurance benefits to eligible retirees and their qualified beneficiaries through the health insurance plan for State employees. Pursuant to Title 45, Chapter 18 of the Official Code of Georgia Annotated, the authority to establish and amend the benefit provisions of the employees' health insurance plan (including benefits to retirees) is assigned to the Board of Community Health (Board). The Department of Community Health issues a publicly available financial report that includes financial statements and required supplementary information for SRHBF. That report may be obtained from the Department of Community Health at 2 Peachtree Street, Atlanta, Georgia 30303.

The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. On average, plan members pay approximately 25% of the cost of health insurance coverage.

Note 9 Post-Employment Benefits - Continued

Participating employers are statutorily required to contribute in accordance with the employer contribution rate established by the Board. This contribution rate is established to fund both the active and retired employee health insurance plans based on projected pay-as-you-go financing requirements. The combined rates for the active and retiree plans for the fiscal year ended June 30, 2010, were as follows:

Certified employees	
July 2009	18.534% of state-based salaries for August coverage
August 2009	15.503% of state-based salaries for September coverage
September 2009 – November 2009	14.492% of state-based salaries for October – December coverage
December 2009 – June 2010	18.534% of state-based salaries for January - July coverage
Non-Certificated Employees	$162.72 per month

No additional contribution was required by the Board for fiscal year 2010 nor contributed to GRBHF to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

The School District's contributions to the health insurance plans for the years ended June 30, 2010, 2009, and 2008 were $5,493,375, $4,215,416 and $5,551,857, respectively, which equaled the required contribution.

Note 10 Risk Management

The School District is exposed to various risks of loss for claims associated with torts: theft of, damage to, and destruction of assets; errors and omissions; natural disasters; workers compensation and unemployment compensation.

The School District has obtained commercial insurance from risk of loss associated with torts, assets, errors or omissions and job related illness or injuries to employees. The School District has neither significantly reduced coverage for these risks nor incurred losses (settlements) which exceeded the School District's insurance coverage in any of the past three years.

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for its claims within the General Fund with expenditures and liabilities being reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Changes in the unemployment compensation claims liability during the last three fiscal years are as follows:

	Beginning of Year Liability	Claims	Claims Paid	End of Year Liability
2008	$ -	$ 4,980	$ (4,980)	$ -
2009	-	7,263	(7,263)	-
2010	-	17,160	(17,160)	-

Note 11 Commitments and Contingencies

The School District is involved in legal matters as of the fiscal year ended June 30, 2010 in relation to workers' compensation claims. The School District feels that insurance coverage and other sources will cover any settlements and that the effect of the settlements will not have a material impact on the financials.

The School District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School District has not complied with the rules and regulations governing grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2010, may be impaired. In the opinion of the School District, the significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants have been recorded in the accompanying financial statements for such contingencies.

The School District is committed under outstanding construction contracts in the Capital Projects funds in the amount of $786,472. Construction contracts include new school construction and expansion and renovation of facilities.

CITY OF DALTON BOARD OF EDUCATION
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

CITY OF DALTON BOARD OF EDUCATION
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds				
	School Food Services	Lottery Programs	Federal Programs	School Activities	Total Nonmajor Governmental Funds
Assets					
Cash	$ 1,145,979	$ -	$ -	$ 524,341	$ 1,670,320
Receivables					
Intergovernmental	257,429	-	1,902,037	-	2,159,466
Due from other funds	2,560	113,259	-	77,039	192,858
Inventory	216,462	-	-	-	216,462
Total Assets	$ 1,622,430	$ 113,259	$ 1,902,037	$ 601,380	$ 4,239,106
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 212,000	$ 4,870	$ 9,868	$ -	$ 226,738
Salaries payable	128,096	108,389	187,008	-	423,493
Due to other funds	-	-	1,707,928	77,039	1,784,967
Total Liabilities	340,096	113,259	1,904,804	77,039	2,435,198
Fund Balances					
Reserved					
Inventory	216,462	-	-	-	216,462
Unreserved					
Undesignated	1,065,872	-	(2,767)	524,341	1,587,446
Total Fund Balances	1,282,334	-	(2,767)	524,341	1,803,908
Total Liabilities and Fund Balances	$ 1,622,430	$ 113,259	$ 1,902,037	$ 601,380	$ 4,239,106

CITY OF DALTON BOARD OF EDUCATION
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Special Revenue Funds				
	School Food Services	Lottery Programs	Federal Programs	Student Activities	Total Nonmajor Governmental Funds
Revenues					
Federal sources	$ 3,915,803	$ -	$ 4,467,159	$ -	$ 8,382,962
State sources	140,820	1,228,073	-	-	1,368,893
Local sources and other funds	421,528	-	-	895,141	1,316,669
Total Revenues	4,478,151	1,228,073	4,467,159	895,141	11,068,524
Expenditures					
Current					
Instruction	-	1,204,182	1,800,334	190,703	3,195,219
Support services					
Pupil services	-	105,545	402,373	15,076	522,994
Improvement of instructional services	-	11,144	1,492,742	4,866	1,508,752
Educational media services	-	-	-	53,818	53,818
General administration	-	-	463,932	-	463,932
School administration	-	-	-	63,509	63,509
Student transportation services	-	-	52,593	4,021	56,614
Central support services	-	-	629	10,366	10,995
Other support services	-	6,500	54,589	425,739	486,828
Food services operation	4,567,767	-	56,297	-	4,624,064
Community services operation	-	-	-	152,828	152,828
Capital outlay					
Food services operation	660,599	-	-	-	660,599
Total Expenditures	5,228,366	1,327,371	4,323,489	920,926	11,800,152
Excess (deficiency) of revenues over (under) expenditures	(750,215)	(99,298)	143,670	(25,785)	(731,628)
Other Financing Sources (Uses)					
Transfers in	-	99,298	-	63,018	162,316
Transfers out	-	-	-	(63,018)	(63,018)
Total Other Financing Sources (Uses)	-	99,298	-	-	99,298
Net Change in Fund Balances	(750,215)	-	143,670	(25,785)	(632,330)
Fund Balance, Beginning of Year	2,032,549	-	(146,437)	550,126	2,436,238
Fund Balance, End of Year	$ 1,282,334	$ -	$ (2,767)	$ 524,341	$ 1,803,908

AGENCY FUNDS

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

CITY OF DALTON BOARD OF EDUCATION
COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
JUNE 30, 2010

	Student Activity	Family Connection	Totals
Assets			
Cash	$ 77,039	$ -	$ 77,039
Accounts receivable	-	13,166	13,166
Total Assets	$ 77,039	$ 13,166	$ 90,205
Liabilities			
Due to others	$ 77,039	$ 13,166	$ 90,205
Total Liabilities	$ 77,039	$ 13,166	$ 90,205

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Governmental activities					
Invested in capital assets, net of related debt	$ 44,227,935	$ 50,351,597	$ 58,769,014	$ 66,799,011	$ 66,272,552
Restricted	16,661,177	17,855,771	17,119,101	14,646,535	13,667,315
Unrestricted	11,115,182	13,616,289	12,712,694	8,570,327	14,154,177
Total governmental activities	$ 72,004,294	$ 81,823,657	$ 88,600,809	$ 90,015,873	$ 94,094,044
Total percentage increase from prior year	-	13.6%	8.3%	1.6%	4.5%
Governmental activities					
Invested in capital assets, net of related debt	61.4%	61.5%	66.3%	74.2%	70.4%
Restricted	23.1%	21.8%	19.3%	16.3%	14.5%
Unrestricted	15.4%	16.6%	14.3%	9.5%	15.0%
Total governmental activities	100.0%	100.0%	100.0%	100.0%	100.0%

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

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Expenses					
Governmental activities:					
Instruction	$ 38,396,632	$ 42,030,924	$ 45,510,301	$ 46,897,774	$ 44,949,020
Support services:					
Pupil services	1,583,369	2,014,952	3,010,776	2,663,130	2,139,030
Improvement of instructional services	1,770,203	1,791,499	1,953,519	2,521,532	2,593,505
Educational media services	1,137,661	1,087,919	1,216,252	1,121,176	1,164,142
General administration	607,728	630,752	651,384	784,947	897,271
School administration	2,506,189	2,673,157	2,805,057	2,942,937	3,051,347
Business administration	486,235	773,196	727,347	662,597	676,402
Maintenance and operation of plant	5,357,186	3,761,561	4,388,784	4,367,999	4,748,609
Student transportation services	2,432,923	3,005,214	2,832,119	2,768,436	2,870,261
Central support services	2,061,402	2,275,453	3,593,682	2,442,992	2,586,306
Other support services	551,098	86,316	85,898	86,832	504,600
Food services operation	2,681,748	3,249,025	3,759,191	4,097,768	4,824,835
Community services operations	105,404	145,929	145,297	115,038	298,337
Interest on long-term debt	861,735	907,694	1,035,443	1,350,650	906,574
Total governmental activities expenses	$ 60,539,513	$ 64,433,591	$ 71,715,050	$ 72,823,808	$ 72,210,239

(continued)

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Program revenues					
Governmental activities					
Charges for services					
Instruction	$ 229,178	$ 231,790	$ 230,966	$ 226,809	$ 244,607
Food services operation	506,891	493,292	451,413	460,373	418,602
Operating grants and contributions					
Instruction	22,790,243	25,557,802	23,751,474	22,819,300	23,750,055
Support services:					
Pupil services	475,188	615,249	2,184,571	1,304,391	1,371,667
Improvement of instructional services	1,033,432	892,009	1,363,071	1,900,318	2,121,052
Educational media services	585,674	780,610	625,222	531,146	631,006
General administration	1,210,904	493,792	421,680	451,812	707,136
School administration	1,092,358	1,452,522	1,427,594	1,392,830	1,620,076
Business administration	-	-	360,041	310,950	354,786
Maintenance and operation of plant	1,652,572	1,928,061	2,714,929	1,892,957	3,129,566
Student transportation services	178,707	341,242	1,448,881	1,327,258	1,524,726
Central support services	9,439	983,021	1,844,231	1,177,297	1,320,032
Other support services	31,364	34,915	55,098	254,631	485,437
Food services operation	2,703,768	3,080,428	3,395,611	3,797,153	4,114,791
Community services operations	-	-	74,080	54,228	224,367
Operating grants and contributions					
Support services:					
Student transportation services	146,080	-	-	-	-
Total governmental activities program revenues	$ 32,645,798	$ 36,884,733	$ 40,348,862	$ 37,901,453	$ 42,017,906
Net revenues (expenses)					
Governmental activities	$ (27,893,715)	$ (27,548,858)	$ (31,366,188)	$ (34,922,355)	$ (30,192,333)

(continued)

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
General revenues and other changes in net assets					
Governmental activities					
Property taxes	$ 26,839,836	$ 28,591,529	$ 29,644,818	$ 29,352,719	$ 28,173,650
Sales taxes	6,293,834	6,106,623	6,199,129	5,704,504	5,560,456
Unrestricted investment earnings	1,147,673	2,192,092	1,846,208	1,135,942	536,398
Other	713,653	477,977	453,185	144,254	-
Total governmental activities general revenues and other changes in net assets	$ 34,994,996	$ 37,368,221	$ 38,143,340	$ 36,337,419	$ 34,270,504
Change in net assets					
Governmental activities	$ 7,101,281	$ 9,819,363	$ 6,777,152	$ 1,415,064	$ 4,078,171

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

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
General fund					
Unreserved	$ 8,553,053	$ 10,816,879	$ 9,478,179	$ 5,535,726	$ 6,350,757
Total general fund	$ 8,553,053	$ 10,816,879	$ 9,478,179	$ 5,535,726	$ 6,350,757
All other governmental funds					
Reserved, reported in special revenue funds	$ 98,365	$ 116,219	$ 146,350	$ 149,487	$ 216,462
Reserved, reported in debt service fund	10,395,356	10,145,456	8,923,584	9,273,082	7,382,131
Unreserved, reported in special revenue funds	1,866,347	2,135,025	2,291,320	2,286,751	1,587,446
Unreserved, reported in capital projects fund	6,265,821	21,631,425	26,254,856	18,439,478	11,456,127
Total nonmajor governmental funds	$ 18,625,889	$ 34,028,125	$ 37,616,110	$ 30,148,798	$ 20,642,166
Total governmental funds					
Reserved	$ 10,493,721	$ 10,261,675	$ 9,069,934	$ 9,422,569	$ 7,598,593
Unreserved	16,685,221	34,583,329	38,024,355	26,261,955	19,394,330
Total governmental funds	$ 27,178,942	$ 44,845,004	$ 47,094,289	$ 35,684,524	$ 26,992,923
Total percentage change from prior year		65.0%	5.0%	-24.2%	-24.4%

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

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Revenues					
Federal sources	$ 5,777,434	$ 6,522,700	$ 7,135,135	$ 7,883,717	$ 11,912,377
State sources	25,315,449	28,385,050	30,399,890	27,523,761	27,476,320
Local sources and other funds	37,060,277	39,263,682	39,734,896	38,567,366	36,680,321
On behalf payments	733,974	758,526	962,597	424,335	110,304
Total Revenues	68,887,134	74,929,958	78,232,518	74,399,179	76,179,322
Expenditures					
Current					
Instruction	37,604,109	41,353,763	44,006,369	45,104,125	42,687,509
Support services					
Pupil services	1,583,369	2,033,402	3,013,405	2,663,190	2,141,604
Improvement of instructional services	1,770,203	1,804,003	1,940,245	2,516,004	2,590,228
Educational media services	1,137,661	1,106,150	1,216,252	1,121,176	1,164,142
General administration	607,728	670,200	650,939	782,990	900,976
School administration	2,483,576	2,651,324	2,799,981	2,948,640	3,053,434
Business administration	486,235	1,031,213	732,183	660,197	680,708
Maintenance and operation of plant	4,150,615	3,816,514	4,045,718	4,036,606	4,705,445
Student transportation services	2,432,923	3,005,678	2,832,119	2,768,436	2,870,261
Central support services	2,061,402	2,289,671	3,613,207	2,388,110	2,523,088
Other support services	551,098	86,316	85,898	86,832	504,600
Food services operation	2,775,010	3,415,121	3,772,330	3,972,096	4,624,064
Community services operations	105,404	148,248	145,297	115,038	298,337

(continued)

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

	June 30, 2006	June 30, 2007	June 30, 2008	June 30, 2009	June 30, 2010
Capital outlay	$ 2,636,781	$ 2,692,835	$ 9,616,024	$ 8,892,363	$ 8,326,056
Debt service					
Principal retirement	4,952,668	5,118,353	8,415,921	6,490,499	6,811,239
Interest and fiscal charges	943,963	774,325	1,153,269	1,262,642	989,232
Total Expenditures	66,282,745	71,997,116	88,039,157	85,808,944	84,870,923
Excess of Revenues Over (Under) Expenditures	2,604,389	2,932,842	(9,806,639)	(11,409,765)	(8,691,601)
Other Financing Sources (Uses)					
Capital lease proceeds	$ -	$ 14,733,220	$ 12,055,924	$ -	$ -
Transfers in	6,231,887	8,908,386	3,488,874	20,332,508	19,856,334
Transfers out	(6,231,887)	(8,908,386)	(3,488,874)	(20,332,508)	(19,856,334)
Total other Financing Sources (Uses)	-	14,733,220	12,055,924	-	-
Net Change in Fund Balance	$ 2,604,389	$ 17,666,062	$ 2,249,285	$ (11,409,765)	$ (8,691,601)
Debt Service as a % of noncapital expenditures	9.3%	8.5%	12.2%	10.1%	10.2%

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

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

Calendar Year	Real Property	Personal Property	Public Utilities	Less Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2005	$ 1,842,791,190	$ 1,403,339,300	$ 44,522,298	$ 130,265,366	$ 3,160,387,422	8.565
2006	1,954,445,189	1,537,856,776	41,566,765	145,206,625	3,388,662,105	8.393
2007	2,139,401,407	1,590,117,669	42,578,173	161,443,322	3,610,653,927	8.134
2008	2,288,433,413	1,608,962,174	39,531,613	166,913,529	3,770,013,671	7.845
2009	2,261,143,928	1,562,971,156	38,765,258	173,595,248	3,689,285,094	7.845

Source: Whitfield County Board of Tax Assessors.
Note: Real property includes commercial and residential property. All property is assessed at 100% of estimated actual value. For this reason, assessed value is equal to estimated actual value. Tax rates are per $1,000 of assessed value.
Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only five years of information are presented, but additional years will be presented annually.

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

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

Source: Whitfield County Board of Tax Assessors.
Note: Overlapping rates are those of the city and county governments that apply to property owners within the City of Dalton. Not all overlapping rates apply to all City of Dalton property owners. For example, the rates for special districts apply only to those property owners located within the geographic boundaries of the special district.
Note: The City of Dalton Board of Education implemented the statistical section for the year ended June 30, 2009 in order to present a comprehensive annual financial report. Only five years of information are presented, but additional years will be presented annually.

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

	Calendar Year 2009			Calendar Year 2000		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Shaw Industries, Inc.	$ 419,614,366	1	11.4%	359,589,170	1	14.2%
Mohawk Industries, Inc.	108,651,741	2	2.9%	111,897,821	3	4.4%
Beaulieu of America, Inc.	97,897,040	3	2.7%	147,159,603	2	5.8%
J & J Industries, Inc.	65,822,054	4	1.8%	55,299,104	4	2.2%
TANDUS Group (formerly Collins & Aikman)	48,586,782	5	1.3%	34,382,375	5	1.4%
CBL & Associates	33,626,985	6	0.9%	-	NA	NA
Windstream Georgia, CC (formerly Alltel)	27,206,132	7	0.7%	33,975,156	6	1.3%
Lexmark Carpet Mills	27,206,132	8	0.7%	-	NA	NA
Indian Summer Carpet Mills, Inc.	17,271,215	9	0.5%	-	NA	NA
Brown Industries, Inc.	15,152,077	10	0.4%	-	NA	NA
Synthetic Industries	-	NA	NA	33,639,530	7	1.3%
Mattel	-	NA	NA	21,020,461	8	0.8%
Dixie Group (Bretlin)	-	NA	NA	20,178,116	9	0.8%
Conagra	-	NA	NA	14,123,739	10	0.6%

Source: Whitfield County Tax Commissioner

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

Fiscal Year	Taxes Levied	Collected within the Calendar Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
June 30, 2009	$ 27,998,159	$ 27,014,517	96.5%	561,205	$ 27,575,722	98.5%
June 30, 2010	27,859,000	26,904,524	96.6%	-	26,904,524	96.6%

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

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

	Governmental Activities			
Fiscal Year	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
June 30, 2006	$ 11,245,156	$ 11,245,156	1.3%	$ 357
June 30, 2007	24,766,803	24,766,803	2.5%	771
June 30, 2008	32,408,184	32,408,184	3.0%	981
June 30, 2009	25,917,685	25,917,685	2.7%	776
June 30, 2010	19,106,446	19,106,446	Not yet available	Not yet available

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

CITY OF DALTON BOARD OF EDUCATION
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2010
(UNAUDITED)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Direct and Overlapping Debt
Debt repaid with revenues other than property taxes			
City of Dalton's portion of notes payable	$ 512,956	100.0%	$ 512,956
City of Dalton general obligation bonds	1,940,000	100.0%	1,940,000
Whitfield County intergovernmental liabilitiy	2,889,685	33.4%	965,155
Total overlapping debt			3,418,111
City of Dalton Board of Education direct debt			19,106,446
Total direct and overlapping debt			$ 22,524,557

Note: Estimated applicable percentage for City of Dalton debt is 100% because the geographic boundaries of the City of Dalton Board of Education and the City of Dalton, Georgia are the same. The estimated applicable percentage for Whitfield County debt is 33.4% based on the percentage of estimated population within the City of Dalton, Georgia to the estimated population within Whitfield County, Georgia, as obtained from the Georgia Department of Labor website.

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

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

	Calendar Year				
	2005	2006	2007	2008	2009
Debt limit	$ 329,065,279	$ 353,386,873	$ 377,209,725	$ 360,474,151	$ 386,288,034
Total net debt applicable to limit	25,806,202	25,563,873	36,220,989	30,740,462	22,524,557
Legal debt margin	$ 303,259,077	$ 327,823,000	$ 340,988,736	$ 329,733,689	$ 363,763,477
Total net debt applicable to limit as a % of debt limit	7.8%	7.2%	9.6%	8.5%	5.8%

Legal Debt Margin Calculation for Calendar Year 2009

Assessed value	$3,689,285,094
Add: exempt real property	173,595,248
Total assessed value	3,862,880,342
	10%
Debt limit (10% of assessed value)	$ 386,288,034
Debt applicable to limit	
Total direct and overlapping debt	$ 22,524,557
Total debt applicable to limit	$ 22,524,557
Legal debt margin	$ 363,763,477

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

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

Calendar Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate
2005	31,478	$ 897,154	$ 28,501	4.2%
2006	32,140	992,740	30,888	4.1%
2007	33,045	1,079,117	32,656	4.5%
2008	33,401	957,774	28,675	5.7%
2009	Not yet available	Not yet available	Not yet available	12.5%

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

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

	Calendar Year 2009			Calendar Year 2000		
Taxpayer	Employees (1)	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	6,191	1	18.5%	NA	NA	NA
Mohawk Industries, Inc.	2,208	2	6.6%	NA	NA	NA
Hamilton Medical Center	1,900	3	5.7%	NA	NA	NA
Beaulieu of America, Inc.	1,789	4	5.4%	NA	NA	NA
Dalton Public School System	900	5	2.7%	NA	NA	NA
J & J Industries, Inc.	724	6	2.2%	NA	NA	NA
TANDUS Group (formerly Collins & Aikman)	716	8	2.1%	NA	NA	NA
City of Dalton, Georgia	684	7	2.0%	NA	NA	NA
Shiroki Georgia, LLC (formerly SWM Georgia, LLC)	556	9	1.7%	NA	NA	NA
Pilgrim's Pride Corp.	486	10	1.5%	NA	NA	NA

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

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

Function	For the fiscal year ending June 30,				
	2006	2007	2008	2009	2010
Instruction	605	590	649	638	557
Pupil services	22	23	30	33	10
Improvement of instructional services	11	12	8	10	20
Educational media services	17	17	14	13	17
General administration	3	3	3	2	3
School administration	32	32	31	32	34
Business administration	5	4	4	4	4
Maintenance and operation of plant	50	56	51	56	54
Student transportation services	1	1	1	1	1
Central support services	20	20	19	21	18
Other support services	-	-	-	1	1
Food services operation	90	100	90	99	64
Total	856	858	900	910	783
Percentage Change from Prior Year		0.2%	4.9%	1.1%	-14.0%

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

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

Fiscal Year	School District's Minimum Salary	Minimum State Salary	School District's % of State Minimum	School District's Maximum Salary	School District's Average Salary	Statewide Average Salary	School District's % of State Average
June 30, 2006	$ 34,671	$ 28,767	121%	$ 73,572	$ 51,496	$ 48,247	107%
June 30, 2007	35,889	29,918	120%	76,216	52,441	49,836	105%
June 30, 2008	36,839	30,816	120%	78,277	54,251	51,466	105%
June 30, 2009	37,491	31,586	119%	79,694	56,073	49,836	113%
June 30, 2010	34,784	31,586	110%	78,543	55,934	49,836	112%

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

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

School	For the fiscal year ending June 30,				
	2006	2007	2008	2009	2010
Elementary:					
Blue Ridge School (2005)					
Square feet	68,438	68,438	83,670	83,670	83,670
Capacity	1,025	1,025	1,025	1,025	1,025
Enrollment	475	444	453	629	712
Enrollment as a % of Capacity	46%	43%	44%	61%	69%
Teachers	41	40	41	52	65
Teacher/student ratio	1 to 11.6	1 to 11.1	1 to 11.1	1 to 12.1	1 to 11.0
Brookwood Elementary School (1964)					
Square feet	63,506	63,506	86,666	86,666	86,666
Capacity	925	925	925	925	925
Enrollment	555	400	422	563	638
Enrollment as a % of Capacity	60%	43%	46%	61%	69%
Teachers	42	37	38	47	44
Teacher/student ratio	1 to 13.2	1 to 10.8	1 to 11.1	1 to 12.0	1 to 14.5
City Park School (1923)					
Square feet	99,786	99,786	99,786	99,786	99,786
Capacity	1,100	1,100	1,100	1,100	1,100
Enrollment	734	837	847	717	796
Enrollment as a % of Capacity	67%	76%	77%	65%	72%
Teachers	56	64	73	64	63
Teacher/student ratio	1 to 13.1	1 to 13.1	1 to 11.6	1 to 11.2	1 to 12.6

(continued)

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

School	For the fiscal year ending June 30,				
	2006	2007	2008	2009	2010
Park Creek School (2000)					
Square feet	78,458	78,458	99,688	99,688	99,688
Capacity	1,075	1,075	1,075	1,075	1,075
Enrollment	497	553	566	646	726
Enrollment as a % of Capacity	46%	51%	53%	60%	68%
Teachers	43	46	51	54	65
Teacher/student ratio	1 to 11.6	1 to 12.0	1 to 11.1	1 to 12.0	1 to 11.2
Roan School (1969)					
Square feet	71,528	71,528	71,528	71,528	71,528
Capacity	725	725	725	725	725
Enrollment	467	595	594	386	432
Enrollment as a % of Capacity	64%	82%	82%	53%	60%
Teachers	38	47	52	40	48
Teacher/student ratio	1 to 12.3	1 to 12.7	1 to 11.4	1 to 9.7	1 to 9.0
Westwood Elementary School (1974)					
Square feet	57,125	57,125	57,125	57,125	57,125
Capacity	625	625	625	625	625
Enrollment	501	512	527	519	561
Enrollment as a % of Capacity	80%	82%	84%	83%	90%
Teachers	37	41	41	43	41
Teacher/student ratio	1 to 13.5	1 to 12.5	1 to 12.9	1 to 12.1	1 to 13.7

(continued)

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

School	For the fiscal year ending June 30,				
	2006	2007	2008	2009	2010
Middle:					
Dalton Middle School (2001)					
Square feet	175,804	175,804	191,524	191,524	191,524
Capacity	1,402	1,402	1,402	1,402	1,402
Enrollment	1,314	1,312	1,374	1,411	1,445
Enrollment as a % of Capacity	94%	94%	98%	101%	103%
Teachers	88	89	93	99	121
Teacher/student ratio	1 to 14.9	1 to 14.7	1 to 14.8	1 to 14.3	1 to 11.9
High:					
Dalton High School (1976)					
Square feet	240,467	240,467	240,467	240,467	240,467
Capacity	1,896	1,896	1,896	1,896	1,896
Enrollment	1,546	1,576	1,581	1,603	1,402
Enrollment as a % of Capacity	82%	83%	83%	85%	74%
Teachers	105	104	103	109	110
Teacher/student ratio	1 to 14.7	1 to 15.2	1 to 15.3	1 to 14.7	1 to 12.7
Morris Innovative High School (2009)					
Square feet	-	-	-	-	36,102
Capacity	-	-	-	-	327
Enrollment	-	-	-	-	135
Enrollment as a % of Capacity	0%	0%	0%	0%	41%
Teachers	-	-	-	-	20
Teacher/student ratio	-	-	-	-	1 to 6.8
Total government-wide cost per student	$ 9,942	$ 10,344	$ 11,269	$ 11,249	$ 10,758

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

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

School	For the fiscal year ending June 30,				
	2006	2007	2008	2009	2010
Blue Ridge School	87.00%	87.48%	87.17%	87.15%	87.01%
Brookwood Elementary School	55.00%	46.01%	51.87%	55.21%	61.12%
City Park School	80.60%	78.97%	83.48%	82.71%	86.46%
Park Creek School	89.20%	90.05%	89.44%	89.37%	89.99%
Roan School	88.60%	87.90%	87.88%	87.84%	87.73%
Westwood Elementary School	47.10%	44.65%	50.09%	49.38%	48.85%
Dalton Middle School	72.00%	61.59%	69.36%	68.82%	75.33%
Morris Innovative High School	0.00%	0.00%	0.00%	0.00%	87.23%
Dalton High School	57.30%	47.08%	62.94%	61.20%	67.63%
District wide	69.99%	65.10%	71.72%	70.92%	75.31%

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

SPECIAL REPORTS SECTION

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF
SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Original Estimated Cost	Current Estimated Cost	Prior Years	Current Year	Total
2007 ELOST					
Acquisition, construction, renovation, and equiping of schools	$ 37,000,000	$ 31,000,000	$ 17,571,714	$ 7,651,981	$ 25,223,695
Total	$ 37,000,000	$ 31,000,000	$ 17,571,714	$ 7,651,981	$ 25,223,695

ESTES & WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Dalton Board of Education, as of and for the year ended June 30, 2010, which collectively comprise the City of Dalton Board of Education's basic financial statements and have issued our report thereon dated January 26, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dalton Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dalton Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton Board of Education's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (FS10-1 and FS10-2) A significant deficiency is a deficiency, or 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. Of the findings described above, we consider item FS10-2 to be a material weakness.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether City the City of Dalton Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as FS10-3.

We noted certain matters that we reported to management of the City of Dalton Board of Education, in a separate letter dated January 26, 2011.

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

This report is intended solely for the information and use of management, Board members, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Estes & Williams

Dalton, Georgia
January 26, 2011

ESTES & WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the City of Dalton Board of Education, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The City of Dalton Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dalton Board of Education's management. Our responsibility is to express an opinion on the City of Dalton Board of Education's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Dalton Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Dalton Board of Education's compliance with those requirements.

In our opinion, the City of Dalton Board of Education, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Dalton Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Dalton Board of Education's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton Board of Education's internal control over compliance.

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A deficiency in internal control over compliance 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Board members, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Estes & Williams

Dalton, Georgia
January 26, 2011

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Summary of Audit Results

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

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

3. One instance of noncompliance material to the financial statements of the City of Dalton Board of Education was disclosed during the audit.

4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit which are required to be reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for the City of Dalton Board of Education expresses an unqualified opinion.

6. The programs tested as major programs are:

U.S. Department of Education
Special Education Education Cluster (IDEA)
Individuals with Disabilities Education Act (IDEA) Flow Through
Individuals with Disabilities Education Act (IDEA) Preschool
Individuals with Disabilities Education Act (IDEA) ARRA Flow Through
CFDA # 84.027 and 84.173

Title I - Improving Academic Achievement of the Disadvantaged
Title I - Distinguished School Awards
Title I - American Recovery and Reinvestment Act Stimulus
CFDA # 84.010 and 84.389

State Fiscal Stabilization Fund - Education State Grants, Recovery Act
CFDA # 84.394

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

8. The City of Dalton Board of Education was not determined to be a low risk auditee.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Findings – Financial Statement Audit

FS10-1	Condition:	The School District uses nonintegrated computer systems to maintain data, and nonsystematic transactions are required to compile all accounting records in the main accounting system.
	Criteria:	Using nonsystematic nonroutine transactions to record activity in the accounting records affords the opportunity for error or misstatement.
	Cause:	Separate systems are used for the general ledger and other related accounting functions, capital asset recordkeeping, school activity accounts, and food service accounts.
	Effect:	The nonintegrated systems require journal entries to record activity, and that activity could be misclassified or not recorded in the accounting system.
	Recommendation:	The systems should be integrated in a way to allow the information maintained on all systems to be automatically recorded in the main accounting system. If the systems can not be integrated, compensating controls should be in place to minimize the risk of error.
	Management Response:	We concur. We will implement additional review to lower the risk, but a remedy is currently cost prohibitive.
FS10-2	Condition:	Internal controls were not sufficient to detect material misstatements in the accounting records.
	Criteria:	Internal controls should be in place to prevent or to detect misstatements in the accounting records on a timely basis.
	Cause:	Insufficient internal controls and/or management review over school nutrition accounting and other funds' items that fall outside the scope of normal accounting transactions.
	Effect:	Material misstatements occurred and were not detected or were not detected on a timely basis.
	Recommendation:	Additional review and approval procedures should be implemented to help detect material errors.
	Management Response:	We concur. Additional review procedures will be implemented to prevent future occurrences.
FS10-3	Condition:	Cash held in a depository account was not adequately collateralized in accordance with Georgia law.
	Criteria:	Collateralization coverage should be sufficient to protect all deposits owned by the School District.
	Cause:	Three bank accounts were not included in pledging pool.
	Effect:	Deposits of $68,570 were not collateralized.
	Recommendation:	Management should review collateralization coverage of all bank accounts.
	Management Response:	We concur. We will perform periodic verification with all financial institutions to verify the deposits are adequately collateralized.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Current Year Expenditures
U.S. Department of Defense		
Direct Funding		
Department of the Army - R.O.T.C. Program		$ 49,604
Total U.S. Department of Defense		49,604
U.S. Department of Agriculture		
Pass-Through Georgia Department of Education:		
Food and Nutrition Program		
Food Services		
Child Nutrition Cluster		
School Breakfast Program (A)	10.553	-
School Snack Program (A)	10.555	-
National School Lunch Program (A)	10.555	3,703,229
Total Child Nutrition Cluster		3,703,229
Food Distribution Program (A) (B)	10.550	212,575
Fresh Fruit and Vegetables Program (B)	10.582	53,737
Total U.S. Department of Agriculture		3,969,541

continued

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Current Year Expenditures
U.S. Department of Education		
Pass-Through Georgia Department of Education:		
Title I - Improving Academic Achievement of the Disadvantaged	84.010	1,634,486
Title I - Distinguished School Awards	84.010	15,924
Title I - American Recovery and Reinvestment Act	84.389	695,446
		2,345,856
Special Education Education Cluster (IDEA)		
Individuals with Disabilities Education Act (IDEA) Flow Through	84.027	1,099,180
Individuals with Disabilities Education Act (IDEA) Preschool	84.173	24,357
Individuals with Disabilities Education Act (IDEA) ARRA		326,709
Individuals with Disabilities Education Act (IDEA) Preschool ARRA		7,849
Individuals with Disabilities Education Act (IDEA) Preschool ARRA		44,104
		1,502,199
Title I - Migrant Education	84.011	44,276
Vocational Education Grants to States - Program Improvement	84.048	71,697
Vocational Education Grants to States - Professional Development	84.048	7,645
Vocational Education Grants to States - Education Career Pshp	84.048	5,439
		84,781
Education for Homeless Children and Youth	84.196	29,950
Ed Tech Formula Grant	84.318	10,000
Title III-A - Limited English Proficient	84.365	156,710
Improving Teacher Quality	84.367	239,652
State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	3,351,400
Total U.S. Department of Education		7,764,824
		$ 11,783,969

CITY OF DALTON BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

1. General

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

2. Basis of Presentation

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

3. Relationship to Federal Financial Reports

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

4. Notes

(A) Expenditures for the School Breakfast and Snack Programs were not maintained separately and are included in the National School Lunch Program.

(B) The amounts shown for the Food Distribution Program represent the Federally assigned value of nonmonetary assistance for donated commodities received and/or consumed by the system during the current fiscal year.

CITY OF DALTON BOARD OF EDUCATION
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Prior Year Findings:

FS09-1 Condition: The School District uses nonintegrated computer systems to maintain data, and nonsystematic transactions are required to compile all accounting records in the main accounting system.

Status: The School District still utilizes nonintegrated computer systems. This finding has not been resolved.

FS09-2 Condition: Internal controls were not sufficient to detect material misstatements in the accounting records.

Status: The School District had material misstatements in the accounting records during the current fiscal year. This finding has not been resolved.

FS09-3 Condition: Cash held in a depository account was not adequately collateralized in accordance with Georgia law.

Status: There was cash held in a depository account not adequately collateralized in accordance with Georgia law in the current year. This finding has not been resolved.

FS09-4 Condition: Noncompliance of lease arrangement terms.

Status: All lease payments were made timely in the current year and an extra payment was made to cover the prior year error. This finding has been resolved.