

CITY OF DALTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the
Year Ended December 31, 2008

Cindy Jackson, CPA
Finance Director

By Authority of
Mayor and Council

**City of Dalton, Georgia
Comprehensive Annual Financial Report
For The Year Ended December 31, 2008**

TABLE OF CONTENTS

Introductory Section

Table of Contents.....	i
Letter of Transmittal.....	v
GFOA Certificate of Achievement.....	ix
City Officials and Administration.....	x
Organizational Chart.....	xi

Financial Section

Independent Auditors' Report	1
Management's Discussion and Analysis (Unaudited)	3

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets.....	13
Statement of Activities.....	14

Fund Financial Statements

Balance Sheet - Governmental Funds.....	15
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund.....	19
Statement of Net Assets - Proprietary Funds.....	20
Reconciliation of the Statement of Net Assets of Proprietary Funds to the Statement of Net Assets.....	22
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds.....	23
Reconciliation of the Statements of Revenues, Expenses, and Changes in Fund Net Assets of Proprietary Funds to the Statement of Activities.....	24
Statement of Cash Flows - Proprietary Funds.....	25
Statement of Fiduciary Net Assets.....	27
Statement of Changes in Fiduciary Net Assets.....	28

Notes to the Basic Financial Statements	29
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Required Supplementary Information

Pension Trust Fund Schedule of Employer Contributions.....	68
Pension Trust Fund Schedule of Funding Progress.....	69

**City of Dalton, Georgia
Comprehensive Annual Financial Report
For The Year Ended December 31, 2008**

TABLE OF CONTENTS

Other Combining and Individual Fund Statements and Schedules

Governmental Funds

Nonmajor Governmental Funds

Combining Balance Sheet - By Fund Type.....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - By Fund Type.....	71

Major Governmental Fund

Comparative Balance Sheet - General Fund.....	72
Schedule of Revenues - Budget and Actual - General Fund.....	73
Schedule of Expenditures - Budget and Actual - General Fund.....	75

Nonmajor Special Revenue Funds

Combining Balance Sheet.....	82
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances.....	83
Comparative Balance Sheet - Recreation Commission Fund.....	84
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Recreation Commission Fund.....	85
Schedule of Expenditures - Budget and Actual - Recreation Commission Fund.....	86
Comparative Balance Sheet - Hotel Motel Tax Fund.....	87
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Hotel Motel Tax Fund.....	88
Comparative Balance Sheet - Confiscated Assets Fund.....	89
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Confiscated Assets Fund.....	90
Comparative Balance Sheet - Community Development Block Grant Fund.....	91
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community Development Block Grant Fund.....	92
Comparative Balance Sheet - Community HOME Investment Program Grant Fund.....	93
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Community HOME Investment Program Grant Fund.....	94

Non-major Debt Service Fund

Comparative Balance Sheet.....	95
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	96

Non-major Capital Projects Fund

Comparative Balance Sheet.....	97
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual.....	98

**City of Dalton, Georgia
Comprehensive Annual Financial Report
For The Year Ended December 31, 2008**

TABLE OF CONTENTS

Proprietary Funds

Non-major Enterprise Funds

Combining Statement of Net Assets.....	99
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	100
Combining Statement of Cash Flows.....	101

Major Enterprise Fund

Combining Schedule of Net Assets - Water, Light, and Sinking Commission Fund.....	102
Combining Schedule of Revenues, Expenses, an Changes in Fund Net Assets - Water, Light, and Sinking Commission Fund.....	103

Non-major Enterprise Fund

Comparative Statement of Net Assets - Municipal Golf Course Fund.....	104
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets - Municipal Golf Course Fund.....	105

Internal Service Funds

Combining Statement of Net Assets.....	106
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	107
Combining Statement of Cash Flows.....	108
Comparative Statement of Net Assets - Workers' Compensation Fund.....	109
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets - Workers' Compensation Fund.....	110
Comparative Statement of Net Assets - Health Insurance Fund.....	111
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Assets - Health Insurance Fund.....	112

Fiduciary Funds

Statement of Changes in Assets and Liabilities - Municipal Court Agency Fund.....	113
Statement of Changes in Assets and Liabilities - Tax Agency Fund.....	114

**City of Dalton, Georgia
Comprehensive Annual Financial Report
For The Year Ended December 31, 2008**

TABLE OF CONTENTS

Statistical Section

Financial Trends

Net Assets by Component.....	115
Changes in Net Assets.....	116
Fund Balances of Governmental Funds.....	119
Changes in Fund Balances of Governmental Funds.....	120

Revenue Capacity

Assessed Value and Estimated Actual Value of Taxable Property.....	122
Direct and Overlapping Property Tax Rates.....	123
Principal Property Taxpayers.....	124
Property Tax Levies and Collections.....	125

Debt Capacity

Ratios of Outstanding Debt by Type.....	126
Ratios of General Obligation Debt Outstanding.....	127
Direct and Overlapping Governmental Activities Debt.....	128
Legal Debt Margin Information.....	129
Pledged-Revenue Coverage.....	130

Demographic and Economic Information

Demographic and Economic Statistics.....	131
Principal Employers.....	132
Full-time Equivalent City Government Employees by Function/Program.....	133
Operating Indicators by Function/Program.....	134
Capital Asset Statistics by Function/Program.....	136

Special Report Section

Independent Auditors' Report on Special Purpose Local Option Sales Tax.....	137
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax.....	138
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based On an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	139
Schedule of Findings and Responses.....	141



September 25, 2009

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

The Comprehensive Annual Financial Report of the City of Dalton, Georgia, for the year ended December 31, 2008 is hereby submitted in accordance with the Official Code of Georgia 36-81-7. State law requires that the City of Dalton issue an annual report on its financial position and that this report be audited by an independent firm of licensed certified public accountants. The annual report is to be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

The management of the City of Dalton is responsible for accuracy of the data and the completeness and fairness of the presentation, including all disclosures. The management of the City of Dalton is also responsible for establishing and maintaining an effective internal control structure that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. We believe the City of Dalton's internal accounting controls adequately safeguard assets and provide reasonable assurance for proper recording of financial transactions. We believe data, as presented, are accurate in all material respects and are reported in a manner designed to present fairly the financial position and result of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The City has prepared the financial statements to meet the current applicable requirements of the Governmental Accounting Standards Board (GASB). The City of Dalton's financial statements have been audited by Estes & Williams, Certified Public Accountants. Based on their audit, Estes & Williams concluded that there is reasonable basis for rendering an unqualified opinion that the City's financial statements for the year ended December 31, 2008 are fairly presented in conformity with GAAP. The independent auditors report is presented in the financial section of this report.

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

Profile of the Government

Founded in 1837 as the village of Cross Plains, the City of Dalton is the county seat for Whitfield County. The town officially became Dalton on December 29, 1847. Located in northwest Georgia at the foothills of the Appalachian Mountains, Dalton is blessed with natural beauty, a strong industrial base, and a very strategic location on Interstate 75, just eighty-five miles north of Atlanta and twenty-eight miles south of Chattanooga, Tennessee. Dalton occupies 20 square miles and serves a population of approximately 33,000. The City of Dalton is empowered to levy a property tax on both real and personal property located within its boundaries. It is also empowered by state statute to annex property into the City limits, which it has done from time to time.

The City operates under a Council-Administration form of government. The City Council is comprised of the Mayor and a four district representatives who enact laws, determine policies, and adopt the annual budget. The City administrator is responsible for the daily management of the City. The basic financial statements of the City include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. Based on these criteria, no other governmental organizations are included in this report.

The City of Dalton provides a full range of municipal government services. Included in these services are traditional city functions such as police and fire protection, highway and street maintenance, sanitation, culture and recreation, public improvements, planning and zoning, golf course, utilities, trade center (a joint venture), and landfill (a joint venture). In addition, the City exercises fiduciary responsibility of the Employees' Pension Trust Fund and the Employee Health Benefit Plan. Selected demographic information is provided within the statistical section of this report.

Budget Process

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

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 and produces 70% of 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 recession has impacted cities nationwide, and Dalton has not been immune. Unemployment in Dalton continued to steadily rise during 2008. At the end of the year the unemployment rate was at 11.4%, which was substantially higher than the national average of 7.2%. The decline in the housing market negatively impacted the flooring industry, which resulted in the loss of manufacturing jobs.

In 2008, a 55,000 square foot shopping center was completed. The center now houses T. J. Maxx, a retail chain, along with restaurants which include Panera Bread and Five Guys Burgers and Fries restaurant chains. Covenant Bank opened its main branch downtown and Holiday Inn Express started construction. Shiroki North America added 110 jobs while employing a total of 500.

Dalton's public and private educational institutions are major contributors to the City's economy and workforce. Dalton State College completed its Fulfilling the Vision campaign, raising \$20.8 million. The college plans to expand the campus which currently has an enrollment of approximately 5,000 students.

Planning for the Future

The budget was once again conservatively structured in 2008 in anticipation of a slowing economy, funding of the other post-employment benefit (OPEB) costs, and council's commitment to lower the general government tax millage rate by 20%. Department directors were instructed to take a conservative approach in regards to revenue and expenditure projections without reducing the quality of services provided to citizens.

A hiring freeze was implemented for vacant positions. A reduction in force policy was established during the last half of the year which eliminated thirty-seven positions. Ten positions were eliminated through attrition. Processes and procedures were evaluated and duties were streamlined to eliminate duplication and provide a more efficient work force.

The Mayor and Council committed to fund the OPEB annual required contribution at 100% in the initial year and 110% for subsequent years. This resulted in a \$1.0 million contribution to the OPEB Trust Fund in 2008 and a \$1.6 million contribution to the trust in February 2009.

On December 3, 2008 the City entered into an agreement with Whitfield County to maintain City streets, roads, alleys, and bridges. The agreement will work in conjunction with the service delivery agreement dated November 11, 2002. The agreement allowed for reduction in work force at public works and utilization of funds previously allotted.

The taxpayers approved a county-wide three year special purpose local option sales tax (SPLOST) commencing January 1st 2008 to finance roads, streets, and bridges. The SPLOST is expected to generate \$48 million to fund county-wide capital improvements.

The Dalton-Whitfield Joint Development Authority (JDA), in conjunction with the Dalton-Whitfield Chamber of Commerce, has developed a comprehensive branding campaign that will help the greater Dalton area stand out in the increasingly competitive site-selection marketplace. The JDA will be focusing on the many attributes Dalton has to attract industry and residents. Dalton is conveniently located off I-75, has a municipal airport, a municipal utility, a four year college, a medical facility, and is serviced by 2 major railroads (CSX and Norfolk). Dalton also has an independent school system, a private school system, 11 parks, a golf course, and 3 community centers.

The City and County voters passed a referendum in November for a 20% freeport exemption for tax on business inventories effective in 2010. Offering a freeport exemption will make Dalton more attractive for new industry.

Cash Management

The City's cash management program maximizes the use of idle funds by investing balances until needed. The City invests in certificates of deposit, U.S. government and government agency securities, a local government investment pool, and repurchase agreements. It is the City's policy to require deposits be insured by Federal Depository Insurance or collateralized at 110% of their value.

Risk Management

The City's responsibility for its risk management function lies with the Human Resource Department. The Human Resource Director serves as the internal administrative mechanism for the worker's compensation program and the health insurance program. Both programs are self-insured. Worker's compensation and medical claims in excess of \$150,000 per covered individual are covered through a private insurer. Third party coverage is maintained by the City for property insurance.

Pension Benefits

The City of Dalton contributed to the City of Dalton Employee's Pension Plan, which is a single-employer defined benefit pension plan administered by MetLife. An independent actuary engaged by the Pension Board calculates the amount of annual required contribution (ARC) to the plan annually. The ARC is the minimum contribution to ensure funding of the plan for future benefit payments. The City takes into consideration any credit balances carried forward from the prior year when determining funding compliance. For the funding year 2008, the Plan had a credit balance carry forward of \$350,269. The City fully funds the annual required contribution as determined by the actuary with credit balance consideration. Additional information regarding the City's defined benefit plan can be found in the accompanying Notes to Financial Statements.

Other Post Employment Benefits

The City of Dalton offers post employment benefits to retirees at the same levels afforded active employees. The City implemented an OPEB Trust Fund and the reporting requirement provided by GASB Statements 43 and 45. The ARC for this program has been determined through an actuarial valuation to be performed bi-annually. The elected officials determined that the ARC would be funded at 100% in the initial year and at 110% in subsequent years. Additional information regarding the City's OPEB program can be found in the accompanying Notes to the Financial Statements.

Awards and Acknowledgement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Excellence in Financial Reporting to the City of Dalton for its comprehensive annual financial report for the fiscal year ended December 31, 2007. In order to be awarded the Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Department of Finance. Credit must also be given to City of Dalton officials and employees who assisted and contributed to the operations of the City during the year and the preparation of this report. We would also like to thank the staff of Estes & Williams for their technical guidance and assistance to make this a quality report.

Sincerely,

A handwritten signature in cursive script that reads "Cindy Jackson".

Cindy Jackson, CPA
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Dalton
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

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



A handwritten signature in black ink, appearing to read "M. L. Post".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

**City of Dalton, Georgia
City Officials and Administration
December 31, 2008**

David Pennington
Mayor

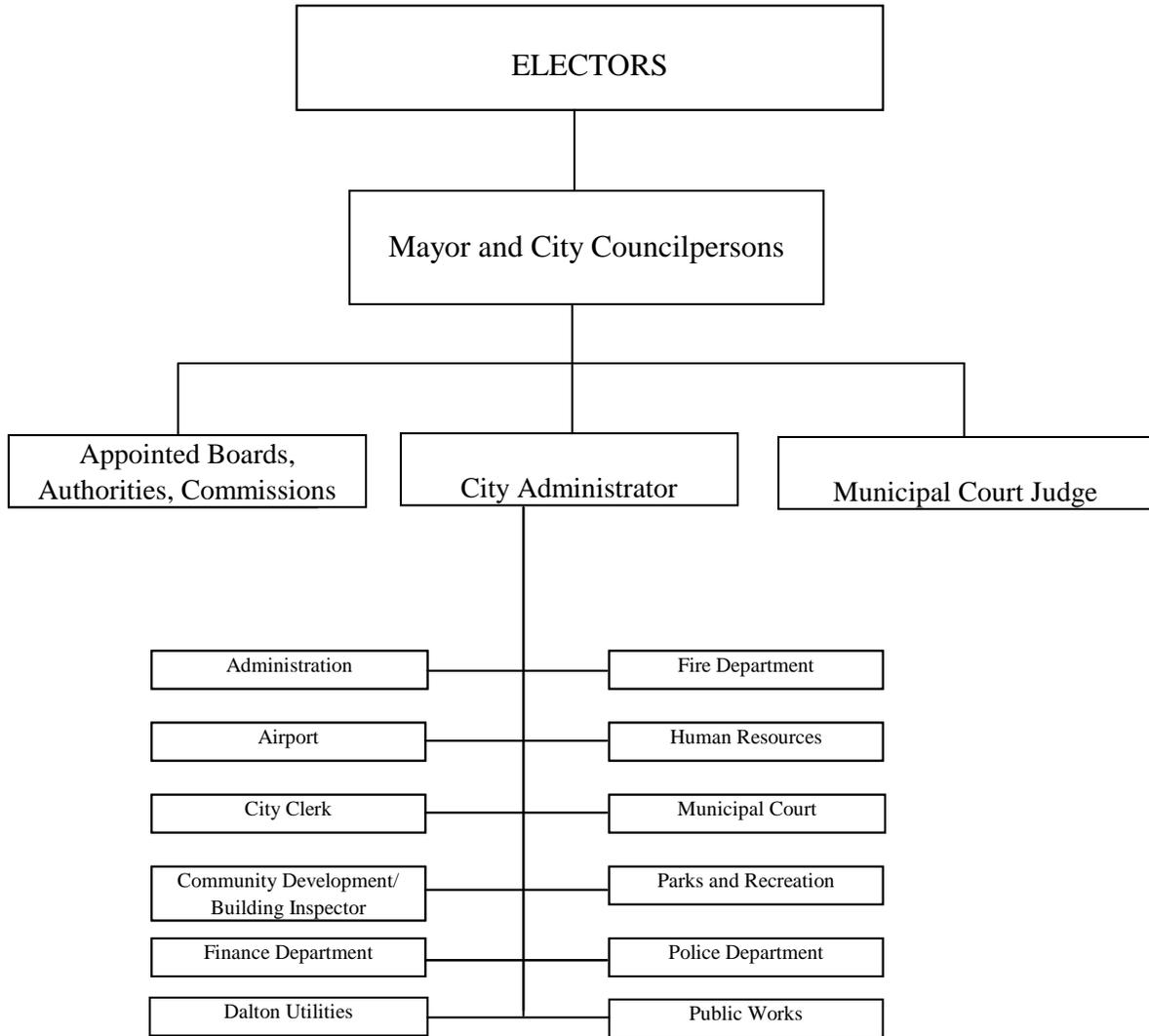
City Council

Denise Wood, Ward 1
J. Richard Lowrey, Ward 2
George Sadosuk, Ward 3
Charles J. Bethel, Ward 4

City Administration

Cindy Jackson	Finance Director
Greg Williams	Building Inspector
Bernadette Chattam	City Clerk
Don Cope	Dalton Utilities
Bruce Satterfield	Fire Chief
Greg Batts	Human Resource Director
David Hamil	Municipal Court Administrator
Ron Nix	Parks & Recreation Director
Jason Parker	Police Chief
Benny Dunn	Public Works Director
Norman Barashick	Solid Waste Authority Director
Shashank Gairola	Trade & Convention Center Director

**City of Dalton, Georgia
Organizational Chart
December 31, 2008**



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Dalton, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Water, Light, and Sinking Fund Commission, which is a major fund and comprises 98%, 97%, and 99%, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water, Light and Sinking Fund Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia, as of December 31, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof 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 September 25, 2009, on our consideration of the City of Dalton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

The management's discussion and analysis and the pension trust fund schedules of employer contributions and funding progress are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion in it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalton, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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 express no opinion on them.

Estes & Williams

Dalton, Georgia
September 25, 2009

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Within this section of the City of Dalton Georgia's (the City) annual financial report, the City's management is pleased to provide this narrative discussion and analysis of the financial activities of the City for the calendar year ended December 31, 2008. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- ... The City's assets exceeded its liabilities by \$830.5 million (net assets) for the calendar year reported. This represents an increase of \$9.1 million from the prior year after a net asset restatement.

- ... Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt of \$663.5 million includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Net assets of \$114.2 million are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$52.8 million represent the portion available to maintain the City's continuing obligations to citizens and creditors.

- ... The City's governmental funds reported total ending fund balance of \$18.3 million this year. Compared to the prior year ending fund balance of \$19.4 million the fund balance decreased \$1.1 million during the current year.

- ... At the end of the current calendar year, unreserved fund balance for the General Fund was \$12.5 million, or 40% of total General Fund expenditures.

- ... The business-type activities enterprise funds reported total ending net assets of \$740.7 million as of December 31, 2008. This reflects an increase of \$10.1 million from the prior year after a net asset restatement. The transfer to the City of \$9.1 million is a transfer fee that the Commission passes along to the customer as a surcharge on the customers monthly utility bill. This surcharge is included in charges for services.

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

Overview of the Financial Statements

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

Government-wide Financial Statements

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

The first of these government-wide statements is the Statement of Net Assets. This is the government-wide statement of position presenting information that includes all of the City's assets and liabilities, with the difference 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 City as a whole is improving or deteriorating. Evaluation of the overall health of the City would extend to other nonfinancial factors such as diversification of the taxpayer base or the condition of City infrastructure, in addition to the financial information provided in this report.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

The second government-wide statement is the Statement of Activities, which reports how the City's net assets changed during the current calendar year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the City's distinct activities or functions on revenues provided by the City's taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, judicial, public safety, public works, health and welfare, culture and recreation, and housing and development. Also included is the Dalton-Whitfield Joint Development Authority, a joint venture between the City and Whitfield County, Georgia. The net cost of that activity is presented in the Statement of Activities as expenses related to housing and development. Business-type activities include the electric, gas, water, sewer, and information technology systems, and the municipal golf course. They also include the net cost of the Northwest Georgia Trade and Convention Center Authority and the Dalton-Whitfield Regional Solid Waste Management Authority, which are reported as joint ventures in the Statement of Activities and in the Nonmajor Enterprise Funds.

The government-wide financial statements are presented on pages 13 and 14 of this report.

Fund Financial Statements

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

The City has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements, which provide a distinctive view of the City's governmental funds. These statements report short-term calendar accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

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

The basic governmental fund financial statements are presented on pages 15 through 19 of this report.

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

Proprietary funds are reported in the fund financial statements and generally report services for which the City charges customers a fee. The two City proprietary funds are classified as enterprise funds. This enterprise fund essentially encompasses the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization for electric, gas, water, and sewer utilities, information technology systems, and a public golf course. Services provided by the two joint ventures to customers include landfill services and a public trade and convention center.

The basic enterprise fund financial statements are presented on pages 20 through 26 of this report.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Fiduciary funds are reported only in the fund financial statements. The City has a pension trust fund, an other post-employment benefits (OPEB) trust fund, a municipal court agency fund, and a tax agency fund. The municipal court agency and tax agency funds are custodial in nature, and the balances are reported in the statement of fiduciary net assets. The pension trust fund accounts for the City's single employer pension trust fund. The OPEB trust fund accounts for the City's single employer OPEB trust fund. These funds are accounted for as proprietary funds and the report includes two statements: a statement of fiduciary net assets and a comparative statement of changes in net assets. These statements may be found on pages 27 and 28 of this report.

The tax agency fund is used to record real and personal property tax receipts for Dalton Public School System (DPSS) and Dalton Downtown Development Agency (DDDA). Prior to 2008, these independent agencies' tax receipts were recorded as revenues and expenditures in the City's general fund. The City was merely a custodian, receiving tax funds from the Whitfield County Tax Commissioner (WCTC) and immediately disbursing those funds into the entities respective bank accounts. This practice inflated the general fund tax revenues and governmental expenditures, respectively. Starting November 1, 2008, tax funds collected by the WCTC are directly distributed to the DPSS and DDDA and no longer flow through the City's agency fund.

Notes to the Basic Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 29 of this report.

Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's budget presentations. Budgetary comparison statements are included as "required supplementary information" for the general fund. Budgetary comparison schedules for all other governmental funds can be found in a later section of this report. These statements and schedules demonstrate compliance with the City's adopted and final revised budget. Required supplementary information can be found on pages 68 and 69 of this report.

As discussed, the City reports major funds in the basic financial statements. Combining and individual statements and schedules for non-major funds are presented in a subsequent section of this report beginning on page 70.

Financial Analysis of City's Financial Position and Operations

Net assets may serve over time as a useful indicator of a government's financial position as information is accumulated on a consistent basis. The City's net assets at calendar year-end are \$830.5 million. Prior year balances for Business-Type Activities have been adjusted due to a net asset restatement. Business-Type net assets were restated due to a change in the Northwest Georgia Trade and Convention Center Authority (Trade Center), a joint venture of the City. For years ended December 31, 2005, 2006, and 2007, the Dalton Convention and Visitors Bureau (CVB) was included in the financial statements of the Trade Center. As of January 1, 2008, the CVB became a stand-alone entity, and the net assets related to that entity were eliminated. Those net assets totaled \$134,802, of which the City has a 50% interest. Therefore, the City's net asset balance for Business-Type Activities was decreased by \$67,401, and the beginning net asset balance was restated from \$728,580,254 to \$728,512,853.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

The following table provides a summary of the City's net assets.

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets:						
Current assets	\$ 26,502,688	\$ 37,493,453	\$ 58,859,504	\$ 62,325,770	\$ 85,362,192	\$ 99,819,223
Capital assets	81,149,602	81,208,676	678,442,998	668,794,483	759,592,600	750,003,159
Other long-term assets	<u>411,784</u>	<u>918,002</u>	<u>124,490,019</u>	<u>140,589,545</u>	<u>124,901,803</u>	<u>141,507,547</u>
Total assets	<u>108,064,074</u>	<u>119,620,131</u>	<u>861,792,521</u>	<u>871,709,798</u>	<u>969,856,595</u>	<u>991,329,929</u>
Liabilities:						
Current liabilities	9,789,054	19,696,431	37,759,791	42,933,370	47,548,845	62,629,801
Long-term liabilities	<u>6,640,045</u>	<u>7,080,081</u>	<u>85,191,486</u>	<u>100,263,575</u>	<u>91,831,531</u>	<u>107,343,656</u>
Total liabilities	<u>16,429,099</u>	<u>26,776,512</u>	<u>122,951,277</u>	<u>143,196,945</u>	<u>139,380,376</u>	<u>169,973,457</u>
Net assets:						
Invested in capital assets, net of debt	77,111,490	76,036,989	586,400,998	562,000,483	663,512,488	638,037,472
Restricted	1,117,309	1,260,953	113,054,000	129,344,000	114,171,309	130,604,953
Unrestricted	<u>13,406,176</u>	<u>15,545,677</u>	<u>39,386,246</u>	<u>37,168,370</u>	<u>52,792,422</u>	<u>52,714,047</u>
Total net assets	<u>\$ 91,634,975</u>	<u>\$ 92,843,619</u>	<u>\$738,841,244</u>	<u>\$728,512,853</u>	<u>\$830,476,219</u>	<u>\$ 821,356,472</u>

As a whole, City net assets increased by \$9.1 million. This is attributable primarily to the expansion and purchase of capital assets and reduction of debt. Total net assets declined \$1.2 million for governmental activities and increased \$10.3 million for business-type activities.

Net assets for governmental activities decreased 1.3% from the prior year. Net assets invested in capital assets, net of debt increased \$1.1 million or 1.5% due to capital spending funded by Special Purposes Local Option Sales Tax, donations, and unrestricted cash, combined with reduction of debt. Restricted net assets decreased \$143,644 or 11.4% due to reduction of debt. The remaining \$2.1 million, 13.8% decrease occurred from utilization of unrestricted net assets.

The 1.4% increase in total net assets for business-type activities is primarily attributable to the increase of \$24.4 million net assets invested in capital assets (\$9.7 million increase net utility plant, \$16.0 million reduction in long-term debt, and a \$1.3 million increase in related liabilities) and the \$18.6 million decrease in net assets restricted for capital projects due to spending on utility plant projects.

Note that approximately 84% of the governmental activities' net assets are invested in capital assets. The City uses these capital assets to provide services to its citizens. The business-type activities invested in capital assets are 79% of total net assets. Capital assets in the business-type activities primarily provide utility services, but also generate revenues for this fund.

The unrestricted portion of the City's net assets totals \$52.8 million. This portion is available for spending, and comprises 6.4% of total net assets.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program:						
Charges for services	\$ 5,161,503	\$ 5,993,617	\$ 171,427,920	\$ 172,936,337	\$ 176,589,423	\$ 178,929,954
Operating grants	1,508,234	3,233,969	-	-	1,508,234	3,233,969
Capital grants	1,600,048	1,619,714	112,000	124,000	1,712,048	1,743,714
General:						
Taxes	17,464,283	48,100,616	-	-	17,464,283	48,100,616
Investment earnings	393,570	725,851	7,887,581	11,247,738	8,281,151	11,973,589
Other	1,162,398	1,089,481	496,000	690,000	1,658,398	1,779,481
Total revenues	<u>27,290,036</u>	<u>60,763,248</u>	<u>179,923,501</u>	<u>184,998,075</u>	<u>207,213,537</u>	<u>245,761,323</u>
Program Expenses:						
General government	4,270,206	2,839,767	-	-	4,270,206	2,839,767
Judicial	704,747	-	-	-	704,747	-
Public safety	14,903,803	15,145,033	-	-	14,903,803	15,145,033
Public works	10,136,329	12,790,923	-	-	10,136,329	12,790,923
Health and welfare	679,018	-	-	-	679,018	-
Culture and recreation	4,749,408	5,692,834	-	-	4,749,408	5,692,834
Housing and developme	1,279,210	152,264	-	-	1,279,210	152,264
Education	240,061	29,237,233	-	-	240,061	29,237,233
Interest	226,898	272,296	-	-	226,898	272,296
Utilities	-	-	159,010,654	157,180,972	159,010,654	157,180,972
Trade Center	-	-	673,926	682,020	673,926	682,020
Landfill	-	-	-	1,013,513	-	1,013,513
Golf course	-	-	1,219,530	1,191,672	1,219,530	1,191,672
Total expenses	<u>37,189,680</u>	<u>66,130,350</u>	<u>160,904,110</u>	<u>160,068,177</u>	<u>198,093,790</u>	<u>226,198,527</u>
Excess (deficiency)	(9,899,644)	(5,367,102)	19,019,391	24,929,898	9,119,747	19,562,796
Transfers	8,691,000	7,719,000	(8,691,000)	(7,719,000)	-	-
Change in net assets	(1,208,644)	2,351,898	10,328,391	17,210,898	9,119,747	19,562,796
Beginning net assets, as restated	92,843,619	90,491,721	728,512,853	711,301,955	821,356,472	801,793,676
Ending net assets	<u>\$ 91,634,975</u>	<u>\$ 92,843,619</u>	<u>\$ 738,841,244</u>	<u>\$ 728,512,853</u>	<u>\$ 830,476,219</u>	<u>\$ 821,356,472</u>

The City's total revenues decreased 15.7% (\$38.5 million) and the total cost of services and programs provided decreased 12.4% (\$28.1 million).

Governmental Activities

The City's governmental activities total revenues decreased by 55.1% (\$33.5 million). The total cost of all programs and services decreased by 43.8% (\$28.9 million). Prior to 2008, the City recorded real and personal property tax collections on behalf of the Dalton Public School System (DPSS) and the Dalton Downtown Development Authority (DDDA) and subsequent payments to these independent agencies in the City's general fund as tax revenue and program expense. Collections and disbursements for DPSS and DDDA in 2007 were \$30.7 million and is the primary reason for the reduction in tax revenues and educational program expenses.

Other factors influencing the revenue reduction include a 20% general government millage rate reduction equivalent to \$1.8 million given to City taxpayers and nonperformance of the Service Delivery Agreement. The City received \$1.0 of the \$2.3 million in services to be provided by Whitfield County though the Service Delivery Agreement in 2008, a reduction of \$1.1 million when compared to services received in 2007.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

In governmental activities, total revenue is primarily comprised of the following: property taxes 38.8% (\$10.6 million), program revenues 30.3% (\$8.3 million) and other taxes 25.2% (\$6.9 million). Total program expenses of \$37.2 million are funded by property tax (28.5%), program revenues (22.2%) and other taxes (18.5%). Net transfers totaled \$8.7 million and fund 23.4% of governmental program expenses. The net transfer includes a transfer of \$9.1 million from the WLSF Commission, an enterprise fund, to fund the general government operations.

The City's governmental activities total expenses decreased 43.8% (\$28.9 million). As explained above, the decrease is due to the change in real and personal property tax reporting for the DPSS and DDDA and the reduction in service provided by Whitfield County under the Service Delivery Agreement.

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

For Governmental Activities		
	Total Cost of Services	Net Cost of Services
General government and administration	\$ 4,270,206	\$ 2,858,522
Judicial	704,747	(880,350)
Public safety	14,903,803	13,846,093
Public works	10,136,329	7,905,832
Health and welfare	679,018	302,774
Culture and recreation	4,749,408	4,205,863
Housing and development	1,279,210	970,367
Education	240,061	98,061
Interest	226,898	(387,267)
Total	\$ 37,189,680	\$ 28,919,895

The judicial net cost of service indicates revenues generated covered the cost of this function. The net cost of services column above also indicates that the interest on long-term debt function generates revenue. Intergovernmental revenue reported in the Debt Service Fund of \$614,165 represents amounts transferred from other entities to fund principal and interest payments on debt. Of that revenue, \$547,616 was used to retire debt principal.

Business-type Activities

Revenues decreased 2.7% (\$5.1 million). Charges for services decreased .9% (\$1.5 million). This decrease is due primarily to the decrease in water and wastewater operating revenues of \$2.2 million and \$4.0 million, respectively. The decline in water revenue is due to decrease in water consumption because of drought conditions coupled with reduced demand from industrial customers during these slowing economic times. Overall, consumer water rates and wastewater rates were increased 15% in 2008. Information technology revenues increased \$2.7 million primarily due to market penetration of 12.7% and a 9% rate increase for cable television services in 2008. The City is heavily reliant on its utilities to provide services to the City's constituents. The charge for utility service makes up 94.6% of total revenues for the business-type activities.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Financial Analysis of the City's Funds

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$18.3 million. Of this year-end total, \$1.0 million will be used to retire debt and \$2.6 million will be used for capital purposes.

The total ending fund balances of governmental funds reflect a decrease of \$1.2 million (6.0%) from the prior year. The general fund reported a decrease in fund balance of \$1.4 million (4.9%) and other the governmental funds reported an increase in fund balances of \$230,166 (5.0%).

Major Governmental Fund

The General Fund is the City's primary operating fund and is used to account for all governmental financial resources not restricted by state or federal laws, local ordinances, or other externally imposed requirements. At the end of 2008, the fund balance of the General Fund was \$13.5 million. Unreserved fund balance represents 40.5% of General Fund expenditures, a decrease from the prior year. For 2007, total fund balance represents 47.5% of total expenditures, exclusive of the education expenditure that was reported in 2007 but is no longer reported in the General Fund.

The General Fund's \$1.4 million decrease in fund balance is primarily due to the purchase of capital assets and the reduction in workforce severance package. The City replaced departmental stand-alone servers with blade servers and purchased new software for the police department at a cost of \$978,028. The reduction in workforce package eliminated 25 positions at a total cost of \$471,921, including accrued benefits.

Proprietary Funds

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

Major Proprietary Fund

The Water, Light and Sinking Fund Commission (WLSF) provides water, sewer, electric, natural gas and information technology services to customers in Dalton/Whitfield County and portions of Murray, Gordon, Catoosa, and Floyd counties. As stated earlier, the WLSF represents 94.6% of proprietary funds. Financial analysis in regards to the WLSF can be found in the business-type activities section.

Budgetary Highlights - The General Fund –

Over the course of the year, the City Council revised the adopted budget by various budget amendments. The general fund budgeted revenues were reduced \$31.2 million and budgeted expenditures were reduced \$28.4 million. The following addresses the major differences between the original and final budget:

Amendments to revenue:

- ... Decrease real and personal property tax \$30,401,000 to eliminate Dalton Public School System and Dalton Downtown Development Authority receipts.
- ... Decrease real and personal property tax \$1,871,000 to reflect 20% general government millage rate reduction.
- ... Increase non-cash donations \$550,000 to reflect real estate donated to the City.
- ... Increase proceeds from sale of property \$233,000 to reflect sale of surplus property.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Amendments to expenditures:

- ... Decrease intergovernmental and educational transfers to reflect the elimination of Dalton Public School System and Dalton Downtown Development Authority transfers in the amount of \$30,401,000.
- ... Increase of \$601,940 for annual capital expenditures for general government, public safety and public works.
- ... Increase of \$550,000 for real estate donation.
- ... Increase of \$360,000 for severance package and benefits associated with reduction in workforce.
- ... Increase of \$180,110 for public works contract for thermoplastic application to various streets.
- ... Increase of \$160,000 for acquisition of real estate.

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2008 was \$81.1 million and \$678.4 million respectively. The book value of net investment in governmental activities capital assets was basically flat. The book value of net investment increased by 1.4% (\$9.6 million) for business-type activities. The overall increase was 1.3% (\$9.6 million) for the City as a whole. See Note 4D for additional information about changes in capital assets during the calendar year. The following table provides a summary of capital asset activity.

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Non-depreciable assets:						
Land	\$ 14,676,986	\$ 13,903,093	\$ 877,709	\$ 877,709	\$ 15,554,695	\$ 14,780,802
Construction in progress	154,902	39,191	4,195,000	8,047,000	4,349,902	8,086,191
Total non-depreciable	<u>14,831,888</u>	<u>13,942,284</u>	<u>5,072,709</u>	<u>8,924,709</u>	<u>19,904,597</u>	<u>22,866,993</u>
Depreciable assets:						
Land improvements	22,857,391	22,696,106	457,949	457,949	23,315,340	23,154,055
Buildings and improvements	26,392,515	26,362,730	792,110	792,110	27,184,625	27,154,840
Machinery, equipment, and furniture	18,139,211	18,525,410	725,570	725,570	18,864,781	19,250,980
Intangibles	939,851	169,623	-	-	939,851	169,623
Utility plant	-	-	991,408,000	955,584,000	991,408,000	955,584,000
Infrastructure	<u>109,859,615</u>	<u>108,102,142</u>	<u>-</u>	<u>-</u>	<u>109,859,615</u>	<u>108,102,142</u>
Total depreciable assets	178,188,583	175,856,011	993,383,629	957,559,629	1,171,572,212	1,133,415,640
Less accumulated depreciation	<u>111,870,868</u>	<u>108,589,619</u>	<u>330,720,340</u>	<u>305,182,855</u>	<u>442,591,208</u>	<u>413,772,474</u>
Book value - depreciable assets	<u>66,317,715</u>	<u>67,266,392</u>	<u>662,663,289</u>	<u>652,376,774</u>	<u>728,981,004</u>	<u>719,643,166</u>
Percentage depreciated	<u>62.8%</u>	<u>61.7%</u>	<u>33.3%</u>	<u>31.9%</u>	<u>37.8%</u>	<u>36.5%</u>
Nuclear fuel, at amortized cost	-	-	10,707,000	7,493,000	10,707,000	7,493,000
Book value - all assets	<u>\$ 81,149,603</u>	<u>\$ 81,208,676</u>	<u>\$ 678,442,998</u>	<u>\$ 668,794,483</u>	<u>\$ 759,592,601</u>	<u>\$ 750,003,159</u>

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Debt Administration

At the end of the calendar year, the City had total bonded debt outstanding of \$73,893,000. Of this amount, \$2,860,000 is backed by the full faith and credit of the City (general obligation bonds). The other major component is \$71,033,000, which is supported by pledged revenues generated primarily by the business-type activities of the City (revenue bonds). The City also had notes payable of \$1,274,425. The notes pertain to installment agreements for the purchase of land for a fire hall and a recreation complex. During the year, the City retired 18% of the beginning outstanding bonded debt balance.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 2,860,000	\$ 3,745,000	\$ -	\$ -	\$ 2,860,000	\$ 3,745,000
Revenue bonds	-	-	71,033,000	86,635,000	71,033,000	86,635,000
Notes	<u>1,274,425</u>	<u>1,537,215</u>	<u>-</u>	<u>-</u>	<u>1,274,425</u>	<u>1,537,215</u>
Total	<u>\$ 4,134,425</u>	<u>\$ 5,282,215</u>	<u>\$ 71,033,000</u>	<u>\$ 86,635,000</u>	<u>\$ 75,167,425</u>	<u>\$ 91,917,215</u>

See Note 4H for additional information about the City's long-term debt.

Economic Conditions and Next Years Budget

The City of Dalton continues to feel the impact of the economic downturn. The rate of unemployment in Dalton and Whitfield County at the end of 2008 was 11.4%, as compared to 7.5% statewide and 7.2% nationally. The high unemployment rate is attributable to the downturn in the nation's housing industry that directly impacts the manufacturing jobs in the flooring industry.

The Dalton-Whitfield Chamber of Commerce and Joint Development Authority have launched a Grow Greater Dalton Program. This is a four-year economic development initiative, funded by private and public sectors, aims to develop a marketing and recruitment program to bring 3,200 new jobs to the region. Target industries include plastics, chemicals, automotive suppliers, and retail.

The City's tax digest increased 4.4% in 2008 but decreased 2.2% in 2009. The City anticipates that it will once again roll back the mileage rate for 2009. A countywide referendum passed in 2008 to implement a 20% Freeport Tax Exemption effective in 2010.

The 2009 General Fund budget reflects a 6% decrease in revenues in comparison to actual 2008 revenues. The overall revenue decrease is primarily due to anticipation of the slowing economy and declining real estate market. Budgeted expenditures for 2009 reflect a 9% reduction when compared to actual 2008 expenditures. The City budgeted a 2% decrease in the utility transfer from 2008 to 2009. Based on the adopted 2009 budget, projected general fund revenues will exceed general fund expenditures by \$2.4 million. The excess will be transferred to the Recreation Commission Fund to supplement the 2009 budgeted \$2.4 million short fall. In November 2008, taxpayers passed a referendum to eliminate the dedicated 1.0 mill to fund the Recreation Commission, effective for 2009 tax digest.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2008
(Unaudited)

Other factors considered when preparing the 2009 budget included:

- ... A hiring freeze for new positions has been continued for a third year. In addition, several vacant positions are not being filled. Furthermore, thirty-seven positions were eliminated through attrition and a workforce reduction plan at the end of 2008.
- ... The City continues to evaluate the level of services desired by citizens and how to provide those services as economically as possible. The City and County have committed to combine the building inspection departments to better serve the citizens logistically and reduce costs.
- ... In an effort to contain rising health care costs, the City negotiated a favorable private health insurance package for employees beginning in 2009.

Contacting the City's Financial Management

This report was prepared by the Director of Finance for the City of Dalton. Requests and inquiries regarding this document can be obtained at the following address and telephone number:

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Dalton, Georgia
Statement of Net Assets
December 31, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 3,783,850	\$ 4,008,840	\$ 7,792,690
Investments	10,892,444	-	10,892,444
Receivables:			
Accounts	1,153,578	10,887,000	12,040,578
Taxes	6,659,455	-	6,659,455
Intergovernmental	1,812,971	-	1,812,971
Unbilled revenues	-	5,933,000	5,933,000
Accrued interest	-	1,072,000	1,072,000
Derivative	-	352,000	352,000
Fuel stocks	-	7,584,000	7,584,000
Inventory	5,011	9,654,397	9,659,408
Prepaid items and deposits	45,646	643,000	688,646
Internal balances	2,149,733	(2,149,733)	-
Restricted funds	-	2,568,000	2,568,000
Restricted combined utilities sinking fund	-	18,307,000	18,307,000
Total Current Assets	<u>26,502,688</u>	<u>58,859,504</u>	<u>85,362,192</u>
Noncurrent Assets			
Nondepreciable capital assets	14,831,888	5,072,709	19,904,597
Depreciable capital assets, net	66,317,714	673,370,289	739,688,003
Restricted combined renewals and extensions fund	-	29,870,000	29,870,000
Restricted nuclear decommissioning	-	61,957,000	61,957,000
Regulatory asset	-	10,653,000	10,653,000
Deferred charges	56,470	189,000	245,470
Negative net pension obligation	350,269	-	350,269
Investment in joint ventures	5,045	21,821,019	21,826,064
Total Noncurrent Assets	<u>81,561,386</u>	<u>802,933,017</u>	<u>884,494,403</u>
Total Assets	<u>108,064,074</u>	<u>861,792,521</u>	<u>969,856,595</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	3,777,026	16,558,168	20,335,194
Revenue bonds payable	-	16,305,000	16,305,000
Accrued interest payable	55,811	1,998,000	2,053,811
Claims payable	1,917,144	-	1,917,144
Unearned revenue	1,947,734	1,794	1,949,528
Compensated absences payable	895,161	43,829	938,990
Notes payable	276,178	-	276,178
General obligation bonds payable	920,000	-	920,000
Customer deposits	-	2,853,000	2,853,000
Total Current Liabilities	<u>9,789,054</u>	<u>37,759,791</u>	<u>47,548,845</u>
Long-Term Liabilities			
Deferred credit - TVA right of use	-	517,000	517,000
Derivatives	-	151,000	151,000
Asset retirement obligations	-	29,664,000	29,664,000
Compensated absences payable (less current portion)	2,685,485	131,486	2,816,971
Notes payable	998,247	-	998,247
General obligation bonds payable (less current portion)	1,940,000	-	1,940,000
Revenue bonds payable (less current portion)	-	54,728,000	54,728,000
Net OPEB obligation	1,016,313	-	1,016,313
Total Long-Term Liabilities	<u>6,640,045</u>	<u>85,191,486</u>	<u>91,831,531</u>
Total Liabilities	<u>16,429,099</u>	<u>122,951,277</u>	<u>139,380,376</u>
Net Assets			
Invested in capital assets, net of related debt	77,111,490	586,400,998	663,512,488
Restricted for:			
Debt service	1,006,764	18,307,000	19,313,764
Capital projects	-	29,870,000	29,870,000
Economic development	5,045	-	5,045
Cemetery chapel renovations	105,500	-	105,500
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	-	64,877,000	64,877,000
Unrestricted	13,406,176	39,386,246	52,792,422
Total Net Assets	<u>\$ 91,634,975</u>	<u>\$ 738,841,244</u>	<u>\$ 830,476,219</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Activities
For the Year Ended December 31, 2008

Function/Program	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services and Sales	Operating Grants, Contributions, and Transfers	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
Primary Government							
General government	\$ 4,270,206	\$ 1,335,624	\$ 42,592	\$ 33,468	\$ (2,858,522)	\$ -	\$ (2,858,522)
Judicial	704,747	1,585,097	-	-	880,350	-	880,350
Public safety	14,903,803	1,009,892	47,818	-	(13,846,093)	-	(13,846,093)
Public works	10,136,329	395,118	307,589	1,527,790	(7,905,832)	-	(7,905,832)
Health and welfare	679,018	207,792	168,452	-	(302,774)	-	(302,774)
Culture and recreation	4,749,408	485,980	18,775	38,790	(4,205,863)	-	(4,205,863)
Housing and development	1,279,210	-	308,843	-	(970,367)	-	(970,367)
Education	240,061	142,000	-	-	(98,061)	-	(98,061)
Interest on long-term debt	226,898	-	614,165	-	387,267	-	387,267
Total Governmental Activities	<u>37,189,680</u>	<u>5,161,503</u>	<u>1,508,234</u>	<u>1,600,048</u>	<u>(28,919,895)</u>	<u>-</u>	<u>(28,919,895)</u>
Business-Type Activities:							
WLSF:							
Electric system	73,614,065	89,918,000	-	117,000	-	16,420,935	16,420,935
Gas system	25,082,808	25,694,000	-	3,500	-	614,692	614,692
Water system	21,625,495	18,216,000	-	(8,500)	-	(3,417,995)	(3,417,995)
Sewer system	19,532,011	19,244,000	-	-	-	(288,011)	(288,011)
Information technology system	19,156,275	17,186,000	-	-	-	(1,970,275)	(1,970,275)
Landfill	-	207,977	-	-	-	207,977	207,977
Trade Center	673,926	-	-	-	-	(673,926)	(673,926)
Municipal golf course	1,219,530	961,943	-	-	-	(257,587)	(257,587)
Total Business-Type Activities	<u>160,904,110</u>	<u>171,427,920</u>	<u>-</u>	<u>112,000</u>	<u>-</u>	<u>10,635,810</u>	<u>10,635,810</u>
Total - Primary Government	<u>\$ 198,093,790</u>	<u>\$ 176,589,423</u>	<u>\$ 1,508,234</u>	<u>\$ 1,712,048</u>	<u>(28,919,895)</u>	<u>10,635,810</u>	<u>(18,284,085)</u>
General Revenues							
Property taxes levied for:							
General purposes					6,782,866	-	6,782,866
Debt service					346,686	-	346,686
Recreation					3,454,864	-	3,454,864
Selective taxes					6,164,971	-	6,164,971
Hotel/motel taxes					714,896	-	714,896
Investment earnings					393,570	7,887,581	8,281,151
Donations - unrestricted					604,488	-	604,488
Miscellaneous					557,910	496,000	1,053,910
Total General Revenues					19,020,251	8,383,581	27,403,832
Transfers					8,691,000	(8,691,000)	-
Total General Revenues and Transfers					<u>27,711,251</u>	<u>(307,419)</u>	<u>27,403,832</u>
Change in Net Assets					(1,208,644)	10,328,391	9,119,747
Net Assets Beginning of Year, as restated					<u>92,843,619</u>	<u>728,512,853</u>	<u>821,356,472</u>
Net Assets End of Year					<u>\$ 91,634,975</u>	<u>\$ 738,841,244</u>	<u>\$ 830,476,219</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

City of Dalton, Georgia
Balance Sheet
Governmental Funds
December 31, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,403,949	\$ 1,303,600	\$ 3,707,549
Investments	8,988,489	1,272,006	10,260,495
Receivables:			
Accounts	1,035,676	57,078	1,092,754
Taxes	4,244,356	2,415,099	6,659,455
Intergovernmental - local	1,074,733	617,536	1,692,269
Intergovernmental - state and federal	94,171	26,531	120,702
Interfund	130,300	332,766	463,066
Inventory, at cost	-	5,011	5,011
Prepaid items	34,820	10,826	45,646
Total Assets	<u>\$ 18,006,494</u>	<u>\$ 6,040,453</u>	<u>\$ 24,046,947</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,652,455	\$ 65,779	\$ 1,718,234
Accrued expenditures	1,439,371	511,493	1,950,864
Accrued interest payable	-	55,811	55,811
Interfund payable	39,843	82,877	122,720
Deferred revenue	1,339,327	608,407	1,947,734
Total Liabilities	<u>4,470,996</u>	<u>1,324,367</u>	<u>5,795,363</u>
Fund Balances			
Reserved for:			
Inventory	-	5,011	5,011
Debt service	-	1,006,764	1,006,764
Capital projects	-	39,843	39,843
Capital outlay	970,500	1,500,000	2,470,500
Cemetery chapel renovations	105,500	-	105,500
Unreserved, undesignated, reported in:			
General fund	12,459,498	-	12,459,498
Special revenue funds	-	2,164,468	2,164,468
Total Fund Balances	<u>13,535,498</u>	<u>4,716,086</u>	<u>18,251,584</u>
Total Liabilities and Fund Balances	<u>\$ 18,006,494</u>	<u>\$ 6,040,453</u>	<u>\$ 24,046,947</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2008

Total Governmental Fund Balances		\$ 18,251,584
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost	193,020,470	
Less accumulated depreciation	(111,870,868)	81,149,602
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	(122,720)	
Interfund payables	122,720	-
Bond premiums, discounts, issuance costs and deferred refundings are reported on the government-wide statement of net assets but are not reported on the operating statement of the governmental funds		
		56,470
Liabilities, including notes, bonds and compensated absences are not due and payable in the current period and therefore are not reported in the funds but are reported on the statement of net assets:		
Notes payable	(1,274,425)	
Bonds payable	(2,860,000)	
Compensated absences	(3,580,646)	(7,715,071)
The Joint Development Authority (JDA) is a joint venture of the City of Dalton and Whitfield County, Georgia. The equity interest in the JDA is shown on the government-wide statement of net assets but is reported on the fund balance sheet only to the extent the investment is evidenced by current financial resources, such as amounts due to and from the entity.		
City's portion of equity investment		5,045
The internal service funds are used by management to charge the costs of self-insurance. The assets and liabilities of the internal service funds are included in governmental activities columns in the statement of net assets.		
		(1,255,998)
The pension trust fund accumulates resources for pension benefit payments to qualified City employees. The City has funded the plan in excess of the annual required contribution, creating a negative net pension obligation. This amount is reported as an asset in the governmental activities columns in the statement of net assets.		
		350,269
The OPEB trust fund accumulates resources for other post employment benefit payments to qualified City employees. The City has underfunded the annual required contribution, creating a net OPEB obligation. This amount is reported as a liability in the governmental activities columns in the statement of net assets.		
		(1,016,313)
The business-type activities of the City also benefit from the use of the internal service funds. The amount of the net loss allocated to the business-type activities of the City is reported as an interfund receivable for governmental activities.		
		1,809,387
Net Assets of Governmental Activities		\$ 91,634,975

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2008

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Taxes	\$ 12,768,719	\$ 4,695,564	\$ 17,464,283
Licenses and permits	1,335,624	-	1,335,624
Intergovernmental	1,625,876	1,482,406	3,108,282
Charges for services	1,974,110	357,692	2,331,802
Fines and forfeitures	910,427	54,246	964,673
Investment earnings	317,716	53,286	371,002
Miscellaneous	<u>1,390,835</u>	<u>47,147</u>	<u>1,437,982</u>
Total Revenues	<u>20,323,307</u>	<u>6,690,341</u>	<u>27,013,648</u>
Expenditures			
Current:			
General government	2,362,009	42,592	2,404,601
Judicial	686,788	-	686,788
Public safety	14,192,507	39,227	14,231,734
Public works	8,092,435	-	8,092,435
Health and welfare	587,217	8,452	595,669
Culture and recreation	228,560	3,512,713	3,741,273
Housing and development	956,514	207,167	1,163,681
Capital Outlay			
General government	1,421,013	-	1,421,013
Public safety	1,309,550	19,999	1,329,549
Public works	1,076,268	581,048	1,657,316
Culture and recreation	15,025	182,770	197,795
Debt Service:			
Principal retirement	-	1,147,790	1,147,790
Interest and fiscal charges	<u>-</u>	<u>204,436</u>	<u>204,436</u>
Total Expenditures	<u>30,927,886</u>	<u>5,946,194</u>	<u>36,874,080</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,604,579)</u>	<u>744,147</u>	<u>(9,860,432)</u>
Other Financing Sources (Uses)			
Transfers in	9,795,896	200,915	9,996,811
Transfers out	<u>(590,915)</u>	<u>(714,896)</u>	<u>(1,305,811)</u>
Total Other Financing Sources (Uses)	<u>9,204,981</u>	<u>(513,981)</u>	<u>8,691,000</u>
Net Change in Fund Balances	(1,399,598)	230,166	(1,169,432)
Fund Balances Beginning of Year	<u>14,935,096</u>	<u>4,485,920</u>	<u>19,421,016</u>
Fund Balances End of Year	<u>\$ 13,535,498</u>	<u>\$ 4,716,086</u>	<u>\$ 18,251,584</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2008

Net Changes in Fund Balances - Total Governmental Funds		\$ (1,169,432)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period.		
Depreciation expense	(4,446,044)	
Capital outlay	4,605,673	159,629
Write off of capital assets not reported at the fund level		(218,703)
Elimination of transfers between governmental funds:		
Transfers in	(915,811)	
Transfers out	915,811	-
Premiums, discounts, bond issuance costs and bond refunding deferrals are reported in governmental funds but capitalized and amortized in the statement of net assets		
Amortization expense for 2008		(22,462)
Repayment of note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		262,790
Repayment of general obligation debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
		885,000
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 liability		346,896
The Joint Development Authority (JDA) is a joint venture of the City of Dalton and Whitfield County, Georgia. The current year payments to the JDA are reported as expenditures for the housing and development function on the fund statements, but the City's interest in the government-wide net income or loss is reported on the statement of activities.		
City's current year payments to the JDA reported in the funds	157,750	
City's portion of the government-wide JDA current year net loss	156,112	1,638
The internal service funds used by management to charge the costs of the operation and maintenance of the health and workers compensation insurance to individual funds are not reported in the government-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		
		47,707
The pension trust fund and OPEB trust fund accumulate resources for benefit payments to qualified City employees. Overfunding or underfunding the annual required contribution creates an asset or liability on the government-wide statement of net assets. The change in the asset or liability is as follows:		
Decrease in negative net pension obligation	(485,394)	
Increase in net OPEB obligation	(1,016,313)	(1,501,707)
Change in Net Assets of Governmental Activities		\$ (1,208,644)

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
General Fund
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Taxes	\$ 45,706,100	\$ 13,419,500	\$ 12,768,719	\$ (650,781)
Licenses and permits	1,503,000	1,503,000	1,335,624	(167,376)
Intergovernmental	2,976,225	3,220,931	1,625,876	(1,595,055)
Charges for services	2,106,350	2,114,450	1,974,110	(140,340)
Fines and forfeitures	958,500	958,500	910,427	(48,073)
Investment earnings	502,000	502,000	317,716	(184,284)
Miscellaneous	<u>651,627</u>	<u>1,463,956</u>	<u>1,390,835</u>	<u>(73,121)</u>
Total Revenues	<u>54,403,802</u>	<u>23,182,337</u>	<u>20,323,307</u>	<u>(2,859,030)</u>
Expenditures				
Current:				
General government	2,649,650	2,551,145	2,362,009	189,136
Judicial	836,860	836,860	686,788	150,072
Public safety	15,104,140	14,197,559	14,192,507	5,052
Public works	8,930,290	9,286,781	8,092,435	1,194,346
Health and welfare	618,692	634,692	587,217	47,475
Culture and recreation	203,810	228,810	228,560	250
Housing and development	1,166,630	988,437	956,514	31,923
Education	<u>30,214,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Current	<u>59,724,072</u>	<u>28,724,284</u>	<u>27,106,030</u>	<u>1,618,254</u>
Capital Outlay				
General government	1,581,800	2,000,185	1,421,013	579,172
Public safety	-	1,309,561	1,309,550	11
Public works	546,000	1,461,530	1,076,268	385,262
Culture and recreation	<u>15,100</u>	<u>15,100</u>	<u>15,025</u>	<u>75</u>
Total Capital Outlay	<u>2,142,900</u>	<u>4,786,376</u>	<u>3,821,856</u>	<u>964,520</u>
Total Expenditures	<u>61,866,972</u>	<u>33,510,660</u>	<u>30,927,886</u>	<u>2,582,774</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(7,463,170)</u>	<u>(10,328,323)</u>	<u>(10,604,579)</u>	<u>(276,256)</u>
Other Financing Sources (Uses)				
Transfers in	9,794,000	9,794,000	9,795,896	1,896
Transfers out	<u>(591,000)</u>	<u>(590,995)</u>	<u>(590,915)</u>	<u>80</u>
Total Other Financing Sources (Uses)	<u>9,203,000</u>	<u>9,203,005</u>	<u>9,204,981</u>	<u>1,976</u>
Net Change in Fund Balances	<u>\$ 1,739,830</u>	<u>\$ (1,125,318)</u>	<u>(1,399,598)</u>	<u>\$ (274,280)</u>
Fund Balances Beginning of Year			<u>14,935,096</u>	
Fund Balances End of Year			<u>\$ 13,535,498</u>	

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total Funds	
Assets				
Current Assets:				
Cash and cash equivalents	\$ 3,943,000	\$ 65,840	\$ 4,008,840	\$ 76,301
Investments	-	-	-	631,949
Accounts receivable	10,887,000	-	10,887,000	60,824
Unbilled revenues	5,933,000	-	5,933,000	-
Accrued interest	1,072,000	-	1,072,000	-
Derivative	352,000	-	352,000	-
Fuel stocks	7,584,000	-	7,584,000	-
Inventory	9,640,000	14,397	9,654,397	-
Prepaid expenses and deposits	643,000	-	643,000	-
Restricted customer deposit fund	2,568,000	-	2,568,000	-
Restricted combined utilities sinking fund	18,307,000	-	18,307,000	-
Total Current Assets	<u>60,929,000</u>	<u>80,237</u>	<u>61,009,237</u>	<u>769,074</u>
Noncurrent Assets:				
Land	-	877,709	877,709	-
Construction in progress	4,195,000	-	4,195,000	-
Depreciable capital assets, net	672,534,000	836,289	673,370,289	-
Restricted combined renewals and extensions fund	29,870,000	-	29,870,000	-
Restricted nuclear decommissioning	61,957,000	-	61,957,000	-
Regulatory asset	10,653,000	-	10,653,000	-
Debt expense, net	189,000	-	189,000	-
Investment in joint ventures	-	21,821,019	21,821,019	-
Total Noncurrent Assets	<u>779,398,000</u>	<u>23,535,017</u>	<u>802,933,017</u>	<u>-</u>
Total Assets	<u>\$ 840,327,000</u>	<u>\$ 23,615,254</u>	<u>\$ 863,942,254</u>	<u>\$ 769,074</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total Funds	
Liabilities				
Current Liabilities:				
Current maturities of long-term debt	\$ 16,305,000	\$ -	\$ 16,305,000	\$ -
Accrued interest on long-term debt	1,998,000	-	1,998,000	-
Accounts payable and accrued expenses	16,308,000	250,168	16,558,168	107,928
Unearned revenue	-	1,794	1,794	-
Interfund payable	-	340,346	340,346	-
Claims payable	-	-	-	1,917,144
Compensated absences	-	43,829	43,829	-
Customer deposits	<u>2,853,000</u>	<u>-</u>	<u>2,853,000</u>	<u>-</u>
Total Current Liabilities	<u>37,464,000</u>	<u>636,137</u>	<u>38,100,137</u>	<u>2,025,072</u>
Long-Term Liabilities:				
Deferred credit - TVA right of use	517,000	-	517,000	-
Derivatives	151,000	-	151,000	-
Long-term debt	54,728,000	-	54,728,000	-
Asset retirement obligations	29,664,000	-	29,664,000	-
Compensated absences	<u>-</u>	<u>131,486</u>	<u>131,486</u>	<u>-</u>
Total Long-Term Liabilities	<u>85,060,000</u>	<u>131,486</u>	<u>85,191,486</u>	<u>-</u>
Total Liabilities	<u>122,524,000</u>	<u>767,623</u>	<u>123,291,623</u>	<u>2,025,072</u>
Net Assets				
Invested in capital assets, net of related debt	584,687,000	1,713,998	586,400,998	-
Restricted for:				
Debt service	18,307,000	-	18,307,000	-
Capital projects	29,870,000	-	29,870,000	-
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	64,877,000	-	64,877,000	-
Unrestricted	<u>20,062,000</u>	<u>21,133,633</u>	<u>41,195,633</u>	<u>(1,255,998)</u>
Total Net Assets	<u>\$ 717,803,000</u>	<u>\$ 22,847,631</u>	<u>\$ 740,650,631</u>	<u>\$ (1,255,998)</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Statement of Net Assets of Proprietary Funds
to the Statement of Net Assets
December 31, 2008

Total Statement of Net Assets - Proprietary Funds Net Assets \$ 740,650,631

**Amounts reported for Business-Type Activities in the
Statement of Net Assets are different because:**

The business-type activities of the City also benefit from the use of the internal service funds. The amount of the net loss allocated to the business-type activities of the City is reported as an interfund payable for business-type activities.

(1,809,387)

Net Assets of Business-Type Activities

\$ 738,841,244

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Revenues,
Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2008

	<u>Business-type Activities - Enterprise Funds</u>			Governmental Activities - Internal Service Funds
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total	
Operating Revenues				
Charges for services	\$ 170,258,000	\$ 792,751	\$ 171,050,751	\$ 6,065,057
Merchandise sales	-	44,377	44,377	-
Tournaments	-	66,113	66,113	-
Concessions	-	56,721	56,721	-
Miscellaneous	-	1,981	1,981	-
Total Operating Revenues	<u>170,258,000</u>	<u>961,943</u>	<u>171,219,943</u>	<u>6,065,057</u>
Operating Expenses				
Cost of sales and services	123,275,000	375,600	123,650,600	845,806
Personal services and benefits	-	775,499	775,499	-
Depreciation	32,098,000	71,485	32,169,485	-
Claims	-	-	-	4,978,712
Total Operating Expenses	<u>155,373,000</u>	<u>1,222,584</u>	<u>156,595,584</u>	<u>5,824,518</u>
Operating Income (Loss)	<u>14,885,000</u>	<u>(260,641)</u>	<u>14,624,359</u>	<u>240,539</u>
Non-Operating Revenues (Expenses)				
Interest income	5,605,000	2,581	5,607,581	22,568
Net increase (decrease) in fair value of investments	2,280,000	-	2,280,000	-
Allowance for debt funds used during construction	338,000	-	338,000	-
Miscellaneous income (expense)	158,000	-	158,000	-
Interest expense	(3,850,000)	-	(3,850,000)	-
Income from joint ventures	-	(465,949)	(465,949)	-
Total Non-Operating Revenues (Expenses)	<u>4,531,000</u>	<u>(463,368)</u>	<u>4,067,632</u>	<u>22,568</u>
Income Before Contributions and Transfers	19,416,000	(724,009)	18,691,991	263,107
Contributions in aid of construction	112,000	-	112,000	-
Transfers in (out)	(9,081,000)	390,000	(8,691,000)	-
Change in Net Assets	10,447,000	(334,009)	10,112,991	263,107
Net Assets Beginning of Year, as restated	<u>707,356,000</u>	<u>23,181,640</u>	<u>730,537,640</u>	<u>(1,519,105)</u>
Net Assets End of Year	<u>\$ 717,803,000</u>	<u>\$ 22,847,631</u>	<u>\$ 740,650,631</u>	<u>\$ (1,255,998)</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Reconciliation of the Statement of Revenues, Expenses, and Changes
in Fund Net Assets of Proprietary Funds to the Statement of Activities
For the Year Ended December 31, 2008

Changes in Fund Net Assets - Total Business-Type Activities \$ 10,112,991

**Amounts reported for Business-Type Activities in the
Statement of Activities are different because:**

The internal service funds are used by management to charge the costs of the operation and maintenance of the health and workers compensation insurance to individual funds. In the statement of activities, the portion of the internal service fund losses as a result of business-type activities is allocated to each business-type activity.

215,400

Change in Net Assets of Business-Type Activities \$ 10,328,391

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total	
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash received from customers	\$ 167,046,000	\$ 957,765	\$ 168,003,765	\$ -
Cash received from overparity in transmission facilities	2,799,000	-	2,799,000	-
Cash received from interfund services provided	-	-	-	5,987,089
Cash payments to employees for services	(19,719,246)	(707,631)	(20,426,877)	-
Cash payments for goods, services, claims, and fees	<u>(105,940,754)</u>	<u>(360,280)</u>	<u>(106,301,034)</u>	<u>(6,204,626)</u>
Net Cash Provided by (Used in) Operating Activities	<u>44,185,000</u>	<u>(110,146)</u>	<u>44,074,854</u>	<u>(217,537)</u>
Cash Flows from Investing Activities				
Interest on investments	5,846,000	2,581	5,848,581	22,568
Sales and maturity of investment securities	164,473,000	-	164,473,000	108,658
Purchases of investment securities	<u>(146,119,000)</u>	<u>-</u>	<u>(146,119,000)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>24,200,000</u>	<u>2,581</u>	<u>24,202,581</u>	<u>131,226</u>
Cash Flows from Noncapital Financing Activities				
Transfers out	<u>(9,081,000)</u>	<u>-</u>	<u>(9,081,000)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Contributions in aid of construction	112,000	-	112,000	-
Principal and interest paid on long-term debt	(19,886,000)	-	(19,886,000)	-
Acquisition of capital assets	<u>(42,159,000)</u>	<u>-</u>	<u>(42,159,000)</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(61,933,000)</u>	<u>-</u>	<u>(61,933,000)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,629,000)	(107,565)	(2,736,565)	(86,311)
Cash and Cash Equivalents Beginning of Year	<u>6,572,000</u>	<u>173,405</u>	<u>6,745,405</u>	<u>162,612</u>
Cash and Cash Equivalents End of Year	<u>\$ 3,943,000</u>	<u>\$ 65,840</u>	<u>\$ 4,008,840</u>	<u>\$ 76,301</u>

(Continued)

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water, Light and Sinking Fund Commission	Other Proprietary Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities				
Operating Income (Loss)	\$ 14,885,000	\$ (260,641)	\$ 14,624,359	\$ 240,539
Adjustments:				
Depreciation	32,098,000	71,485	32,169,485	-
Amortization	2,471,000	-	2,471,000	-
Miscellaneous income and expense	158,000	-	158,000	-
(Increase) Decrease in Assets:				
Accounts receivable	(413,000)	-	(413,000)	(48,386)
Interfund receivable	-	8,880	8,880	4,494
Fuel stocks	1,083,000	-	1,083,000	-
Inventory	(271,000)	(202)	(271,202)	-
Prepaid expenses and deposits	-	-	-	91,553
Increase (Decrease) in Liabilities:				
Accounts payable	(5,979,000)	(552)	(5,979,552)	107,928
Interfund payable	-	17,000	17,000	(258,880)
Unearned revenue	-	(4,178)	(4,178)	(329,589)
Accrued wages	-	199,514	199,514	-
Other	153,000	(141,452)	11,548	-
Claims payable	-	-	-	(25,196)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 44,185,000</u>	<u>\$ (110,146)</u>	<u>\$ 44,074,854</u>	<u>\$ (217,537)</u>
Noncash Investing, Capital, and Financing Activities				
Net increase in fair value of investments	<u>\$ 2,779,000</u>	<u>\$ -</u>	<u>\$ 2,779,000</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2008

	Pension Trust Fund	OPEB Trust Fund	Municipal Court Agency Fund	Tax Agency Fund
Assets				
Cash and cash equivalents	\$ 576,341	\$ -	\$ 238,262	\$ -
Investments, at fair value				
Georgia Municipal Employees Benefit System OPEB Trust Fund	-	218,510	-	-
MetLife large cap index equity fund	14,044,987	-	-	-
MetLife small cap index equity fund	5,333,863	-	-	-
MetLife fixed income guaranteed account	30,580,397	-	-	-
Contributions receivable	-	1,546,514	-	-
Total Assets	<u>\$ 50,535,588</u>	<u>\$ 1,765,024</u>	<u>\$ 238,262</u>	<u>\$ -</u>
Liabilities				
Current Liabilities:				
Accounts payable	2,870	-	37,436	-
Interfund payable		60,824	-	-
Claims payable	-	38,900	-	-
Other liabilities	-	-	200,826	-
Total Current Liabilities	<u>2,870</u>	<u>99,724</u>	<u>238,262</u>	<u>-</u>
Net Assets				
Held in trust for pension and other post employment benefits	<u>\$ 50,532,718</u>	<u>\$ 1,665,300</u>	<u>\$ -</u>	<u>\$ -</u>

(See pension trust fund schedule of funding progress)

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Pension Trust Fund and OPEB Trust Fund
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For The Year Ended December 31, 2008

	Pension Trust Fund	OPEB Trust Fund
Additions		
Contributions:		
Employer	\$ 2,624,837	\$ 2,982,623
Plan members	1,161,838	106,977
Total contributions	<u>3,786,675</u>	<u>3,089,600</u>
Investment income:		
Interest and dividends	592,944	16,768
Net increase (decrease) in fair value of investments	<u>(10,586,164)</u>	<u>(135,302)</u>
Total investment income	(9,993,220)	(118,534)
Less: investment expense	<u>138,403</u>	<u>29,570</u>
Net investment earnings	<u>(10,131,623)</u>	<u>(148,104)</u>
Total Additions (Reductions)	<u>(6,344,948)</u>	<u>2,941,496</u>
Deductions		
Administrative expenses	47,492	19,918
Benefit payments	<u>4,890,396</u>	<u>1,256,278</u>
Total Deductions	<u>4,937,888</u>	<u>1,276,196</u>
Change in Net Assets	(11,282,836)	1,665,300
Net Assets Beginning of Year	<u>61,815,554</u>	<u>-</u>
Net Assets End of Year	<u>\$ 50,532,718</u>	<u>\$ 1,665,300</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

Index

Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Presentation	1-B
Measurement Focus.....	1-C
Basis of Accounting.....	1-D
Assets, Liabilities, and Fund Equity	1-E
Cash, Cash Equivalents, and Investments	1-E-1
Receivables	1-E-2
Interfund Balances.....	1-E-3
Consumable Inventories.....	1-E-4
Prepaid Items.....	1-E-5
Restricted Assets	1-E-6
Capital Assets.....	1-E-7
Parity Income	1-E-8
Compensated Absences.....	1-E-9
Accrued Liabilities and Long-term Obligations	1-E-10
Bond Premiums, Discounts, and Issuance Costs.....	1-E-11
Fund Equity.....	1-E-12
Operating and Non-Operating Revenues and Expenses.....	1-E-13
Contributions of Capital	1-E-14
Interfund Activity.....	1-E-15
Estimates	1-E-16
Major Customers.....	1-E-17
Comparative Data.....	1-E-18
Restatement of Equity Balances	2
Restatement of Business Type Activities Net Assets	2-A
Restatement of Nonmajor Enterprise Funds Net Assets.....	2-B
Reclassifications	2-C
Stewardship, Compliance, and Accountability	3
Budgetary Information	3-A
Deficit Fund Equities.....	3-B
Detailed Notes on All Funds	4
Deposits and Investments	4-A
Receivables.....	4-B
Property Taxes.....	4-C
Capital Assets	4-D
Interfund Balances and Transfers	4-E
Compensated Absences	4-F
Operating Leases	4-G
Long-Term Debt	4-H
Pensions	4-I
Other Post Employment Benefits	4-J
Defined Contribution Plan.....	4-K
Net Assets.....	4-L
Inter-utility Sales	4-M

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

Index

Other Notes	5
Hotel/Motel Lodging Tax	5-A
Risk Management	5-B
Commitments and Contingent Liabilities	5-C
Joint Ventures	5-D
Debt Contingency	5-E

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

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

Note 1 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States (“GAAP”) as applied to governments. The Governmental Accounting Standards Board (“GASB”) is the accepted standard-setting body for governmental accounting and financial reporting. The City also applies Financial Accounting Standards Board (“FASB”) statements and interpretations issued on or before November 30, 1989 to its governmental and business-type activities at the government-wide financial reporting level and to its proprietary funds at the fund reporting level, provided they do not conflict with or contradict GASB pronouncements.

The most significant of the City’s accounting policies are described below.

1-A Reporting Entity

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

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

Based upon the above criteria, there are no component units to be incorporated within the reporting entity.

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

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-A Reporting Entity (continued)

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

The City participates with Whitfield County in the Dalton-Whitfield Joint Development Authority (“JDA”), also known as the Dalton-Whitfield Economic Development Authority (“EDA”). The JDA was created during 2007 to replace and to serve the same purpose as the EDA. Both entities existed as of December 31, 2008, but shared a board and activity. The EDA will be dissolved in the near future and the JDA will continue to operate. The City has fifty percent equity in this entity. Separately issued financial statements of the Dalton-Whitfield Joint Development Authority can be obtained from their administrative office: 890 College Drive, Dalton, Georgia 30720.

Under Georgia law, the City, in conjunction with other cities and counties in the region, is a member of the North Georgia Regional Development Center (“RDC”) and is required to pay annual dues thereto. The City also utilizes the RDC for other projects, such as performing planning and administrative services. During its year ended December 31, 2007, the City paid \$32,260 in dues to the RDC. Membership in a RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of a RDC. Separately issued financial statements may be obtained from the North Georgia Regional Development Center, 503 W. Waugh Street, Dalton, Georgia 30720.

1-B Basis of Presentation

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

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

The statement of net assets presents the financial position of the governmental and business-type activities of the City at year-end.

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-B Basis of Presentation (continued)

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

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

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

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

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

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

Nonmajor Governmental Funds - Nonmajor governmental funds include the recreation commission, community development block grant, community home investment grant, hotel motel tax, and confiscated assets, all of which are special revenue fund types. The debt service and capital projects funds are also nonmajor governmental funds.

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

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

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-B Basis of Presentation (continued)

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

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

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

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

Tax Agency Fund – The tax agency fund accounts for the inflows and outflows of property tax revenue received by the City of Dalton from the Whitfield County Tax Commissioners’ Office for the City of Dalton Board of Education and the Downtown Dalton Development Authority. The City of Dalton is a conduit for those two entities tax funding. In years prior to 2008, those inflows and outflows were reported as revenues and expenditures of the City of Dalton, Georgia. In 2008, they are reported within the agency fund. In 2009, they will be eliminated, as those two entities began receiving direct funding from the Whitfield County Tax Commissioners’ Office in late 2008.

1-C Measurement Focus

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

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

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-D Basis of Accounting

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

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

Revenues - Non-exchange Transactions - Non-exchange transactions in which the City receives value without directly giving equal value in return include grants and donations. On an accrual basis, revenue from sales tax is recognized in the period in which the taxable sale takes place. Revenue from property taxes is recognized in the year for which the taxes are levied. (Note 4-C) Revenue from grants and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized.

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

WLSF Commission - The WLSF Commission follows accounting principles generally accepted in the United States of America and governmental accounting and financial reporting standards issued by GASB and also conforms to the provisions of FASB Statement of Financial Accounting Standards (“SFAS”) No. 71, *Accounting for the Effects of Certain Types of Regulation*. All regulatory assets and liabilities are reflected in rates. In the event that a portion of the WLSF Commission's operations is no longer subject to the provisions of SFAS No. 71 as a result of a change in regulation of the effects of competition, the WLSF Commission would be required to write off related regulatory assets and liabilities that are not specifically recoverable through regulated rates. In addition, the WLSF Commission would be required to determine if any impairment to other assets, including plant, exists, and write down the assets, if impaired, to their fair value. The WLSF Commission maintains separate financial accounts for each system generally in accordance with the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission for the electric and natural gas sectors (with the exception of its property accounts) and generally in accordance with the Uniform System of Accounts prescribed by the National Association of Regulatory Utility Commissioners for the water, sewer, and information technology sectors (with the exception of its property accounts).

Rates charged to customers are established solely by the WLSF Commission. As required by the Rate Covenant of the Combined Utilities Revenue Bond Indentures (the “Indentures”) dated January 1, 1997 and November 1, 1999, electric, natural gas, water, sewer, and information technology customers are billed so that operating revenues and investment earnings shall be sufficient to meet operating and maintenance expenses, debt service, and certain reserve requirements. In addition, no funds obtained from ad valorem taxes are to be used for operating and maintenance expenses or debt service expense of the WLSF Commission.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-D Basis of Accounting (continued)

WLSF Commission revenue is recorded when the commodity or service is delivered and includes an estimate for utility services provided but unbilled at the end of the year. Unbilled revenues included in operating revenues were \$5,933,000 for the year ended December 31, 2008. In the information technology sector, the WLSF Commission has adopted the industry standard of billing customers in advance for telecommunication services. Such amounts are deferred and recognized as revenues in the periods the services are provided. Deferred revenues included in accounts payable and accrued expenses were \$540,000 for the year ended December 31, 2008. Electricity that is generated and not used by the WLSF Commission is sold back to Southern Power Company, the wholesale power marketing affiliate of the Southern Company. In 2008, total MWhs sold back to Southern Power Company totaled 226,000, with proceeds of \$13,490,000, which is shown as an offset to purchased energy expense.

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

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

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

Deferred revenue is reclassified as “unearned revenue” on the government-wide statement of net assets.

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

1-E Assets, Liabilities, and Fund Equity

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

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

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-E-1 Cash, Cash Equivalents, and Investments (continued)

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

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

All investments are carried at fair value based on quoted market prices as required by GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. GASB No. 31 requires that governmental entities report investments at fair value in the Statement of Net Assets and Balance Sheets and recognize all investment income, including changes in the fair value of investments, as other income in the Statement of Activities and Statement of Revenues, Expenses/Expenditures, and Changes in Fund Balances/Net Assets.

1-E-2 Receivables

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

1-E-3 Interfund Balances

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

1-E-4 Consumable Inventories

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

1-E-5 Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008 and prepaid deposits are recorded as prepaid items. The expense or expenditure is recognized during the benefiting period.

1-E-6 Restricted Assets

Sinking fund resources in enterprise funds are restricted to the payment of bond principal and interest requirements as they become due. All resources in excess of the required reserve are transferred to a separate account and are restricted to the construction of new capital facilities and other expenses as allowed by the System's bond resolutions. Any reimbursements from outside sources for these projects are restricted accordingly. Liabilities payable from these restricted assets include accrued interest payable on revenue bonds and the current portions of revenue bonds payable. The bond resolutions place restrictions on additional bond issues and contain certain compliance provisions.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-E-7 Capital Assets

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

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

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

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

At the inception of capital leases at the governmental fund reporting level, expenditures and an "other financing source" of an equal amount are reported at the net present value of future minimum lease payments. The City is not obligated under any capital leases as of December 31, 2008.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-E-7 Capital Assets (continued)

WSLF Commission Utility Plant - Utility plant constructed or purchased by the WLSF Commission is stated at cost, which includes material and labor costs and applicable overheads. Property received as a contribution is recorded at its estimated fair value on the date received. The cost of maintenance, repairs, and minor replacements of property are charged to expense. The costs of renewals and betterments are capitalized. Detailed property records are not maintained for assets other than automobiles and electric transmission plants in service acquired prior to 1998. Property descriptions and dollar amounts from individual invoices are maintained in the fixed asset system for all post-1998 utility plant records. The cost of property retired or otherwise disposed of in the normal course of business, together with removal costs, less salvage, is charged to accumulated depreciation at the time such property is removed from service. The cost of property retired or disposed of in the normal course of business which does not have detailed property records is estimated by management. Property retirements and disposals totaled \$4,819,000 during 2008. In the opinion of management, the property retired or disposed of in the normal course of business approximates its original cost. Land used by or held for the use of the WLSF Commission is owned by the City.

Amortization of Nuclear Fuel - The cost of nuclear fuel, including a provision for the disposal of spent fuel, is amortized to fuel expense based on usage. Nuclear fuel expense included in production expense totaled \$2,354,000 during 2008.

Depreciation and Nuclear Decommissioning - Depreciation of the major classes of utility plant is computed on additions when they are placed in service using rates computed under the composite straight-line method, which approximated 3.1% in 2008, and is based on the following remaining useful lives:

Electric system	26-41 years
Natural gas system	33-44 years
Water system	50-67 years
Sewer system	30-50 years
Information technology system	5-20 years

The WLSF Commission participates in ownership of electric generation and transmission facilities to meet the present and future service demands of its customers. They have entered into agreements with Georgia Power Company ("GPC") for the construction, purchase, ownership, operation, and maintenance of the facilities. The composite annual depreciation rate for nuclear production includes a factor to provide for the WLSF Commission's expected portion of the cost of decommissioning jointly owned nuclear generating plants based on the 2006 Nuclear Regulatory Commission's ("NRC") minimum external funding requirements. The WLSF Commission's ownership in the jointly owned plants is as follows:

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-E-7 Capital Assets (continued)

Site study cost is the estimate to decommission a specific facility as of the site study year. The estimated costs of decommissioning based on the most current study as of December 31, 2006 for the Commissions' ownership interests in plants Hatch and Vogtle were as follows:

	Plant Hatch	Plant Vogtle
Decommissioning periods		
Beginning year	2034	2027
Completion year	2061	2051
Site study cost	\$ 1,178,300,000	\$ 1,256,900,000
WLSF's portion	2.2%	1.6%
	\$ 25,922,600	\$ 20,110,400

The decommissioning cost estimates are based on prompt dismantlement and removal of the plants from service. The actual decommissioning costs may vary from the above estimates because of changes in the assumed dates of decommissioning, changes in NRC and regulatory requirements, or changes in the assumptions used in making these estimates.

1-E-8 Parity Income

The WLSF Commission is required under the Integrated Transmission System Agreement (the "ITS Agreement") with GPC, Georgia Transmission Corporation, and the Municipal Electric Authority of Georgia, to maintain a specified level of investment (e.g., parity) in transmission facilities necessary to provide for the transporting of electric energy for customers within the state of Georgia, which is in proportion to the WLSF Commission's use of such system. Parity will therefore fluctuate in response to any changes in the WLSF Commission's load requirements, as well as any changes in the level of investment in transmission facilities made by the other participants in the ITS Agreement. As of December 31, 2008, the WLSF Commission's investment in ITS facilities was greater than parity, as defined by the ITS Agreement. The required level of investment and the excess investment in the transmission facilities are included in utility plant. The excess investment earns parity income from the other participants in the ITS Agreement, which is reported as parity income. The WLSF Commission intends to remain in an over parity position for the foreseeable future. The WLSF Commission's total investment in ITS facilities at December 31, 2008 was \$81 million. The parity income for the year ended December 31, 2008 totaled \$2.8 million.

1-E-9 Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the City's past experience of making termination payments.

All compensated absence liabilities include salary-related payments, where applicable.

The total compensated absence liability is reported on the government-wide financial statements. Proprietary funds report the total compensated liability in each individual fund at the fund reporting level. Governmental funds report the compensated absence liability at the fund reporting level only "when due."

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

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

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

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

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

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

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

1-E-12 Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance – Generally, fund balance represents the difference between the current assets and current liabilities. The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available, spendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance that is available for appropriation in future periods. Designations are management’s intent to set aside these resources for specific services.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. See Note 4-L for detailed information on net assets invested in capital assets, net of related debt. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net assets are reported as unrestricted.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

1-E-13 Operating and Non-Operating Revenues and Expenses

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-E-14 Contributions of Capital

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

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

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

WLSF Allowance for Funds Used During Construction (“AFUDC”) - AFUDC represents the estimated debt costs of capital funds that are necessary to finance the construction of new facilities. While cash is not realized currently from such allowance, it increases the revenue requirement over the service life of the assets through a higher rate base and higher depreciation expense. For the year ended December 31, 2008, the average AFUDC rate was 5.27%.

1-E-15 Interfund Activity

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

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

1-E-16 Estimates

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

1-E-17 Major Customers

WLSF Commission sales to one major customer during the year ended December 31, 2008 totaled approximately 20% of total electricity sales. No other customer accounted for more than ten percent of the WLSF Commission’s sales during 2008.

The DWRSWMA’s fee revenue to three major customers during the year ended December 31, 2008 totaled approximately 25%, 11%, and 10% of total fee revenue. No other customers accounted for more than ten percent of the DWRSWMA’s fee revenue during 2008.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

1-E-18 Comparative Data

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

Note 2 – Restatement of Equity Balances

2-A Restatement of Business-Type Activities Net Assets

The beginning net assets for business-type activities were restated to reflect a change in the entity of a joint venture reported in the City’s financial statements. For the years ended December 31, 2005, 2006, and 2007, the Dalton Convention and Visitors Bureau (“CVB”) was included in the financial statements of the Trade Center. Effective January 1, 2008, the CVB became a separate legal entity. Cumulative equity in the CVB, totaling \$134,802, was eliminated from the Trade Center financial statements. This caused a decrease in the City’s net assets of \$67,401, as the City has a fifty percent interest in Trade Center equity. This change affects nonmajor enterprise fund balances.

Net Assets at December 31, 2007, as previously reported	\$ 728,580,254	
Decrease due to elimination of CVB equity within the Trade Center	(67,401)	_____
Net Assets at December 31, 2007, as restated	\$ 728,512,853	_____

2-B Restatement of Nonmajor Enterprise Fund Net Assets

The beginning net assets for nonmajor enterprise funds were restated to reflect a change in the entity of the Trade Center, as described above.

Trade Center Net Assets at December 31, 2007, as previously reported	\$ 7,486,142	
Decrease due to elimination of CVB equity within the Trade Center	(67,401)	_____
Trade Center Net Assets at December 31, 2007, as restated	\$ 7,418,741	_____

2-C Reclassifications

Beyond these restatements, certain 2007 amounts have been reclassified to conform to the 2008 presentation, with no material impact on total assets, total liabilities, total net assets, total revenues, total expenditures, or total expenses.

Note 3 – Stewardship, Compliance, and Accountability

3-A Budgetary Information

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

3-B Deficit Fund Equities

The Workers Compensation Fund had deficit net assets of \$577,922 at December 31, 2008. The Health Insurance Fund had deficit net assets of \$678,076 at December 31, 2008.

Note 4 - Detailed Notes on All Funds

4-A Deposits and Investments

Investments – The City is a voluntary participant in the local government investment pool Georgia Fund 1. It is managed by the Office of the Treasury and Fiscal Services. The fund, created under OCGA 36-83-8 is a stable net asset value investment pool that is rated AAAM by Standard and Poor’s. The fund operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool’s primary objectives are safety of capital, investment income, liquidity, and diversification while maintaining principal. Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant’s shares sold and redeemed based on \$1.00 per share. The total value of the investment in Georgia Fund 1 was \$10,892,444. The pool’s weighted average maturity is 40 days.

Credit risk for investments is the risk that, in the event of the failure of a counterparty to a transaction, the City will not be able to recover the value of the investment or the collateral securities that are in the possession of an outside party. The City does have an investment policy for credit risk that limits its investments to those authorized by Georgia law. Investments in the Georgia Fund 1 Local Government Investment Pool are rated AAAM.

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

	Fair Value	Rating
MetLife Index Fund	\$ 14,044,987	Not Rated
MetLife Small Cap Index Fund	5,333,863	Not Rated
MetLife Guaranteed Adjusted Index Value Account	30,580,397	Not Rated
Total Pension Trust Fund Investments	\$ 49,959,247	
Georgia Municipal Employees Benefit System OPEB Trust Account	\$ 218,510	Not Rated
Total OPEB Trust Fund Investments	\$ 218,510	

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

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

Concentration of credit risk for investments is the risk of loss attributed to the magnitude of an investment in a single issuer. The WLSF Commission does not place a limit on the amount it may invest in any one issuer. More than 38% and 17% of its investments are in debentures of the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), respectively.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-A Deposits and Investments (continued)

Investment Risk Disclosure (WLSF)

	Credit Quality	Fair Value	Investment Maturities (in Years)			
			Less than 1	1 to 5	6 to 10	10 +
Cash	Not Rated	\$ 149,000	\$ 149,000	\$ -	\$ -	\$ -
Federal Home Loan Mortgage Corporation	AAA/Aaa	42,398,000	-	-	41,684,000	714,000
Federal National Mortgage Association	AAA/Aaa	19,220,000	-	-	-	19,220,000
Coupons (U.S. Strip)	Not Rated	8,804,000	-	945,000	7,859,000	-
Coupons (Resolution Fund Corporation)	Not Rated	23,843,000	-	-	-	23,843,000
Bond repurchase agreements	Not Rated	18,288,000	18,288,000	-	-	-
Total		<u>\$ 112,702,000</u>	<u>\$ 18,437,000</u>	<u>\$ 945,000</u>	<u>\$ 49,543,000</u>	<u>\$ 43,777,000</u>

4-B Receivables

Receivables at December 31, 2008 consisted of taxes, interest, accounts (billings for user charges), and intergovernmental receivables arising from grants.

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-C Property Taxes

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

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

Taxes receivable at December 31, 2008 consists of uncollected property taxes levied during the year ended December 31, 2008 and prior years. A 1% allowance for uncollectible taxes has been considered in reporting taxes receivable. The amount of taxes uncollected sixty days subsequent to year end for all tax years has been included in taxes receivable, and a corresponding deferred revenue has been recorded. Taxes receivable are summarized below.

Tax year 2008	\$	6,313,546
Tax year 2007		283,982
Tax year 2006		67,440
Tax year 2005		15,330
Tax year 2004		22,437
Tax year 2003		11,927
Tax year 2002		7,161
Tax year 2001		3,485
Tax year 2000		1,409
Tax year 1999		<u>5</u>
Total taxes receivable		6,726,722
Allowance for uncollectible taxes		<u>(67,267)</u>
Reported property tax receivable	\$	<u><u>6,659,455</u></u>
Taxes uncollected 60 days subsequent to year end, net of allowance, reported as deferred revenue	\$	<u><u>1,718,888</u></u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-D Capital Assets

Governmental capital asset activity for the year ended December 31, 2008, was as follows:

	Adjusted Balance 12/31/2007	Additions	Disposals and Reclassifications	Adjusted Balance 12/31/2008
Capital assets not being depreciated:				
Land	\$ 13,903,093	\$ 773,893	\$ -	\$ 14,676,986
Construction in progress	39,191	115,711	-	154,902
Total capital assets not being depreciated	<u>13,942,284</u>	<u>889,604</u>	<u>-</u>	<u>14,831,888</u>
Other capital assets:				
Land improvements	22,696,106	161,285	-	22,857,391
Buildings	25,098,812	-	-	25,098,812
Building improvements	1,263,918	29,785	-	1,293,703
Vehicles	5,133,688	136,007	(413,729)	4,855,966
Machinery	10,023,879	529,106	(969,769)	9,583,216
Equipment	3,317,448	85,889	-	3,403,337
Furniture & fixtures	50,395	246,297	-	296,692
Intangibles	169,623	770,228	-	939,851
Bridge and bridge culvert	8,752,560	-	-	8,752,560
Streets and streetscape	93,406,866	1,428,996	-	94,835,862
Airport runway extension	5,678,498	328,477	-	6,006,975
Mast arm lighting	264,218	-	-	264,218
Total other capital assets	<u>175,856,011</u>	<u>3,716,070</u>	<u>(1,383,498)</u>	<u>178,188,583</u>
Total cost	<u>189,798,295</u>	<u>4,605,674</u>	<u>(1,383,498)</u>	<u>193,020,471</u>
Accumulated depreciation:				
Land improvements	8,488,380	1,064,461	-	9,552,841
Buildings	5,900,316	521,328	-	6,421,644
Building improvements	489,841	47,489	-	537,330
Vehicles	3,934,351	384,425	(413,145)	3,905,631
Machinery	6,588,377	636,225	(751,650)	6,472,952
Equipment	1,451,819	257,037	-	1,708,856
Furniture & fixtures	14,664	3,254	-	17,918
Intangibles	142,114	18,314	-	160,428
Bridge and bridge culvert	4,918,310	175,051	-	5,093,361
Streets and streetscape	76,025,885	1,095,353	-	77,121,238
Airport runway extension	582,427	229,896	-	812,323
Mast arm lighting	53,135	13,211	-	66,346
Total accumulated depreciation	<u>108,589,619</u>	<u>4,446,044</u>	<u>(1,164,795)</u>	<u>111,870,868</u>
Governmental activities capital assets, net	<u>\$ 81,208,676</u>	<u>\$ 159,630</u>	<u>\$ (218,703)</u>	<u>\$ 81,149,603</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-D Capital Assets (continued)

Governmental activities depreciation expense

General government	\$ 630,497
Public safety	710,638
Public works	1,920,814
Culture and recreation	<u>1,184,095</u>
Total governmental activities depreciation expense	<u>\$ 4,446,044</u>

Business-type capital asset activity for the year ended December 31, 2008, was as follows:

	Adjusted Balance 12/31/2007	Additions	Disposals and Reclassifications	Adjusted Balance 12/31/2008
Capital assets not being depreciated:				
Land	\$ 877,709	\$ -	\$ -	\$ 877,709
Construction in progress	<u>8,047,000</u>	<u>-</u>	<u>(3,852,000)</u>	<u>4,195,000</u>
Total capital assets not being depreciated	<u>8,924,709</u>	<u>-</u>	<u>(3,852,000)</u>	<u>5,072,709</u>
Other capital assets:				
Land improvements	457,949	-	-	457,949
Buildings	726,456	-	-	726,456
Building improvements	65,654	-	-	65,654
Vehicles	123,575	-	-	123,575
Machinery	184,895	-	-	184,895
Equipment	417,100	-	-	417,100
Utility plant	<u>955,584,000</u>	<u>31,972,000</u>	<u>3,852,000</u>	<u>991,408,000</u>
Total other capital assets	<u>957,559,629</u>	<u>31,972,000</u>	<u>3,852,000</u>	<u>993,383,629</u>
Total cost	<u>966,484,338</u>	<u>31,972,000</u>	<u>-</u>	<u>998,456,338</u>
Accumulated depreciation:				
Land improvements	205,086	19,825	-	224,911
Buildings	267,006	18,512	-	285,518
Building improvements	44,379	6,565	-	50,944
Vehicles	123,575	-	-	123,575
Machinery	160,611	3,536	-	164,147
Equipment	267,198	23,047	-	290,245
Utility plant	<u>304,115,000</u>	<u>25,466,000</u>	<u>-</u>	<u>329,581,000</u>
Total accumulated depreciation	<u>305,182,855</u>	<u>25,537,485</u>	<u>-</u>	<u>330,720,340</u>
Nuclear fuel, at amortized cost	<u>7,493,000</u>	<u>3,214,000</u>	<u>-</u>	<u>10,707,000</u>
Business-type activities capital assets, net	<u>\$ 668,794,483</u>	<u>\$ 9,648,515</u>	<u>\$ -</u>	<u>\$ 678,442,998</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-E Interfund Balances and Transfers

Interfund balances at December 31, 2008 consisted of the following amounts and represent charges for services or reimbursable expenses. These remaining balances resulted from the time lag between the dates that (1) interfund goods or services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting period, and (3) payments between funds are made. The City expects to repay all interfund balances within one year. Interfund balances at December 31, 2008 consisted of the following:

Payable to:	Payable from:			Total
	General Fund	Non-major governmental funds	Non-major enterprise funds	
General Fund	\$ -	\$ 82,877	\$ 47,423	\$ 130,300
Non-major governmental funds	39,843	-	292,923	332,766
Total	<u>\$ 39,843</u>	<u>\$ 82,877</u>	<u>\$ 340,346</u>	<u>\$ 463,066</u>

Transfers are used to report revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, to segregate money for anticipated capital projects, to provide additional resources for current operations or debt service, and to return money to the fund from which it was originally provided once a project is completed. All City transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer. Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer to:	Transfer from:			Total
	General Fund	WLSF Commission Fund	Non-major governmental funds	
General Fund	\$ -	\$ 9,081,000	\$ 714,896	\$ 9,795,896
Non-major governmental funds	200,915	-	-	200,915
Non-major enterprise funds	390,000	-	-	390,000
Total	<u>\$ 590,915</u>	<u>\$ 9,081,000</u>	<u>\$ 714,896</u>	<u>\$ 10,386,811</u>

4-F Compensated Absences

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-G Operating Leases

The City of Dalton is obligated under several operating leases for office equipment that expire over the next five years. Rent expense for these operating leases for 2008 was approximately \$40,000. The annual minimum lease payments under operating leases as of December 31, 2008 are:

2009	\$	43,175
2010		23,485
2011		20,021
2012		9,358
2013		3,776

4-H Long-Term Debt

Notes Payable - On January 10, 1998, the City, in conjunction with Dalton Public Schools, executed a note to Joyce Hall for the purpose of purchasing real estate for the development of a public school and regional park complex. The principal sum of the note is \$408,914 with an initial payment of \$40,892 and the remainder due in quarterly installments of \$8,755 including interest of 5% from May 17, 1998 through February 17, 2013.

On January 10, 1998, the City, in conjunction with Dalton Public Schools, executed a note to Crawford McDonald, Hazel McDonald, and Marilyn Morgan for the purpose of purchasing real estate for the development of a public school and regional park complex. The principal sum of the note was \$3,500,000 with an initial payment of \$350,000 and the remainder due in quarterly installments of \$74,938 including interest at 5% from June 2, 1998 through March 2, 2013.

Note payable debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 276,178	\$ 58,597	\$ 334,775
2010	290,248	44,527	334,775
2011	305,034	29,740	334,774
2012	320,574	14,200	334,774
2013	<u>82,391</u>	<u>1,030</u>	<u>83,421</u>
	<u>\$ 1,274,425</u>	<u>\$ 148,094</u>	<u>\$ 1,422,519</u>

General Obligation Bonds - Building Authority Refunding Revenue Bonds, dated June 1, 2002, were issued in the amount of \$7,770,000. Bond debt service requirements to maturity are as follows:

<u>Date Due</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 920,000	\$ 111,623	\$ 1,031,623
2010	955,000	77,122	1,032,122
2011	<u>985,000</u>	<u>39,400</u>	<u>1,024,400</u>
	<u>\$ 2,860,000</u>	<u>\$ 228,145</u>	<u>\$ 3,088,145</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-H Long-Term Debt (continued)

Revenue Bonds - On November 1, 1999 the City issued \$107,965,000 principal amount of the City of Dalton, Georgia Combined Utilities Revenue Bonds, Series 1999 (the "Series 1999 Bonds"). The Series 1999 Bonds were issued to finance or refinance certain capital improvements to the water and wastewater treatment facilities of the City.

The revenue bonds are secured by the revenues of the WLSF Commission's electric, gas, water, and sewer systems. The amount reported as charges for services for the WLSF Commission on the Statement of Revenues, Expenses, and Changes in Fund Net Assets for Proprietary Funds is \$170,258,000. Of that amount, \$150,273,000 is used as security for the revenue bonds.

At December 31, 2008, total long-term debt consisted of the following:

Term bonds, Series 1999, 5.36%, maturing in 2012; payable from combined utilities revenues, net of unamortized premium of \$278,000	\$ 71,033,000
Less: current maturities/sinking fund redemptions	<u>(16,305,000)</u>
	<u>\$ 54,728,000</u>

Annual principal and interest payments on long-term debt, as set forth in the Indentures, are as follows:

Year ending December 31,	Principal	Interest	Total Debt Service
2009	\$ 16,305,000	\$ 3,995,000	\$ 20,300,000
2010	17,170,000	3,127,000	20,297,000
2011	18,105,000	2,191,000	20,296,000
2012	<u>19,453,000</u>	<u>1,124,000</u>	<u>20,577,000</u>
	<u>\$ 71,033,000</u>	<u>\$ 10,437,000</u>	<u>\$ 81,470,000</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-H Long-Term Debt (continued)

Changes in Long-term Liabilities - The City's long-term obligations consisted of the following at December 31, 2008:

	Outstanding 12/31/2007	Additions	Reductions	Outstanding 12/31/2008	Amounts Due in One Year
Governmental activities:					
General obligation bonds	\$ 3,745,000	\$ -	\$ (885,000)	\$ 2,860,000	\$ 920,000
Notes payable	1,537,215	-	(262,790)	1,274,425	276,178
Compensated absences	<u>3,927,542</u>	<u>1,430,000</u>	<u>(1,776,896)</u>	<u>3,580,646</u>	<u>895,161</u>
Total governmental activities	<u>\$ 9,209,757</u>	<u>\$ 1,430,000</u>	<u>\$ (2,924,686)</u>	<u>\$ 7,715,071</u>	<u>\$ 2,091,339</u>
Business-type activities					
Deferred credit - TVA right of use	\$ 567,000	\$ -	\$ (50,000)	\$ 517,000	\$ 50,000
Asset retirement obligations	28,254,000	1,410,000	-	29,664,000	-
Revenue bonds	86,635,000	-	(15,602,000)	71,033,000	16,305,000
Compensated absences	<u>316,767</u>	<u>38,000</u>	<u>(179,452)</u>	<u>175,315</u>	<u>43,829</u>
Total business-type activities	<u>\$ 115,772,767</u>	<u>\$ 1,448,000</u>	<u>\$ (15,831,452)</u>	<u>\$ 101,389,315</u>	<u>\$ 16,398,829</u>

Fair Values – The Commissions' financial instruments for which the carrying amounts did not approximate fair value at December 31, 2008 were as follows:

	Carrying Amount	Fair Value
Long-term debt at December 31, 2008	<u>\$ 54,728,000</u>	<u>\$ 58,192,000</u>

Fair values of debt have been determined through information obtained from independent third parties using market data available on the last business day of the year. These estimates are not necessarily indicative of the amount that the WLSF Commission could realize in a current market exchange.

Financial Instruments - The WLSF Commission enters into derivative contracts to mitigate the interest rate risk associated with its fixed rate debt. Additionally, the Commission enters into forward sales agreements to take advantage of the spread between future natural gas prices and the weighted average cost of its natural gas inventory in storage. The Commission follows GASB Statement No. 31, *Accounting for Derivative Instruments and Hedging Activities*, as amended.

Interest Rate Swap Agreement ("Swap Agreement") - In March 2003, the WLSF Commission entered into the Swap agreement with Salomon Smith Barney. The Swap Agreement stipulated that the Commission pay a weekly floating rate based on Security Industry and Financial Markets Association Municipal Swap Index, which was 1.25 on December 31, 2008 on a \$54,540,000 notional amount. Salomon Smith Barney pays a monthly floating rate on the same notional amount based on the sum of 68% of USD LIBOR-BBA and 0.4%, which was .4475% as of December 31, 2008.

Income from the Swap Agreement has been recorded as an offset to interest expense on the Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Water, Light, and Sinking Commission Fund. The net amount received under the Swap Agreement was \$90,000 for the year ended December 31, 2008. The amount of change in fair market value of the Swap Agreement was a decrease of \$627,000 as of December 31, 2008, which is included in the net increase (decrease) in fair value of investments and derivatives on the same statement. The fair value of the Swap Agreement derivative was reported as a noncurrent liability in the amount of \$151,000 on the Combining Schedule of Net Assets – Water, Light, and Sinking Commission Fund as of December 31, 2008. The Swap Agreement is to continue until its termination date of January 1, 2012.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-H Long-Term Debt (continued)

Natural Gas Derivatives – The WLSF Commission enters into forward sales agreements to sell natural gas at an agreed upon average weighted price in the future. As the Commission holds physical natural gas in its storage facilities, they are able to lock in a margin that would remain unchanged regardless of whether natural gas prices increased or decreased. Rising natural gas prices would decrease the value of its forward sales agreement and increase the value of its natural gas inventories while falling natural gas prices would increase the value of its forward sales agreements and decrease the value of its natural gas inventories. The total derivative unrealized gain for natural gas was \$352,000 as of December 31, 2008, and is included in the Combining Schedule of Net Assets – Water, Light, and Sinking Commission Fund as a current derivative asset. In addition, the Commission recorded net losses of \$147,000 on derivatives for natural gas, which includes realized and unrealized gains and losses, which are included in net increase (decrease) in fair value of investments and derivatives on the Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Water, Light, and Sinking Commission Fund.

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

The compensated absences liability will be paid from the fund from which the employees' salaries are paid. In prior years, the funds used to relieve the liability included the general fund, the recreation commission fund, the WLSF Commission fund, and the Municipal Golf Course fund.

Asset Retirement Obligations and Other Costs of Removal - Effective January 1, 2003, the Commission adopted FASB Statement 143, *Accounting for Asset Retirement Obligations*, which provides standards for accounting for legal obligations associated with the ultimate costs of retiring long-lived assets. The present value of the ultimate costs for an asset’s future retirement must be recorded in the period in which the liability is incurred. The costs must be capitalized as part of the related long-lived asset and depreciated over the asset’s useful life. Additionally, the Commission accrues for other future retirement costs for long-lived assets that the Commission does not have a legal obligation to retire through depreciation expense as provided in the rates. Accordingly, the accumulated retirement costs for these obligations are reflected as a regulatory liability in the Combining Schedule of Net Assets – Water, Light, and Sinking Commission Fund. The other costs of removal costs are included as an offset to regulatory assets in the Combining Schedule of Net Assets – Water, Light, and Sinking Commission Fund.

The asset retirement obligation recognized to retire long-lived assets under FASB Statement No. 143 primarily relates to the Commissions’ ownership interests in GPC’s nuclear plants Hatch and Vogtle. The Commission recognizes in the Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Water, Light, and Sinking Commission Fund allowed removal costs for both legal obligations and for other costs of removal in accordance with regulatory treatment. Any differences between costs recognized under Statement 143 and those reflected in rates are recognized as either a regulatory asset or liability. The Commission has also identified retirement obligations related to certain transmission and distribution facilities and utility plant associated with the sewer system. However, liabilities for the removal of these assets have not been recorded because no reasonable estimate can be made regarding the timing of any related retirements.

4-I Pensions

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-I Pensions (continued)

The defined benefit plan is a single employer public employee retirement system. The plan covers eligible employees of the Mayor and Council, the Public Safety Commission, the Water, Light, and Sinking Fund Commission, the Recreation Commission, the Northwest Georgia Trade and Convention Center Authority, and the Dalton Whitfield Regional Solid Waste Management Authority. All full-time employees with an employment commencement date prior to July 1, 2002 were eligible to participate after completion of six-months of continuous service. Employees who began work after this date are eligible for participation in the defined contribution plan (Note 4-K). The Plan provides pension benefits, early retirement benefits, and death benefits.

Benefits fully vest after ten years of service. Employees who retire at the normal retirement date are entitled to monthly pension payments for the remainder of their lives equal to .15% of their final average monthly earnings times the months of credited service for which they were employed by an entity of the Pension Plan. These benefit payments are subject to a COLA adjustment as determined on an annual basis by the Mayor and Council of the City of Dalton. The COLA adjustment is assumed to be zero since it is no longer provided per plan amendment signed August 17, 2009. The final average earnings are the average of basic monthly earnings during thirty-six consecutive calendar months out of the last ten years which produce the highest average. Monthly pension benefits will be paid as a life annuity to the participant, with one hundred and twenty payments guaranteed. Pension provisions include early retirement benefits whereby an employee may terminate his employment with the City after accumulating fifteen years of service and reaching the age of fifty or after accumulating ten years of service and reaching the age of fifty-five. The retirement benefits are reduced by 0.5% for each month the commencement date is prior to the normal retirement date.

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

Current Membership of Active and Inactive Participants:

Active Participants:	
Number	433
Average age	44.8 years
Average service	14.16 years
Average annual compensation	\$ 53,629
Inactive Participants:	
Number of retirees (and beneficiaries)	263
Number of Participants with Vested Benefits	25

Funding Policy - In accordance with the most recent actuarial report as of January 1, 2009, revised September 2009, the Pension Plan's funding policy for employers should be increased from 12.7% (at the last valuation date of January 1, 2007) to 15.4% of covered payroll to adequately fund the Pension Plan's ongoing costs and an amortization of the unfunded actuarial accrued liability over a period of 9, 15, 20, or 30 years for various components of the liability, if the minimum funding standards under the Public Retirement Systems are not met. Employees are required to pay 5% of their basic monthly earnings to the Pension Plan. The funding policy of the Pension Plan is established and may be amended by the Mayor and the Council.

The Plan's required employer contributions for the plan years 2008, 2007, and 2006 were \$2,833,927, \$2,990,129, and \$2,711,343, respectively. Of the required employer contributions, the percentage contributed for the plan years 2008, 2007, and 2006 were 93%, 91%, and 97%, respectively, before application of a credit. After application of the credit, each year was funded at 100%.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-I Pensions (continued)

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

Annual Pension Cost - The City's annual pension cost and net pension obligation for the Pension Plan for the current year were determined as follows:

	January 1, 2009
<u>Derivation of Annual Pension Cost</u>	
Annual required contribution	\$ 3,572,850
Interest on net pension obligation	(29,773)
Amortization of net pension obligation	27,996
Annual pension cost	\$ 3,571,073
 <u>Derivation of Net Pension Obligation</u>	
Annual pension cost of plan for prior plan year	\$ 2,835,259
Actual contributions to plan for prior plan year	(2,624,838)
Increase (decrease) in net pension obligation	210,421
Net pension obligation as of January 1, 2008	(560,690)
Net pension obligation as of January 1, 2009	\$ (350,269)
 <u>Basis of Valuation</u>	
Current valuation date	January 1, 2009
Annual return on invested plan assets	8.5%
Projected annual salary increases	6.0%
Expected annual inflation	3.0%
Actuarial value of assets	Market value
Actuarial funding method	Projected Unit Credit

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-I Pensions (continued)

Trend Information for the Plan

Schedule of Employer Contributions

Year Ended December 31,	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net Pension Obligation
2009	\$ 3,571,073	*	*	*
2008	2,835,259	2,624,838	93%	(560,690)
2007	2,992,115	2,717,142	91%	(835,663)
2006	2,713,520	2,633,109	97%	(916,074)
2005	2,348,868	2,638,638	112%	(626,304)
2004	2,727,364	2,556,755	94%	(796,913)
2003	3,508,964	3,777,913	108%	(527,964)

* To be determined at the end of the plan year

4-J Other Post Employment Benefits

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-J Other Post Employment Benefits (continued)

Membership in the Plan consisted of the following at January 1, 2008:

Active Participants:	
Eligible for retirement benefits	117
Not eligible for retirement benefits	<u>578</u>
Total	<u><u>695</u></u>
Average age	41.3
Average service	10.1
Retiree Participants:	
Receiving retirement benefits	102
Average age	60.6

Funding Policy - The City had an actuarial valuation performed as of January 1, 2008. The Mayor and Council have elected to fund the annual required contribution at 110% in order to assure coverage of the ongoing costs and a twenty-nine year amortization of the unfunded actuarial accrued liability. Eligible retirees and dependents are required to share in the cost of health insurance coverage. Annual contribution rates for 2008 and 2007 are as follows:

Coverage	City Retirees		WLSF Retirees	
	2008	2007	2008	2007
Individual	\$ 624	\$ 480	\$ 624	\$ 480
Individual + 2	2,496	2,208	2,496	2,208
Family	3,024	2,640	3,024	2,640

The Plan's required employer contributions for the plan years 2008 and 2007 were \$1,812,645 and \$1,702,729, respectively. Of the required employer contributions, the percentage contributed for plan years 2008 and 2007 were 79% and 40%, respectively.

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-J Other Post Employment Benefits (continued)

Information about the Plan is as follows:

Schedule of Funding Progress						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/08	\$ -	\$ 14,401,403	\$ 14,401,403	0%	\$ 29,210,495	49%
7/1/06	-	15,746,132	15,746,132	0%	29,181,022	54%

Schedule of Net OPEB Obligation (NOO)							
Actuarial Valuation Date	Annual Required Contribution	Interest on Existing NOO	ARC Adjustment	Annual OPEB Cost	Estimated Contribution Amount	Net Increase in NOO	NOO at Fiscal Year End
1/1/08	\$ 1,812,645	\$ 81,305	\$ (84,334)	\$ 1,809,616	\$ -	\$ -	\$ -
7/1/06	1,702,729	-	-	1,702,729	686,416	1,016,313	1,016,313

Basis of Valuation

Current valuation date	January 1, 2008
Actuarial cost method	Projected Unit Credit
Amortization method	Level dollar, closed, 30 years
Remaining amortization period	29 years
Asset valuation method	Market value
Investment rate of return	8.0%
Inflation rate	3.5%
Medical cost trend rate	9.5% graded to 5% over 10 years
Drug cost trend rate	9.5% graded to 5% over 10 years

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

Trend information for the Plan:

Schedule of Employer Contributions			
Year Ended December 31,	Annual OPEB Cost	Employer Contribution	Percentage Contributed
2008	\$ 1,809,616	\$ 1,436,109	79%
2007	1,702,729	686,416	40%
2006	-	-	n/a

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

4-K Defined Contribution Plan

Employees with an employment commencement date, including former employees rehired after a severance, on or after July 1, 2002 will not be allowed to participate in the above described Pension Plan. Employees hired or re-hired after July 1, 2002 will be covered by the City of Dalton Employee Retirement Plan (the "Retirement Plan"), which is a Combined Profit Sharing/Money Purchase Plan. The Mayor and Council of the City of Dalton approved this plan, maintain the plan, and are the authority under which the contribution requirements are established or may be amended. The Mayor and Council engaged VALIC to administer the plan. All full-time employees who have completed six months of continuous service are eligible to participate in the Retirement Plan. This plan is considered a defined contribution plan in which the employer provides \$1.00 for every \$1.00 of deferred compensation the employee makes to the Retirement Plan. The employer will make this match up to the first 4% of the employee's compensation, up to an annual limit of \$200,000. Employer matching contributions fully vest after 1 year of service. Participation is not mandatory; however, non-participating employees will not receive any matching employer contributions. For the year 2008, employee contributions totaled \$470,061 and employer contributions totaled \$159,558.

4-L Net Assets

Net assets on the government-wide statement of net assets as of December 31, 2008 are as follows:

	Governmental Activities	Business-type Activities	Total
Investments in capital assets, net of related debt:			
Cost of capital assets	\$ 193,020,471	\$ 1,009,163,338	\$ 1,202,183,809
Less: accumulated depreciation	<u>111,870,868</u>	<u>330,720,340</u>	<u>442,591,208</u>
Book value	81,149,603	678,442,998	759,592,601
Less: capital related debt and accrued interest	4,134,425	73,031,000	77,165,425
Less: asset retirement obligations	-	29,664,000	29,664,000
Add: regulatory asset	-	10,653,000	10,653,000
Add: bond issuance and refunding amounts	56,470	-	56,470
Add: unspent bond proceeds included above	<u>39,843</u>	<u>-</u>	<u>39,843</u>
Investments in capital assets, net of related debt	<u>\$ 77,111,491</u>	<u>\$ 586,400,998</u>	<u>\$ 663,512,489</u>

4-M Interutility Sales

The WLSF Commission records sales of electricity, natural gas, water, sewer, and information technology (at rates charged customers for similar services) among its utility services as revenue of the selling utility service and expense of the purchasing utility service. During the year ended December 31, 2008, interutility sales were as follows:

Electric	\$ 4,323,000
Natural gas	3,000
Water	145,000
Sewer	96,000
Information Technology	<u>2,107,000</u>
Total	<u>\$ 6,674,000</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

Note 5 - Other Notes

5-A Hotel/Motel Lodging Tax

The City levies a 6% hotel/motel tax in accordance with the provisions of O.C.G.A. 48-13-51. A summary of the transactions is as follows:

Hotel/Motel tax revenue		\$ <u>714,896</u>
Expenditures for promotion of tourism and support:		
Northwest Georgia Trade and Convention Center	\$	390,000
Dalton Area Convention and Visitors Bureau		173,364
Dalton-Whitfield Joint Development Authority		<u>157,750</u>
 Total expenditures	 \$	 <u>721,114</u>
 Percentage of expenditures to revenue		 100.87%

5-B Risk Management

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

The Internal Service Fund pays premiums to a private insurance carrier to process and investigate claims. A reserve has not been made for estimated claims incurred but not paid at December 31, 2008. The private insurance carriers estimated claims incurred but not paid at December 31, 2008 were \$652,100 and \$1,265,044 for health insurance and workers' compensation, respectively. Because actual claims estimates depend on such complex factors as inflation, changes in governing laws and standards, and court awards, the process used in computing claims estimates is reevaluated periodically to take into consideration the history, frequency, and severity of recent claims and other economic and social factors. These estimates are computed using actual claims experience amounts and include any specific, incremental claim adjustment expenses and estimated recoveries. Due to the numerous factors affecting when claims are paid, no estimate of claims due within one year is made. For the years ended December 31, 2008, 2007, and 2006 there were no settlements in excess of insurance coverage.

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-B Risk Management (continued)

Date	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
Workers Compensation:				
2006	\$ 905,983	\$ 1,154,887	\$ (759,480)	\$ 1,301,390
2007	1,301,390	664,468	(666,106)	1,299,752
2008	1,299,752	738,566	(773,274)	1,265,044
Health Insurance:				
2006	\$ 627,072	\$ 5,466,274	\$ (5,240,287)	\$ 853,059
2007	853,059	6,546,345	(6,452,423)	946,981
2008	946,981	4,758,954	(5,053,835)	652,100

The workers' compensation internal service fund experienced a loss in 2008, and the health insurance internal service fund had income. This change in net assets must be allocated among the different functions of the entities that use the Workers' Compensation and the Health Insurance Funds. The net change was allocated based on the percentages of claims incurred for the Workers' Compensation Fund and the Health Insurance Fund. The following table shows the allocation of the net change to each function and activity.

	Net (Income)/Loss Allocated
Governmental Activities	
General government	\$ (43,221)
Public safety	(50,941)
Streets & sanitation	4,698
Culture & recreation	(56,304)
Education	98,061
Total Governmental Activities	<u>(47,707)</u>
Business-Type Activities	
Municipal Golf Course	(3,054)
WLSF	(212,346)
Total Business-Type Activities	<u>(215,400)</u>
	<u>\$ (263,107)</u>

Of the total allocation to the governmental activities public works function, \$58,598 of the loss allocated is attributable to the City's DWRSWMA joint venture. Of the total allocation to the governmental activities culture and recreation function, the City's Northwest Georgia Trade and Convention Center Authority had a positive effect on income of \$21,073.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-B Risk Management (continued)

The WLSF Commission has transferred risk of loss to commercial insurers for the majority of the risks for which it is exposed, except for any potential environmental liabilities, as disclosed in Note 5-C. The WLSF Commission maintains private insurance through its participation with GPC and agreements of indemnity with the NRC to cover third-party liability arising from a nuclear incident which might occur at the nuclear plants in which the WLSF Commission has an interest. In the event a public liability loss arising from a nuclear incident at a facility currently covered by government indemnification exceeds \$300,000,000, under the current provisions of the Price-Anderson Act, the owners of a nuclear power plant could be assessed a deferred assessment of up to \$117,495,000 per incident for each licensed reactor operated by it, but not more than \$17,500,000 per reactor per incident to be paid in a calendar year. The WLSF Commission is liable for its share of any such deferred assessment, based on its ownership percentage in nuclear plants as set forth in Note 1.

GPC, on behalf of all co-owners of Plants Hatch and Vogtle, is a member of Nuclear Electric Insurance Limited (“NEIL”). NEIL is a mutual insurer established to provide insurance coverage against property damage to its members' nuclear generating facilities. In the event that losses exceed accumulated reserve funds, the members are subject to retroactive premium assessments in proportion to their participation in the mutual insurer. The WLSF Commission's maximum annual assessment would be \$1,191,485 under current policies.

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

5-C Commitments and Contingent Liabilities

The City of Dalton has ongoing capital projects. At December 31, 2008 the approximate construction and purchase commitments to complete these projects is \$970,500.

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

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-C Commitments and Contingent Liabilities (continued)

Fuel Commitments - The WLSF Commission is obligated by various long-term commitments for the procurement of electricity and natural gas to supply its customers, as well as related transportation and storage services. The minimum contract requirements of the Commission as of December 31, 2008 are as follows:

Year Ending December 31,	Commitments	
	Natural Gas	Electricity
2009	\$ 5,385,000	\$ 14,736,000
2010	5,385,000	14,736,000
2011	346,000	14,736,000
2012	346,000	14,736,000
2013 and thereafter	2,422,000	74,149,000
	\$ 13,884,000	\$ 133,093,000

Capital Expenditures - The WLSF Commission has a five year capital budget approximating \$258 million. A large portion of this is directed to maintaining service delivery capability and regulated production capacity of the WLSF Commission's aging infrastructure, while complying with increasing environmental regulations. Additionally, substantial capital dollars will need to be expended in order to establish preventative maintenance, extension, and expansion of the WLSF's infrastructure.

Future Nuclear Plants – The WLSF Commission is participating with GPC and the other co-owners of the Vogtle plant in construction of two additional nuclear units at the site. On March 31, 2008, Southern Nuclear Operating Company, on behalf of the owners of the Vogtle facility, filed an application with the NRC for a Combined Construction and Operating License ("COL"). On April 8, 2008, GPC, on behalf of itself and the joint owners, signed an Engineering, Procurement, and Construction ("EPC") contract with Westinghouse Electric Company LLC and The Shaw Group Inc.'s Power Group. GPC's proposal to build the additional nuclear units was certified by the Georgia Public Service Commission in March 2009. Under the terms of a separate agreement, the co-owners finalized their ownership percentages, which will remain the same as the ownership percentage in the existing units. The estimated cost for the Commissions' 1.6% of the total cost is \$153 million. The sources of construction funds for the Commissions' portion of Vogtle Units 3 and 4 will be from a combination of internally generated funds, investment funds restricted for renewals and extensions, and a possible future debt financing.

5-D Joint Ventures

The City participates with Whitfield County in the Dalton-Whitfield Regional Solid Waste Management Authority. All budgetary and financial records are maintained by the City of Dalton. The DWRSWMA issued separate audited financial statements dated June 20, 2009.

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-D Joint Ventures (continued)

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

Landfill sites:	Westside	Old Dixie II, IV & V	Old Dixie VI Sites I & II	Old Dixie VI Site III	Balefill	Total
Estimated future costs:						
Closure	Completed	Completed	\$ 3,200,000	\$ 1,200,000	\$ 1,800,000	\$ 6,200,000
Post-closure	<u>\$ 950,000</u>	<u>\$ 2,250,000</u>	<u>2,200,000</u>	<u>800,000</u>	<u>1,300,000</u>	<u>7,500,000</u>
	950,000	2,250,000	5,400,000	2,000,000	3,100,000	13,700,000
Percentage of total landfill capacity used as of						
December 31, 2008	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>71%</u>	<u>40%</u>	
	950,000	2,250,000	5,400,000	1,410,000	1,240,000	11,250,000
Land acquisition	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
Accrual at 12/31/08	<u>\$ 1,100,000</u>	<u>\$ 2,250,000</u>	<u>\$ 5,400,000</u>	<u>\$ 1,410,000</u>	<u>\$ 1,240,000</u>	<u>\$11,400,000</u>

The Authority will record the remaining estimated cost of closure and post-closure care costs of \$2,450,000 as the remaining capacity is filled. Estimated remaining landfill life is approximately 40 years. The above estimates are based on what it would cost to perform all closure and post-closure care in 2008. Actual costs when incurred may be higher due to inflation, changes in technology, or changes in laws and regulations.

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

According to the latest inspection reports issued by the Georgia Department of Natural Resources, dated July 2008, the Dalton-Whitfield Regional Solid Waste Management Authority was in compliance for closure and post-closure care financial assurance requirements as of December 31, 2008.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-D Joint Ventures (continued)

Condensed audited financial statements for the DWRSWMA at December 31, 2008 are as follows:

<u>Assets</u>	
Current assets	\$ 17,162,256
Capital assets-net	<u>24,472,231</u>
Total assets	<u>\$ 41,634,487</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities	\$ 504,283
Non-current liabilities	11,852,643
Net assets	<u>29,277,561</u>
Total liabilities and net assets	<u>\$ 41,634,487</u>
 <u>Statement of Revenues and Expenses</u>	
Operating revenues	\$ 5,703,783
Operating expenses	(4,095,206)
Depreciation	<u>(1,374,658)</u>
Operating Income	233,919
Non-operating revenues (expenses)	<u>182,035</u>
 Increase (decrease) in net assets	 <u>\$ 415,954</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-D Joint Ventures (continued)

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

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

Condensed audited financial statements for the Northwest Georgia Trade and Convention Center Authority at December 31, 2008 are as follows:

<u>Assets</u>	
Current assets	\$ 639,450
Capital assets-net	11,032,941
Total assets	<u>\$ 11,672,391</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities	\$ 354,944
Non-current liabilities	51,660
Net assets	<u>11,265,787</u>
Total liabilities and net assets	<u>\$ 11,672,391</u>
 <u>Statement of Revenues and Expenses</u>	
Operating revenues	\$ 1,127,234
Operating expenses	(2,029,739)
Depreciation	<u>(446,448)</u>
Operating Income	(1,348,953)
Non-operating revenues (expenses)	(1,100)
Transfers in	<u>782,200</u>
Increase (decrease) in net assets	<u>\$ (567,853)</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2008

5-D Joint Ventures (continued)

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

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

Condensed audited financial statements for the Dalton-Whitfield Joint Development Authority at December 31, 2008 are as follows:

<u>Assets</u>	
Current assets	\$ 72,284
Capital assets-net	4,358
Total assets	\$ 76,642
 <u>Liabilities and Net Assets</u>	
Current liabilities	\$ 66,551
Net assets	10,091
Total liabilities and net assets	\$ 76,642
 <u>Statement of Activities</u>	
Operating revenues	\$ 16,250
Transfers in	315,000
Economic development	(327,973)
Increase (decrease) in net assets	\$ 3,277

5-E Debt Contingency

The City of Dalton Building Authority issued qualified zone academy bonds dated May 1, 2003 in the amount of \$2,000,000 to finance capital improvements within the City of Dalton Public School System. The amount of the bonds outstanding as of December 31, 2008 is \$2,000,000.

The City of Dalton Building Authority issued revenue bonds during 2005 to finance capital improvements within the City of Dalton Public School System. The amount of the bonds outstanding as of December 31, 2008 is \$3,890,000.

The City of Dalton Building Authority issued revenue bonds during 2006 to finance capital improvements within the City of Dalton Public School System. The amount of the bonds outstanding as of December 31, 2008 is \$11,810,000.

The City of Dalton Building Authority issued revenue bonds during 2007 to finance capital improvements within the City of Dalton Public School System. The amount of the bonds outstanding as of December 31, 2008 is \$11,355,000.

PENSION PLAN REQUIRED SUPPLEMENTARY INFORMATION

City of Dalton, Georgia
Pension Trust Fund
Schedule of Employer Contributions
December 31, 2008

<u>Year Beginning January 1,</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
1999	\$ 1,772,360	100%
2000	1,794,745	100%
2001	2,977,018	100%
2002	2,807,427	100%
2003	3,509,284	108%
2004	2,725,470	94%
2005	2,347,380	112%
2006	2,711,343	97%
2007	2,990,129	91%
2008	2,833,927	93%

**City of Dalton, Georgia
Pension Trust Fund
Schedule of Funding Progress
December 31, 2008**

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Actuarial Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/1999	\$ 41,952,246	\$ 55,115,649	\$ 13,163,403	76.1%	\$ 18,559,002	70.9%
01/01/2001	43,235,142	63,902,544	20,667,402	67.7%	21,065,143	98.1%
01/01/2003	42,452,389	74,056,656	31,604,267	57.3%	24,991,641	126.5%
01/01/2004	48,717,335	70,116,207	21,398,872	69.5%	25,247,408	84.8%
01/01/2005	52,617,082	67,353,669	14,736,587	78.1%	24,117,608	61.1%
01/01/2006	54,466,921	70,208,760	15,741,839	77.6%	23,777,732	66.2%
01/01/2007	59,715,221	75,197,188	15,481,967	79.4%	23,619,574	65.5%
01/01/2008	61,815,554	80,326,128	18,510,574	77.0%	24,817,638	74.6%
01/01/2009	50,532,696	74,982,215	24,449,519	67.4%	23,258,581	105.1%

COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Recreation Commission – This fund is used to account for the operations of the public parks and facilities located within the City.

Hotel Motel Tax – This fund is used to account for revenues received from the local hotel motel taxes.

Confiscated Assets – This fund is used to account for proceeds received from confiscated assets.

Community Development Block Grant – This fund is used to account for funds received from the Department of Housing and Urban Development. The grant is to be used to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income.

Community HOME Investment Program Grant – This fund is used to account for funds received from the Georgia Department of Community Affairs. The grant is to be used to expand the availability of decent, safe, sanitary, and affordable housing within the Dalton area.

Debt Service Fund

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

Capital Projects Fund

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

City of Dalton, Georgia
Combining Balance Sheet - By Fund Type
Nonmajor Governmental Funds
December 31, 2008

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,183,456	\$ 120,144	\$ -	\$ 1,303,600
Investments	552,057	719,949	-	1,272,006
Receivables:				
Accounts	57,078	-	-	57,078
Taxes	2,193,293	221,806	-	2,415,099
Intergovernmental-local	559,997	57,539	-	617,536
Intergovernmental - state and federal	26,531	-	-	26,531
Interfund	292,923	-	39,843	332,766
Inventory, at cost	5,011	-	-	5,011
Prepaid expenditures	10,826	-	-	10,826
Total Assets	\$ 4,881,172	\$ 1,119,438	\$ 39,843	\$ 6,040,453
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 65,779	\$ -	\$ -	\$ 65,779
Accrued expenditures	511,493	-	-	511,493
Accrued interest payable	-	55,811	-	55,811
Interfund payable	82,877	-	-	82,877
Deferred revenue	551,544	56,863	-	608,407
Total Liabilities	1,211,693	112,674	-	1,324,367
Fund Balances				
Reserved for:				
Inventory	5,011	-	-	5,011
Capital outlay	1,500,000	-	-	1,500,000
Debt service	-	1,006,764	-	1,006,764
Capital projects	-	-	39,843	39,843
Unreserved, undesignated, reported in:				
Special revenue funds	2,164,468	-	-	2,164,468
Total Fund Balances	3,669,479	1,006,764	39,843	4,716,086
Total Liabilities and Fund Balances	\$ 4,881,172	\$ 1,119,438	\$ 39,843	\$ 6,040,453

City of Dalton, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - By Fund Type
Nonmajor Governmental Funds
For the Year Ended December 31, 2008

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues				
Taxes:				
Real and personal property tax	\$ 3,454,864	\$ 346,686	\$ -	\$ 3,801,550
Vehicle tax	160,289	18,829	-	179,118
Hotel/motel tax	714,896	-	-	714,896
Intergovernmental	279,296	614,165	588,945	1,482,406
Charges for services	357,692	-	-	357,692
Fines and forfeitures	54,246	-	-	54,246
Investment earnings	30,381	22,555	350	53,286
Miscellaneous	43,303	3,844	-	47,147
Total Revenues	<u>5,094,967</u>	<u>1,006,079</u>	<u>589,295</u>	<u>6,690,341</u>
Expenditures				
Current:				
General government	42,592	-	-	42,592
Public safety	39,227	-	-	39,227
Health and welfare	8,452	-	-	8,452
Culture and recreation	3,512,713	-	-	3,512,713
Housing and development	207,167	-	-	207,167
Capital Outlay				
Public safety	19,999	-	-	19,999
Public works	-	-	581,048	581,048
Culture and recreation	182,770	-	-	182,770
Debt Service:				
Principal retirement	-	1,147,790	-	1,147,790
Interest and fiscal charges	-	204,436	-	204,436
Total Expenditures	<u>4,012,920</u>	<u>1,352,226</u>	<u>581,048</u>	<u>5,946,194</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,082,047</u>	<u>(346,147)</u>	<u>8,247</u>	<u>744,147</u>
Other Financing Sources (Uses)				
Transfers in	50	200,865	-	200,915
Transfers out	(714,896)	-	-	(714,896)
Total Other Financing Sources (Uses)	<u>(714,846)</u>	<u>200,865</u>	<u>-</u>	<u>(513,981)</u>
Net Change in Fund Balances	367,201	(145,282)	8,247	230,166
Fund Balances Beginning of Year	<u>3,302,278</u>	<u>1,152,046</u>	<u>31,596</u>	<u>4,485,920</u>
Fund Balances End of Year	<u>\$ 3,669,479</u>	<u>\$ 1,006,764</u>	<u>\$ 39,843</u>	<u>\$ 4,716,086</u>

**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

General Fund

These supplementary statements and schedules are included to provide management additional information for financial analysis.

**City of Dalton, Georgia
General Fund
Comparative Balance Sheet
December 31, 2008**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 2,403,949	\$ 2,790,820
Investments	8,988,489	8,639,444
Receivables:		
Accounts	1,035,676	1,147,077
Taxes	4,244,356	4,011,715
Intergovernmental-state and federal	94,171	319,493
Intergovernmental-local	1,074,733	12,768,644
Interfund	130,300	318,119
Prepaid items	<u>34,820</u>	<u>27,658</u>
Total Assets	<u>\$ 18,006,494</u>	<u>\$ 30,022,970</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	1,652,455	820,372
Accrued expenditures	1,439,371	1,111,311
Intergovernmental payable - local	-	12,835,466
Interfund payable	39,843	9,787
Deferred revenue	<u>1,339,327</u>	<u>310,938</u>
Total Liabilities	<u>4,470,996</u>	<u>15,087,874</u>
Fund Balances		
Reserved for capital outlay	970,500	2,529,000
Reserved for cemetery chapel renovations	105,500	105,500
Unreserved - undesignated	<u>12,459,498</u>	<u>12,300,596</u>
Total Fund Balances	<u>13,535,498</u>	<u>14,935,096</u>
Total Liabilities and Fund Balances	<u>\$ 18,006,494</u>	<u>\$ 30,022,970</u>

City of Dalton, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Taxes					
Real and personal property tax	\$38,087,100	\$ 7,065,100	\$ 6,782,866	\$ (282,234)	\$36,088,613
Vehicle tax	1,700,000	450,000	437,409	(12,591)	1,868,174
Sales tax	2,882,000	2,882,000	2,754,386	(127,614)	2,943,919
Insurance premium tax	1,475,000	1,475,000	1,562,185	87,185	1,525,639
Recording intangibles	217,000	202,400	28,857	(173,543)	215,795
Franchise tax	462,000	462,000	465,772	3,772	456,484
Real estate transfer tax	58,000	58,000	13,607	(44,393)	41,958
Beer tax	600,000	600,000	529,671	(70,329)	542,084
Wine tax	70,000	70,000	62,430	(7,570)	64,815
Liquor tax	85,000	85,000	75,469	(9,531)	72,193
Mixed drink tax	70,000	70,000	56,067	(13,933)	57,086
Total taxes	45,706,100	13,419,500	12,768,719	(650,781)	43,876,760
Licenses and permits:					
Alcoholic beverage licenses	325,000	325,000	258,537	(66,463)	339,146
Occupation taxes	878,000	878,000	869,471	(8,529)	885,541
Building permits	300,000	300,000	203,300	(96,700)	347,738
Other permits	-	-	4,316	4,316	318
Total licenses and permits	1,503,000	1,503,000	1,335,624	(167,376)	1,572,743
Intergovernmental:					
Whitfield County	2,211,000	2,233,296	1,152,829	(1,080,467)	1,999,829
Housing Authority	101,000	101,000	101,712	712	101,712
Federal grants and contracts	317,963	382,213	113,143	(269,070)	842,519
State grants and contracts	346,262	504,422	258,192	(246,230)	948,959
Total intergovernmental	2,976,225	3,220,931	1,625,876	(1,595,055)	3,893,019
Charges for services:					
Senior center	243,300	251,400	207,792	(43,608)	251,820
Garbage and recycling revenue	8,200	8,200	31,667	23,467	19,530
Public works fees	55,000	55,000	47,605	(7,395)	48,006
Municipal court and probation fees	1,712,500	1,712,500	1,585,097	(127,403)	1,624,584
Public safety fees	45,000	45,000	45,219	219	46,273
Cemetery fees	42,350	42,350	56,730	14,380	39,440
Total charges for services	2,106,350	2,114,450	1,974,110	(140,340)	2,029,653
Fines and forfeitures	958,500	958,500	910,427	(48,073)	997,482
Investment earnings	502,000	502,000	317,716	(184,284)	531,605

(Continued)

City of Dalton, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Miscellaneous:					
Penalties and fines	76,000	76,000	54,823	(21,177)	312,674
Rental income	18,500	40,120	39,799	(321)	18,480
Airport fees	54,000	67,000	67,020	20	58,921
Donations	54,500	604,500	604,488	(12)	2,000
Sale of property	45,000	278,000	278,526	526	138,776
Reimbursements	302,445	309,104	285,633	(23,471)	305,839
Miscellaneous	<u>101,182</u>	<u>89,232</u>	<u>60,546</u>	<u>(28,686)</u>	<u>62,122</u>
Total miscellaneous	<u>651,627</u>	<u>1,463,956</u>	<u>1,390,835</u>	<u>(73,121)</u>	<u>898,812</u>
 Total revenues	 <u>\$ 54,403,802</u>	 <u>\$ 23,182,337</u>	 <u>\$ 20,323,307</u>	 <u>\$ (2,859,030)</u>	 <u>\$ 53,800,074</u>

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Current:					
General Government:					
Legislative					
Personal services and benefits	\$ 54,915	\$ 54,915	\$ 54,915	\$ -	\$ 57,777
Other	70,725	70,725	54,210	16,515	62,625
Total	<u>125,640</u>	<u>125,640</u>	<u>109,125</u>	<u>16,515</u>	<u>120,402</u>
Administrative					
Personal services and benefits	435,560	346,990	329,656	17,334	409,475
Other	377,475	421,870	371,256	50,614	338,621
Capital outlay	-	6,830	6,830	-	-
Total	<u>813,035</u>	<u>775,690</u>	<u>707,742</u>	<u>67,948</u>	<u>748,096</u>
City Clerk					
Personal services and benefits	158,900	168,385	168,315	70	156,082
Other	84,050	74,565	70,749	3,816	105,904
Total	<u>242,950</u>	<u>242,950</u>	<u>239,064</u>	<u>3,886</u>	<u>261,986</u>
Finance					
Personal services and benefits	315,035	315,035	291,374	23,661	283,538
Other	335,450	335,450	281,972	53,478	316,472
Total	<u>650,485</u>	<u>650,485</u>	<u>573,346</u>	<u>77,139</u>	<u>600,010</u>
Human Resources					
Personal services and benefits	255,000	266,300	266,005	295	249,396
Other	143,820	187,220	172,563	14,657	133,018
Total	<u>398,820</u>	<u>453,520</u>	<u>438,568</u>	<u>14,952</u>	<u>382,414</u>
Technology					
Personal services and benefits	63,295	59,945	59,761	184	58,637
Other	14,425	74,980	76,655	(1,675)	103,019
Capital outlay	-	160,610	158,728	1,882	11,420
Total	<u>77,720</u>	<u>295,535</u>	<u>295,144</u>	<u>391</u>	<u>173,076</u>
Airport Authority					
Other	71,000	128,875	123,598	5,277	86,686
Capital outlay	-	30,000	30,000	-	-
Total	<u>71,000</u>	<u>158,875</u>	<u>153,598</u>	<u>5,277</u>	<u>86,686</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Infrastructure					
Other	270,000	45,890	40,980	4,910	11,303
Capital outlay	<u>1,581,800</u>	<u>1,802,745</u>	<u>1,225,455</u>	<u>577,290</u>	<u>1,657,179</u>
Total	<u>1,851,800</u>	<u>1,848,635</u>	<u>1,266,435</u>	<u>582,200</u>	<u>1,668,482</u>
Total General Government	<u>4,231,450</u>	<u>4,551,330</u>	<u>3,783,022</u>	<u>768,308</u>	<u>4,041,152</u>
Judicial:					
Municipal Court					
Personal services and benefits	485,731	486,360	424,938	61,422	451,373
Other	351,129	350,500	261,850	88,650	248,856
Capital outlay	-	-	-	-	30,227
Total	<u>836,860</u>	<u>836,860</u>	<u>686,788</u>	<u>150,072</u>	<u>730,456</u>
Total Judicial	<u>836,860</u>	<u>836,860</u>	<u>686,788</u>	<u>150,072</u>	<u>730,456</u>
Public Safety:					
Fire Department					
Personal services and benefits	6,005,105	5,948,445	5,947,992	453	5,710,634
Other	908,525	866,445	865,480	965	764,005
Capital outlay	-	367,300	367,292	8	122,269
Total	<u>6,913,630</u>	<u>7,182,190</u>	<u>7,180,764</u>	<u>1,426</u>	<u>6,596,908</u>
Police Department					
Personal services and benefits	6,475,535	5,826,821	5,824,555	2,266	6,134,541
Other	1,714,975	1,555,848	1,554,480	1,368	1,610,464
Capital outlay	-	942,261	942,258	3	46,694
Total	<u>8,190,510</u>	<u>8,324,930</u>	<u>8,321,293</u>	<u>3,637</u>	<u>7,791,699</u>
Total Public Safety	<u>15,104,140</u>	<u>15,507,120</u>	<u>15,502,057</u>	<u>5,063</u>	<u>14,388,607</u>
Public Works:					
Public Works					
Personal services and benefits	5,125,825	5,320,865	5,035,194	285,671	5,082,867
Other	3,014,465	3,136,505	2,988,441	148,064	2,790,524
Capital outlay	<u>5,000</u>	<u>229,930</u>	<u>228,320</u>	<u>1,610</u>	<u>773,803</u>
Total	<u>8,145,290</u>	<u>8,687,300</u>	<u>8,251,955</u>	<u>435,345</u>	<u>8,647,194</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Infrastructure					
Other	790,000	829,411	68,800	760,611	952,242
Capital outlay	541,000	1,231,600	847,948	383,652	831,307
Total	<u>1,331,000</u>	<u>2,061,011</u>	<u>916,748</u>	<u>1,144,263</u>	<u>1,783,549</u>
Total Public Works	<u>9,476,290</u>	<u>10,748,311</u>	<u>9,168,703</u>	<u>1,579,608</u>	<u>10,430,743</u>
Health and Welfare:					
Senior Center					
Personal services and benefits	228,782	249,732	249,232	500	220,079
Other	352,700	337,750	290,775	46,975	336,817
Total	<u>581,482</u>	<u>587,482</u>	<u>540,007</u>	<u>47,475</u>	<u>556,896</u>
Special Projects					
Other	37,210	47,210	47,210	-	55,800
Total	<u>37,210</u>	<u>47,210</u>	<u>47,210</u>	<u>-</u>	<u>55,800</u>
Total Health and Welfare	<u>618,692</u>	<u>634,692</u>	<u>587,217</u>	<u>47,475</u>	<u>612,696</u>
Culture and Recreation:					
Special Projects					
Other	203,810	228,810	228,560	250	203,810
Total	<u>203,810</u>	<u>228,810</u>	<u>228,560</u>	<u>250</u>	<u>203,810</u>
Infrastructure					
Capital outlay	15,100	15,100	15,025	75	49,501
Total	<u>15,100</u>	<u>15,100</u>	<u>15,025</u>	<u>75</u>	<u>49,501</u>
Total Culture and Recreation	<u>218,910</u>	<u>243,910</u>	<u>243,585</u>	<u>325</u>	<u>253,311</u>
Housing and Development:					
Building Inspector					
Personal services and benefits	321,445	321,445	313,922	7,523	332,920
Other	50,545	60,545	57,674	2,871	40,775
Total	<u>371,990</u>	<u>381,990</u>	<u>371,596</u>	<u>10,394</u>	<u>373,695</u>
Dalton-Whitfield Community Development Corporation					
Personal services and benefits	254,030	272,982	251,643	21,339	206,533
Other	22,500	2,350	2,161	189	15,189
Total	<u>276,530</u>	<u>275,332</u>	<u>253,804</u>	<u>21,528</u>	<u>221,722</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Special Projects					
Other	331,110	331,115	331,114	1	142,500
Total	<u>331,110</u>	<u>331,115</u>	<u>331,114</u>	<u>1</u>	<u>142,500</u>
Intergovernmental Transfers					
Downtown Dalton Development Authority	187,000	-	-	-	181,092
Total	<u>187,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>181,092</u>
Total Housing and Development	<u>1,166,630</u>	<u>988,437</u>	<u>956,514</u>	<u>31,923</u>	<u>919,009</u>
Education:					
Intergovernmental Transfers					
Education	30,214,000	-	-	-	29,093,305
Total	<u>30,214,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,093,305</u>
Total Education	<u>30,214,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,093,305</u>
Total expenditures	<u>\$61,866,972</u>	<u>\$33,510,660</u>	<u>\$30,927,886</u>	<u>\$ 2,582,774</u>	<u>\$60,469,279</u>

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Police Department					
Administration					
Personal services and benefits	\$ 580,880	\$ 483,666	\$ 481,725	1,941	\$ 541,591
Other	382,455	356,545	356,013	532	365,151
Capital outlay	-	-	-	-	-
Total	<u>963,335</u>	<u>840,211</u>	<u>837,738</u>	<u>2,473</u>	<u>906,742</u>
Patrol					
Personal services and benefits	4,014,840	3,563,790	3,563,534	256	3,767,861
Other	962,040	826,781	826,719	62	867,872
Capital outlay	-	935,964	935,961	3	-
Total	<u>4,976,880</u>	<u>5,326,535</u>	<u>5,326,214</u>	<u>321</u>	<u>4,635,733</u>
Criminal Investigation Division					
Personal services and benefits	962,660	935,000	934,982	18	951,031
Other	149,140	139,073	138,695	378	155,313
Capital outlay	-	-	-	-	14,995
Total	<u>1,111,800</u>	<u>1,074,073</u>	<u>1,073,677</u>	<u>396</u>	<u>1,121,339</u>
Support Services					
Personal services and benefits	917,155	844,365	844,314	51	874,058
Other	221,340	233,449	233,053	396	222,128
Capital outlay	-	6,297	6,297	-	31,699
Total	<u>1,138,495</u>	<u>1,084,111</u>	<u>1,083,664</u>	<u>447</u>	<u>1,127,885</u>
Total Police Department	<u>\$ 8,190,510</u>	<u>\$ 8,324,930</u>	<u>\$ 8,321,293</u>	<u>\$ 3,637</u>	<u>\$ 7,791,699</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Public Works Department					
Administration					
Personal services and benefits	\$ 779,830	\$ 873,295	\$ 871,074	\$ 2,221	\$ 823,653
Other	579,470	559,430	553,567	5,863	498,929
Capital outlay	-	-	-	-	21,550
Total	<u>1,359,300</u>	<u>1,432,725</u>	<u>1,424,641</u>	<u>8,084</u>	<u>1,344,132</u>
Street					
Personal services and benefits	1,333,600	1,520,150	1,501,680	18,470	1,564,302
Other	1,014,600	1,056,780	1,032,170	24,610	899,395
Capital outlay	-	8,930	8,930	-	20,598
Total	<u>2,348,200</u>	<u>2,585,860</u>	<u>2,542,780</u>	<u>43,080</u>	<u>2,484,295</u>
Sanitation					
Personal services and benefits	1,645,165	1,491,540	1,382,988	108,552	1,379,030
Other	395,855	355,855	319,736	36,119	358,550
Capital outlay	5,000	221,000	219,390	1,610	466,681
Total	<u>2,046,020</u>	<u>2,068,395</u>	<u>1,922,114</u>	<u>146,281</u>	<u>2,204,261</u>
Shop					
Personal services and benefits	520,135	523,385	416,684	106,701	494,954
Other	643,295	778,295	741,607	36,688	681,775
Capital outlay	-	-	-	-	119,204
Total	<u>1,163,430</u>	<u>1,301,680</u>	<u>1,158,291</u>	<u>143,389</u>	<u>1,295,933</u>
Traffic engineer					
Personal services and benefits	348,790	365,390	359,190	6,200	346,279
Other	160,250	160,150	127,307	32,843	142,974
Capital outlay	-	-	-	-	145,770
Total	<u>509,040</u>	<u>525,540</u>	<u>486,497</u>	<u>39,043</u>	<u>635,023</u>
Landscaping					
Personal services and benefits	498,305	547,105	503,578	43,527	474,649
Other	220,995	225,995	214,054	11,941	208,901
Capital outlay	-	-	-	-	-
Total	<u>719,300</u>	<u>773,100</u>	<u>717,632</u>	<u>55,468</u>	<u>683,550</u>
Total Public Works	<u>\$ 8,145,290</u>	<u>\$ 8,687,300</u>	<u>\$ 8,251,955</u>	<u>\$ 435,345</u>	<u>\$ 8,647,194</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Municipal Court					
Administration					
Personal services and benefits	\$ 292,281	\$ 292,565	\$ 284,017	\$ 8,548	\$ 268,150
Other	266,869	266,869	227,510	39,359	199,765
Capital outlay	-	-	-	-	-
Total	<u>559,150</u>	<u>559,434</u>	<u>511,527</u>	<u>47,907</u>	<u>467,915</u>
Probation					
Personal services and benefits	193,450	193,795	140,921	52,874	183,223
Other	84,260	83,631	34,340	49,291	49,091
Capital outlay	-	-	-	-	30,227
Total	<u>277,710</u>	<u>277,426</u>	<u>175,261</u>	<u>102,165</u>	<u>262,541</u>
Total Municipal Court	<u>\$ 836,860</u>	<u>\$ 836,860</u>	<u>\$ 686,788</u>	<u>\$ 150,072</u>	<u>\$ 730,456</u>

City of Dalton, Georgia
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008

	Recreation Commission	Hotel Motel Tax	Confiscated Assets	Community Development Block Grant	Community HOME Invest. Program Grant	Total Nonmajor Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 1,019,928	\$ -	\$ 163,513	\$ 1	\$ 14	\$ 1,183,456
Investments	552,057	-	-	-	-	552,057
Receivables:						
Accounts	1,165	55,913	-	-	-	57,078
Taxes	2,193,293	-	-	-	-	2,193,293
Intergovernmental - local	559,997	-	-	-	-	559,997
Intergovernmental - state and federal	-	-	-	26,531	-	26,531
Interfund	292,923	-	-	-	-	292,923
Inventory, at cost	5,011	-	-	-	-	5,011
Prepaid expenditures	718	-	10,108	-	-	10,826
Total Assets	<u>\$ 4,625,092</u>	<u>\$ 55,913</u>	<u>\$ 173,621</u>	<u>\$ 26,532</u>	<u>\$ 14</u>	<u>\$ 4,881,172</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 42,246	\$ -	\$ 20,039	3,494	-	\$ 65,779
Accrued expenditures	511,493	-	-	-	-	511,493
Interfund payable	3,927	55,913	-	23,037	-	82,877
Deferred revenue	551,544	-	-	-	-	551,544
Total Liabilities	<u>1,109,210</u>	<u>55,913</u>	<u>20,039</u>	<u>26,531</u>	<u>-</u>	<u>1,211,693</u>
Fund Balances						
Reserved for:						
Inventory	5,011	-	-	-	-	5,011
Capital outlay	1,500,000	-	-	-	-	1,500,000
Unreserved - undesignated	2,010,871	-	153,582	1	14	2,164,468
Total Fund Balances	<u>3,515,882</u>	<u>-</u>	<u>153,582</u>	<u>1</u>	<u>14</u>	<u>3,669,479</u>
Total Liabilities and Fund Balances	<u>\$ 4,625,092</u>	<u>\$ 55,913</u>	<u>\$ 173,621</u>	<u>\$ 26,532</u>	<u>\$ 14</u>	<u>\$ 4,881,172</u>

City of Dalton, Georgia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-major Special Revenue Funds
For the Year Ended December 31, 2008

	Recreation Commission	Hotel Motel Tax	Confiscated Assets	Community Development Block Grant	Community HOME Invest. Program Grant	Total Nonmajor Special Revenue Funds
Revenues						
Taxes:						
Real and personal property tax	\$ 3,454,864	\$ -	\$ -	\$ -	\$ -	\$ 3,454,864
Vehicle taxes	160,289	-	-	-	-	160,289
Hotel/motel taxes	-	714,896	-	-	-	714,896
Intergovernmental	-	-	6,096	273,200	-	279,296
Charges for services	357,692	-	-	-	-	357,692
Fines & forfeitures	-	-	54,246	-	-	54,246
Investment earnings	29,929	-	452	-	-	30,381
Miscellaneous	43,303	-	-	-	-	43,303
Total Revenues	<u>4,046,077</u>	<u>714,896</u>	<u>60,794</u>	<u>273,200</u>	<u>-</u>	<u>5,094,967</u>
Expenditures						
Current:						
General government	-	-	-	42,592	-	42,592
Public safety	-	-	39,227	-	-	39,227
Health and welfare	-	-	-	8,452	-	8,452
Culture and recreation	3,497,688	-	-	15,025	-	3,512,713
Housing and development	-	-	-	207,131	36	207,167
Total Current	<u>3,497,688</u>	<u>-</u>	<u>39,227</u>	<u>273,200</u>	<u>36</u>	<u>3,810,151</u>
Capital Outlay:						
Public safety	-	-	19,999	-	-	19,999
Culture and recreation	182,770	-	-	-	-	182,770
Total Capital Outlay	<u>182,770</u>	<u>-</u>	<u>19,999</u>	<u>-</u>	<u>-</u>	<u>202,769</u>
Total Expenditures	<u>3,680,458</u>	<u>-</u>	<u>59,226</u>	<u>273,200</u>	<u>36</u>	<u>4,012,920</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	365,619	714,896	1,568	-	(36)	1,082,047
Other Financing Sources (Uses)						
Transfers in (out)	-	(714,896)	-	-	50	(714,846)
Net Change in Fund Balances	365,619	-	1,568	-	14	367,201
Fund Balances Beginning of Year	<u>3,150,263</u>	<u>-</u>	<u>152,014</u>	<u>1</u>	<u>-</u>	<u>3,302,278</u>
Fund Balances End of Year	<u>\$ 3,515,882</u>	<u>\$ -</u>	<u>\$ 153,582</u>	<u>\$ 1</u>	<u>\$ 14</u>	<u>\$ 3,669,479</u>

**City of Dalton, Georgia
Recreation Commission Fund
Comparative Balance Sheet
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 1,019,928	\$ 1,302,560
Investments	552,057	125,881
Receivables:		
Accounts	1,165	5,505
Taxes	2,193,293	375,258
Intergovernmental - local	559,997	1,195,902
Interfund	292,923	275,993
Inventory, at cost	5,011	5,526
Prepaid expenditures	718	-
Total Assets	<u>\$ 4,625,092</u>	<u>\$ 3,286,625</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 42,246	\$ 10,066
Interfund payable	3,927	-
Accrued expenditures	511,493	126,296
Deferred revenue	551,544	-
Total Liabilities	<u>1,109,210</u>	<u>136,362</u>
Fund Balances		
Reserved for:		
Inventory	5,011	5,526
Capital outlay	1,500,000	-
Unreserved - undesignated	2,010,871	3,144,737
Total Fund Balances	<u>3,515,882</u>	<u>3,150,263</u>
Total Liabilities and Fund Balances	<u>\$ 4,625,092</u>	<u>\$ 3,286,625</u>

City of Dalton, Georgia
Recreation Commission Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Taxes:					
Real and personal property tax	\$ 3,700,900	\$ 3,510,200	\$ 3,454,864	\$ (55,336)	\$ 3,362,499
Vehicle tax	-	161,000	160,289	(711)	174,627
Charges for services	406,000	406,000	357,692	(48,308)	372,234
Investment earnings	50,000	49,000	29,929	(19,071)	70,630
Miscellaneous	13,500	44,200	43,303	(897)	38,999
Total Revenues	<u>4,170,400</u>	<u>4,170,400</u>	<u>4,046,077</u>	<u>(124,323)</u>	<u>4,018,989</u>
Expenditures					
Current:					
Culture and Recreation:					
Administrative	469,987	553,987	521,605	32,382	533,622
Recreation division	1,245,817	1,231,667	1,076,126	155,541	1,102,398
Parks division	2,015,802	1,979,052	1,899,957	79,095	1,717,541
Total Current	<u>3,731,606</u>	<u>3,764,706</u>	<u>3,497,688</u>	<u>267,018</u>	<u>3,353,561</u>
Capital Outlay:					
Culture and Recreation:					
Administrative	3,000	3,000	-	3,000	15,918
Recreation division	39,980	39,980	23,350	16,630	10,780
Parks division	395,814	437,714	159,420	278,294	586,735
Total Capital Outlay	<u>438,794</u>	<u>480,694</u>	<u>182,770</u>	<u>297,924</u>	<u>613,433</u>
Total Expenditures	<u>4,170,400</u>	<u>4,245,400</u>	<u>3,680,458</u>	<u>564,942</u>	<u>3,966,994</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (75,000)</u>	365,619	<u>\$ 440,619</u>	51,995
Fund Balances Beginning of Year			<u>3,150,263</u>		<u>3,098,268</u>
Fund Balances End of Year			<u>\$ 3,515,882</u>		<u>\$ 3,150,263</u>

City of Dalton, Georgia
Recreation Commission Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2008
(With Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Current:					
Culture and Recreation:					
Administrative Division					
Personal services and benefits	\$ 360,416	\$ 444,416	\$ 434,402	\$ 10,014	\$ 447,498
Other	109,571	109,571	87,203	22,368	86,124
Capital outlay	3,000	3,000	-	3,000	15,918
Total	<u>472,987</u>	<u>556,987</u>	<u>521,605</u>	<u>35,382</u>	<u>549,540</u>
Recreation Division					
Personal services and benefits	782,443	790,773	731,138	59,635	682,658
Other	463,374	440,894	344,988	95,906	419,740
Capital outlay	39,980	39,980	23,350	16,630	10,780
Total	<u>1,285,797</u>	<u>1,271,647</u>	<u>1,099,476</u>	<u>172,171</u>	<u>1,113,178</u>
Parks Division					
Personal services and benefits	1,332,083	1,416,283	1,390,194	26,089	1,206,068
Other	683,719	562,769	509,763	53,006	511,473
Capital outlay	395,814	437,714	159,420	278,294	586,735
Total	<u>2,411,616</u>	<u>2,416,766</u>	<u>2,059,377</u>	<u>357,389</u>	<u>2,304,276</u>
Total expenditures	<u>\$ 4,170,400</u>	<u>\$ 4,245,400</u>	<u>\$ 3,680,458</u>	<u>\$ 564,942</u>	<u>\$ 3,966,994</u>

City of Dalton, Georgia
Hotel/Motel Tax Fund
Comparative Balance Sheet
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Accounts receivable	\$ <u>55,913</u>	\$ <u>60,797</u>
Liabilities		
Interfund payable	\$ <u>55,913</u>	\$ <u>60,797</u>

City of Dalton, Georgia
Hotel/Motel Tax Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Hotel/motel taxes	\$ 794,000	\$ 794,000	\$ 714,896	\$ (79,104)	\$ 771,984
Other Financing (Uses)					
Transfers out	(794,000)	(794,000)	(714,896)	79,104	(771,984)
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			<u>\$ -</u>		<u>\$ -</u>

**City of Dalton, Georgia
Confiscated Assets Fund
Comparative Balance Sheet
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 163,513	\$ 156,051
Prepaid expenditures	<u>10,108</u>	<u>-</u>
Total Assets	<u>\$ 173,621</u>	<u>\$ 156,051</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	<u>\$ 20,039</u>	<u>\$ 4,037</u>
Fund Balances		
Unreserved - undesignated	<u>153,582</u>	<u>152,014</u>
Total Liabilities and Fund Balances	<u>\$ 173,621</u>	<u>\$ 156,051</u>

City of Dalton, Georgia
Confiscated Assets Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008			2007	
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	\$ 60,000	\$ 60,000	\$ 6,096	\$ (53,904)	\$ 57,932
Fines & forfeitures	60,000	60,000	54,246	(5,754)	42,838
Investment earnings	1,000	1,000	452	(548)	2,322
Total Revenues	121,000	121,000	60,794	(60,206)	103,092
Expenditures					
Current:					
Public Safety:					
Other	58,750	58,750	39,227	19,523	69,999
Total Current					
Capital Outlay:					
Public Safety:					
Capital outlay	-	-	19,999	(19,999)	-
Total Expenditures	58,750	58,750	59,226	(476)	69,999
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 62,250	\$ 62,250	1,568	\$ (60,682)	33,093
Fund Balances Beginning of Year			152,014		118,921
Fund Balances End of Year			\$ 153,582		\$ 152,014

City of Dalton, Georgia
Community Development Block Grant Fund
Comparative Balance Sheet
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 1	\$ 1
Intergovernmental receivable - federal	<u>26,531</u>	<u>10,151</u>
Total Assets	<u>\$ 26,532</u>	<u>\$ 10,152</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 3,494	\$ 2,829
Interfund payable	<u>23,037</u>	<u>7,322</u>
Total Liabilities	<u>26,531</u>	<u>10,151</u>
Fund Balances		
Unreserved - undesignated	<u>1</u>	<u>1</u>
Total Liabilities and Fund Balances	<u>\$ 26,532</u>	<u>\$ 10,152</u>

City of Dalton, Georgia
Community Development Block Grant Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	<u>2008</u>				<u>2007</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues					
Intergovernmental	\$ 776,460	\$ 1,020,310	\$ 273,200	\$ (747,110)	\$ 243,091
Total Revenues	<u>776,460</u>	<u>1,020,310</u>	<u>273,200</u>	<u>(747,110)</u>	<u>243,091</u>
Expenditures					
Current:					
General Government:					
Other	155,665	180,665	42,592	138,073	12,299
Health and Welfare:					
Other	12,000	12,000	8,452	3,548	5,306
Culture and Recreation:					
Other	-	349,625	15,025	334,600	-
Housing and Development:					
Other	<u>608,795</u>	<u>478,020</u>	<u>207,131</u>	<u>270,889</u>	<u>225,485</u>
Total Expenditures	<u>776,460</u>	<u>1,020,310</u>	<u>273,200</u>	<u>747,110</u>	<u>243,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	1
Fund Balances Beginning of Year			<u>1</u>		<u>-</u>
Fund Balances End of Year			<u>\$ 1</u>		<u>\$ 1</u>

City of Dalton, Georgia
Community HOME Investment Program Grant
Comparative Balance Sheet
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Cash	\$ 14	\$ -
Total Assets	<u>\$ 14</u>	<u>\$ -</u>
Liabilities and Fund Balances		
Fund Balances		
Unreserved - undesignated	\$ 14	\$ -
Total Liabilities and Fund Balances	<u>\$ 14</u>	<u>\$ -</u>

City of Dalton, Georgia
Community HOME Investment Program Grant
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	<u>2008</u>			<u>2007</u>	
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Expenditures					
Current:					
Housing and Development:					
Other	\$ -	\$ -	\$ 36	\$ (36)	\$ -
Total Expenditures	<u>-</u>	<u>-</u>	<u>36</u>	<u>(36)</u>	<u>-</u>
Other Financing Sources					
Transfers in	<u>-</u>	<u>-</u>	<u>50</u>	<u>50</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>14</u>	<u>\$ 14</u>	<u>-</u>
Fund Balances Beginning of Year			<u>-</u>		<u>-</u>
Fund Balances End of Year			<u>\$ 14</u>		<u>\$ -</u>

**City of Dalton, Georgia
Comparative Balance Sheet
Debt Service Fund
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Cash and cash equivalents	\$ 120,144	\$ 242,697
Investments	719,949	824,685
Receivables:		
Property taxes	221,806	37,796
Intergovernmental-local	57,539	120,105
Interfund	<u>-</u>	<u>274</u>
Total Assets	<u>\$ 1,119,438</u>	<u>\$ 1,225,557</u>
Liabilities and Fund Balances		
Liabilities		
Accrued interest payable	\$ 55,811	\$ 73,511
Deferred revenue	<u>56,863</u>	<u>-</u>
Total Liabilities	<u>112,674</u>	<u>73,511</u>
Fund Balances		
Reserved for debt service	<u>1,006,764</u>	<u>1,152,046</u>
Total Liabilities and Fund Balances	<u>\$ 1,119,438</u>	<u>\$ 1,225,557</u>

City of Dalton, Georgia
Debt Service Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Taxes:					
Real and personal property tax	\$ 366,900	\$ 366,900	\$ 346,686	\$ (20,214)	\$ 342,916
Vehicle tax	30,000	30,000	18,829	(11,171)	28,314
Intergovernmental	649,960	649,960	614,165	(35,795)	639,858
Investment earnings	25,000	25,000	22,555	(2,445)	38,661
Miscellaneous	-	-	3,844	3,844	3,685
Total Revenues	<u>1,071,860</u>	<u>1,071,860</u>	<u>1,006,079</u>	<u>(65,781)</u>	<u>1,053,434</u>
Expenditures					
Debt Service:					
Principal retirement	1,147,800	1,147,800	1,147,790	10	1,100,051
Interest and fiscal charges	225,012	225,012	204,436	20,576	249,834
Total Expenditures	<u>1,372,812</u>	<u>1,372,812</u>	<u>1,352,226</u>	<u>20,586</u>	<u>1,349,885</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(300,952)</u>	<u>(300,952)</u>	<u>(346,147)</u>	<u>(45,195)</u>	<u>(296,451)</u>
Other Financing Sources (Uses)					
Transfers in	200,870	200,870	200,865	(5)	269,284
Net Change in Fund Balances	<u>\$ (100,082)</u>	<u>\$ (100,082)</u>	(145,282)	<u>\$ (45,200)</u>	(27,167)
Fund Balances Beginning of Year			<u>1,152,046</u>		<u>1,179,213</u>
Fund Balances End of Year			<u>\$ 1,006,764</u>		<u>\$ 1,152,046</u>

**City of Dalton, Georgia
Capital Projects Fund
Comparative Balance Sheet
December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Assets		
Investments	\$ -	\$ 25
Interfund receivable	39,843	4,949
Intergovernmental receivable - SPLOST	<u>-</u>	<u>26,622</u>
Total Assets	<u>\$ 39,843</u>	<u>\$ 31,596</u>
Liabilities and Fund Balances		
Fund Balances		
Reserved for capital projects	<u>39,843</u>	<u>31,596</u>
Total Liabilities and Fund Balances	<u>\$ 39,843</u>	<u>\$ 31,596</u>

City of Dalton, Georgia
Capital Projects Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2008
(With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008				2007
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental	\$ 15,000	\$ 581,500	\$ 588,945	\$ 7,445	\$ 121,495
Investment earnings	<u>250</u>	<u>250</u>	<u>350</u>	<u>100</u>	<u>43,408</u>
Total Revenues	<u>15,250</u>	<u>581,750</u>	<u>589,295</u>	<u>7,545</u>	<u>164,903</u>
Expenditures					
Capital Outlay:					
Public Works:					
Road projects	-	566,500	566,323	177	-
Streetscape	<u>15,250</u>	<u>15,250</u>	<u>14,725</u>	<u>525</u>	<u>139,473</u>
Total Expenditures	<u>15,250</u>	<u>581,750</u>	<u>581,048</u>	<u>702</u>	<u>139,473</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>8,247</u>	<u>8,247</u>	<u>25,430</u>
Other Financing Sources (Uses)					
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,419)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(68,419)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>8,247</u>	<u>\$ 8,247</u>	<u>(42,989)</u>
Fund Balances Beginning of Year			<u>31,596</u>		<u>74,585</u>
Fund Balances End of Year			<u>\$ 39,843</u>		<u>\$ 31,596</u>

COMBINING FINANCIAL STATEMENTS
NONMAJOR PROPRIETARY FUNDS

Enterprise Funds

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

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

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

City of Dalton, Georgia
Combining Statement of Net Assets
Non-major Enterprise Funds
December 31, 2008

	Municipal Golf Course	Northwest Georgia Trade and Convention Center Authority	Dalton/Whitfield Regional Solid Waste Mgt Authority	Total Non-major Enterprise Funds
Assets				
Current Assets:				
Cash and cash equivalents	\$ 65,840	\$ -	\$ -	\$ 65,840
Interfund receivable	-	-	-	-
Inventory	14,397	-	-	14,397
Total Current Assets	<u>80,237</u>	<u>-</u>	<u>-</u>	<u>80,237</u>
Noncurrent Assets:				
Capital Assets:				
Land	877,709	-	-	877,709
Depreciable capital assets, net	836,289	-	-	836,289
Other Assets:				
Investment in joint ventures	-	7,181,916	14,639,103	21,821,019
Total Noncurrent Assets	<u>1,713,998</u>	<u>7,181,916</u>	<u>14,639,103</u>	<u>23,535,017</u>
Total Assets	<u>1,794,235</u>	<u>7,181,916</u>	<u>14,639,103</u>	<u>23,615,254</u>
Liabilities				
Current Liabilities:				
Accounts payable	123	-	-	123
Accrued expenses	250,045	-	-	250,045
Unearned revenue	1,794	-	-	1,794
Interfund payable	292,923	47,101	322	340,346
Compensated absences payable	43,829	-	-	43,829
Total Current Liabilities	<u>588,714</u>	<u>47,101</u>	<u>322</u>	<u>636,137</u>
Long-Term Liabilities:				
Compensated absences payable, net of current portion	131,486	-	-	131,486
Total Long-Term Liabilities	<u>131,486</u>	<u>-</u>	<u>-</u>	<u>131,486</u>
Total Liabilities	<u>720,200</u>	<u>47,101</u>	<u>322</u>	<u>767,623</u>
Net Assets				
Invested in capital assets, net of related debt	1,713,998	-	-	1,713,998
Unrestricted	(639,963)	7,134,815	14,638,781	21,133,633
Total Net Assets	<u>\$ 1,074,035</u>	<u>\$ 7,134,815</u>	<u>\$ 14,638,781</u>	<u>\$ 22,847,631</u>

City of Dalton, Georgia
Combining Statement of Revenues,
Expenses, and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended December 31, 2008

	Municipal Golf Course	Northwest Georgia Trade and Convention Center	Dalton/Whitfield Regional Solid Waste Mgt Authority	Total Non-major Enterprise Funds
Operating Revenues				
Charges for services	\$ 792,751	\$ -	\$ -	\$ 792,751
Merchandise sales	44,377	-	-	44,377
Tournaments	66,113	-	-	66,113
Concessions	56,721	-	-	56,721
Miscellaneous	1,981	-	-	1,981
Total Operating Revenues	<u>961,943</u>	<u>-</u>	<u>-</u>	<u>961,943</u>
Operating Expenses				
Cost of sales and services	775,499	-	-	775,499
Personal services and benefits	375,600	-	-	375,600
Depreciation	71,485	-	-	71,485
Total Operating Expenses	<u>1,222,584</u>	<u>-</u>	<u>-</u>	<u>1,222,584</u>
Operating Income (Loss)	<u>(260,641)</u>	<u>-</u>	<u>-</u>	<u>(260,641)</u>
Non-Operating Revenues				
Investment earnings	2,581	-	-	2,581
Income (loss) from joint venture	-	(673,926)	207,977	(463,949)
Total Non-Operating Revenues	<u>2,581</u>	<u>(673,926)</u>	<u>207,977</u>	<u>(463,368)</u>
Income (Loss) Before Transfers In	(258,060)	(673,926)	207,977	(724,009)
Transfers in	-	390,000	-	390,000
Net Change in Net Assets	(258,060)	(283,926)	207,977	(334,009)
Net Assets Beginning of Year, as restated	<u>1,332,095</u>	<u>7,418,741</u>	<u>14,430,804</u>	<u>23,181,640</u>
Net Assets End of Year	<u>\$ 1,074,035</u>	<u>\$ 7,134,815</u>	<u>\$ 14,638,781</u>	<u>\$ 22,847,631</u>

City of Dalton, Georgia
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended December 31, 2008

	Municipal Golf Course
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash received from customers	\$ 957,765
Cash payments for personnel services	(707,631)
Cash payments for goods and services	(360,280)
Net Cash Provided by (Used in) Operating Activities	(110,146)
Cash Flows from Investing Activities	
Investment earnings	2,581
Net Increase (Decrease) in Cash and Cash Equivalents	(107,565)
Cash and Cash Equivalents Beginning of Year	173,405
Cash and Cash Equivalents End of Year	\$ 65,840
Reconciliation of Operating Income (Loss) to Net Cash (Used in) Operating Activities	
Operating (Loss)	\$ (260,641)
Adjustments:	
Depreciation	71,485
(Increase) Decrease in Assets:	
Interfund receivable	8,880
Inventory	(202)
Increase (Decrease) in Liabilities:	
Accounts payable	(552)
Interfund payable	17,000
Unearned revenue	(4,178)
Accrued expenses	199,514
Compensated absences payable	(141,452)
Net Cash Provided by (Used in) Operating Activities	\$ (110,146)

**SUPPLEMENTARY INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

Proprietary Funds

These supplementary statements and schedules are included to provide management additional information for financial analysis.

City of Dalton, Georgia
Combining Schedule of Net Assets
Water, Light, and Sinking Commission Fund
December 31, 2008

	Electric System	Gas System	Water System	Sewer System	Information Technology System	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 2,090,000	\$ 591,000	\$ 434,000	\$ 434,000	\$ 394,000	\$ 3,943,000
Accounts receivable, less doubtful accounts allowance	5,998,000	1,735,000	1,224,000	1,327,000	603,000	10,887,000
Unbilled revenues	3,441,000	1,009,000	712,000	771,000	-	5,933,000
Accrued interest receivable	491,000	20,000	219,000	222,000	120,000	1,072,000
Derivative	-	352,000	-	-	-	352,000
Fuel stocks	1,995,000	5,589,000	-	-	-	7,584,000
Inventories	7,648,000	234,000	614,000	117,000	1,027,000	9,640,000
Prepaid expenses and deposits	382,000	110,000	52,000	52,000	47,000	643,000
Restricted customer deposit fund	1,489,000	437,000	308,000	334,000	-	2,568,000
Restricted combined utilities sinking fund	6,225,000	366,000	5,858,000	5,858,000	-	18,307,000
Total Current Assets	<u>29,759,000</u>	<u>10,443,000</u>	<u>9,421,000</u>	<u>9,115,000</u>	<u>2,191,000</u>	<u>60,929,000</u>
Noncurrent Assets:						
Construction in progress	636,000	-	1,000	639,000	2,919,000	4,195,000
Depreciable capital assets, net	182,436,000	12,774,000	192,434,000	188,606,000	96,284,000	672,534,000
Restricted combined utilities renewals/extensions fund	10,455,000	596,000	7,169,000	7,468,000	4,182,000	29,870,000
Restricted nuclear decommissioning	61,957,000	-	-	-	-	61,957,000
Regulatory asset	6,131,000	(94,000)	(934,000)	(940,000)	6,490,000	10,653,000
Debt expense, net	64,000	4,000	61,000	60,000	-	189,000
Total Noncurrent Assets	<u>261,679,000</u>	<u>13,280,000</u>	<u>198,731,000</u>	<u>195,833,000</u>	<u>109,875,000</u>	<u>779,398,000</u>
Total Assets	<u>291,438,000</u>	<u>23,723,000</u>	<u>208,152,000</u>	<u>204,948,000</u>	<u>112,066,000</u>	<u>840,327,000</u>
Liabilities						
Current Liabilities:						
Current maturities of long-term debt	5,543,000	326,000	5,218,000	5,218,000	-	16,305,000
Accrued interest on long-term debt	680,000	40,000	639,000	639,000	-	1,998,000
Accounts payable and accrued expenses	6,401,000	4,120,000	1,086,000	1,149,000	3,552,000	16,308,000
Customer deposits	1,655,000	485,000	342,000	371,000	-	2,853,000
Total Current Liabilities	<u>14,279,000</u>	<u>4,971,000</u>	<u>7,285,000</u>	<u>7,377,000</u>	<u>3,552,000</u>	<u>37,464,000</u>
Long-Term Liabilities:						
Deferred credit - TVA right of use	-	-	-	517,000	-	517,000
Derivatives (interest rate swap agreements)	79,000	23,000.00	17,000.00	17,000	15,000.00	151,000
Long-term debt	18,587,000	1,095,000	17,502,000	17,502,000	42,000	54,728,000
Asset retirement obligations	29,664,000	-	-	-	-	29,664,000
Total Long-Term Liabilities	<u>48,330,000</u>	<u>1,118,000</u>	<u>17,519,000</u>	<u>18,036,000</u>	<u>57,000</u>	<u>85,060,000</u>
Total Liabilities	<u>62,609,000</u>	<u>6,089,000</u>	<u>24,804,000</u>	<u>25,413,000</u>	<u>3,609,000</u>	<u>122,524,000</u>
Net Assets						
Invested in capital assets, net of related debt	134,729,000	11,219,000	168,142,000	164,946,000	105,651,000	584,687,000
Restricted for:						
Debt service	6,225,000	366,000	5,858,000	5,858,000	-	18,307,000
Capital projects	10,455,000	596,000	7,169,000	7,468,000	4,182,000	29,870,000
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	63,446,000	789,000	308,000	334,000	-	64,877,000
Unrestricted	13,974,000	4,664,000	1,871,000	929,000	(1,376,000)	20,062,000
Total Net Assets	<u>\$ 228,829,000</u>	<u>\$ 17,634,000</u>	<u>\$ 183,348,000</u>	<u>\$ 179,535,000</u>	<u>\$ 108,457,000</u>	<u>\$ 717,803,000</u>

City of Dalton, Georgia
Combining Schedule of Revenues,
Expenses, and Changes in Fund Net Assets
Water, Light, and Sinking Commission Fund
For the Year Ended December 31, 2008

	Electric System	Gas System	Water System	Sewer System	Information Technology System	Total
Operating Revenues						
Electric	\$ 87,119,000	\$ -	\$ -	\$ -	\$ -	\$ 87,119,000
Parity income	2,799,000	-	-	-	-	2,799,000
Natural gas	-	25,694,000	-	-	-	25,694,000
Water	-	-	18,216,000	-	-	18,216,000
Sewer	-	-	-	19,244,000	-	19,244,000
Information technology	-	-	-	-	17,186,000	17,186,000
Total Operating Revenues	<u>89,918,000</u>	<u>25,694,000</u>	<u>18,216,000</u>	<u>19,244,000</u>	<u>17,186,000</u>	<u>170,258,000</u>
Operating Expenses						
Production	24,609,000	-	4,254,000	8,792,000	-	37,655,000
Purchased electricity	30,111,000	-	-	-	-	30,111,000
Purchased natural gas	-	21,584,000	-	-	-	21,584,000
Distribution	4,321,000	1,325,000	4,268,000	1,105,000	10,198,000	21,217,000
Depreciation and amortization	11,048,000	851,000	6,611,000	6,700,000	6,888,000	32,098,000
General administration	2,542,000	1,271,000	5,464,000	1,906,000	1,525,000	12,708,000
Total Operating Expenses	<u>72,631,000</u>	<u>25,031,000</u>	<u>20,597,000</u>	<u>18,503,000</u>	<u>18,611,000</u>	<u>155,373,000</u>
Operating Income (Loss)	<u>17,287,000</u>	<u>663,000</u>	<u>(2,381,000)</u>	<u>741,000</u>	<u>(1,425,000)</u>	<u>14,885,000</u>
Non-Operating Revenues (Expenses)						
Interest income	3,345,000	85,000	832,000	861,000	482,000	5,605,000
Net increase (decrease) in fair value of investments and derivatives	3,431,000	(211,000)	(354,000)	(371,000)	(215,000)	2,280,000
Allowance for debt funds used during construction	2,000	-	-	110,000	226,000	338,000
Miscellaneous income (expense)	83,000	24,000	17,000	18,000	16,000	158,000
Interest expense	(1,017,000)	(65,000)	(1,093,000)	(1,093,000)	(582,000)	(3,850,000)
Total Non-Operating Revenues (Expenses)	<u>5,844,000</u>	<u>(167,000)</u>	<u>(598,000)</u>	<u>(475,000)</u>	<u>(73,000)</u>	<u>4,531,000</u>
Income (Loss) Before Contributions and Transfers	<u>23,131,000</u>	<u>496,000</u>	<u>(2,979,000)</u>	<u>266,000</u>	<u>(1,498,000)</u>	<u>19,416,000</u>
Contributions and Transfers						
Contributions and reallocations	(18,272,000)	(872,000)	11,452,000	9,466,000	(1,662,000)	112,000
Transfers out	(4,813,000)	(1,362,000)	(999,000)	(999,000)	(908,000)	(9,081,000)
Total Contributions and Transfers	<u>(23,085,000)</u>	<u>(2,234,000)</u>	<u>10,453,000</u>	<u>8,467,000</u>	<u>(2,570,000)</u>	<u>(8,969,000)</u>
Change in Net Assets	46,000	(1,738,000)	7,474,000	8,733,000	(4,068,000)	10,447,000
Net Assets Beginning of Year	<u>228,783,000</u>	<u>19,372,000</u>	<u>175,874,000</u>	<u>170,802,000</u>	<u>112,525,000</u>	<u>707,356,000</u>
Net Assets End of Year	<u>\$ 228,829,000</u>	<u>\$ 17,634,000</u>	<u>\$ 183,348,000</u>	<u>\$ 179,535,000</u>	<u>\$ 108,457,000</u>	<u>\$ 717,803,000</u>

City of Dalton, Georgia
Municipal Golf Course Fund
Comparative Statement of Net Assets
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 65,840	\$ 173,405
Interfund receivable	-	8,880
Inventory	<u>14,397</u>	<u>14,195</u>
Total Current Assets	<u>80,237</u>	<u>196,480</u>
Noncurrent Assets:		
Capital Assets:		
Land	877,709	877,709
Depreciable capital assets, net	<u>836,289</u>	<u>907,774</u>
Total Noncurrent Assets	<u>1,713,998</u>	<u>1,785,483</u>
Total Assets	<u>1,794,235</u>	<u>1,981,963</u>
Liabilities		
Current Liabilities:		
Accounts payable	123	675
Accrued expenses	250,045	50,531
Unearned revenue	1,794	5,972
Interfund payable	292,923	275,923
Compensated absences payable	<u>43,829</u>	<u>79,192</u>
Total Current Liabilities	<u>588,714</u>	<u>412,293</u>
Long-Term Liabilities:		
Compensated absences payable (net of current portion)	<u>131,486</u>	<u>237,575</u>
Total Liabilities	<u>720,200</u>	<u>649,868</u>
Net Assets		
Invested in capital assets	1,713,998	1,785,483
Unrestricted	<u>(639,963)</u>	<u>(453,388)</u>
Total Net Assets	<u>\$ 1,074,035</u>	<u>\$ 1,332,095</u>

City of Dalton, Georgia
Municipal Golf Course Fund
Comparative Statement of Revenues,
Expenses, and Changes in Fund Net Assets
For The Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Charges for services	\$ 792,751	\$ 895,333
Merchandise sales	44,377	56,920
Tournaments	66,113	57,354
Concessions	56,721	67,331
Miscellaneous	<u>1,981</u>	<u>1,399</u>
Total Operating Revenues	<u>961,943</u>	<u>1,078,337</u>
Operating Expenses		
Cost of sales and services	375,600	383,724
Personal services and benefits	775,499	735,694
Depreciation	<u>71,485</u>	<u>71,486</u>
Total Operating Expenses	<u>1,222,584</u>	<u>1,190,904</u>
Operating (Loss)	(260,641)	(112,567)
Non-Operating Revenues		
Interest	<u>2,581</u>	<u>4,738</u>
Change in Net Assets	(258,060)	(107,829)
Net Assets Beginning of Year	<u>1,332,095</u>	<u>1,439,924</u>
Net Assets End of Year	<u>\$ 1,074,035</u>	<u>\$ 1,332,095</u>

COMBINING FINANCIAL STATEMENTS
INTERNAL SERVICE FUNDS

Internal Service Funds

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

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

City of Dalton, Georgia
Combining Statement of Net Assets
Internal Service Funds
December 31, 2008

	<u>Workers Compensation</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 59,501	\$ 16,800	\$ 76,301
Investments	631,949	-	631,949
Accounts receivable	-	60,824	60,824
Total Current Assets	<u>691,450</u>	<u>77,624</u>	<u>769,074</u>
Liabilities			
Current Liabilities:			
Accounts payable	4,328	103,600	107,928
Claims payable	1,265,044	652,100	1,917,144
Total Current Liabilities	<u>1,269,372</u>	<u>755,700</u>	<u>2,025,072</u>
Net Assets (Deficit)			
Unrestricted (Deficit)	<u>(577,922)</u>	<u>(678,076)</u>	<u>(1,255,998)</u>
Total Net Assets (Deficit)	<u>\$ (577,922)</u>	<u>\$ (678,076)</u>	<u>\$ (1,255,998)</u>

City of Dalton, Georgia
Combining Statement of Revenues,
Expenses, and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2008

	<u>Workers Compensation</u>	<u>Health Insurance</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 600,001	\$ 5,465,056	\$ 6,065,057
Operating Expenses			
Claims	460,207	4,518,505	4,978,712
Premiums and administrative fees	300,189	545,617	845,806
Total Operating Expenses	<u>760,396</u>	<u>5,064,122</u>	<u>5,824,518</u>
Operating Income (Loss)	<u>(160,395)</u>	<u>400,934</u>	<u>240,539</u>
Non-Operating Revenues and Expenses			
Investment earnings	17,166	5,402	22,568
Total Non-Operating Revenues and Expenses	<u>17,166</u>	<u>5,402</u>	<u>22,568</u>
Change in Net Assets	(143,229)	406,336	263,107
Net Assets (Deficit) Beginning of Year, as restated	<u>(434,693)</u>	<u>(1,084,412)</u>	<u>(1,519,105)</u>
Net Assets (Deficit) End of Year	<u>\$ (577,922)</u>	<u>\$ (678,076)</u>	<u>\$ (1,255,998)</u>

City of Dalton, Georgia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2008

	<u>Workers Compensation</u>	<u>Health Insurance</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash received from interfund services provided	\$ 570,419	\$ 5,416,670	\$ 5,987,089
Cash payments for claims and fees	<u>(699,223)</u>	<u>(5,505,403)</u>	<u>(6,204,626)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(128,804)</u>	<u>(88,733)</u>	<u>(217,537)</u>
Cash Flows from Investing Activities			
Proceeds from sale of investments	108,658	-	108,658
Receipts from interest on investments	<u>17,166</u>	<u>5,402</u>	<u>22,568</u>
Net Cash Provided by (Used in) Investing Activities	<u>125,824</u>	<u>5,402</u>	<u>131,226</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,980)	(83,331)	(86,311)
Cash and Cash Equivalents Beginning of Year	<u>62,481</u>	<u>100,131</u>	<u>162,612</u>
Cash and Cash Equivalents End of Year	<u>\$ 59,501</u>	<u>\$ 16,800</u>	<u>\$ 76,301</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (160,395)	\$ 400,934	\$ 240,539
(Increase) Decrease in Assets:			
Accounts receivable	-	(48,386)	(48,386)
Interfund receivable	4,494	-	4,494
Prepaid expenses	91,553	-	91,553
Increase (Decrease) in Liabilities:			
Accounts payable	4,328	103,600	107,928
Interfund payable	(8,880)	(250,000)	(258,880)
Claims payable	(34,708)	(294,881)	(329,589)
Unearned revenue	<u>(25,196)</u>	<u>-</u>	<u>(25,196)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (128,804)</u>	<u>\$ (88,733)</u>	<u>\$ (217,537)</u>

City of Dalton, Georgia
Workers Compensation Fund
Comparative Statement of Net Assets
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 59,501	\$ 62,481
Investments	631,949	740,607
Interfund receivable	-	4,494
Prepaid expenses	-	91,553
Total Current Assets	<u>691,450</u>	<u>899,135</u>
Liabilities		
Current Liabilities:		
Accounts payable	4,328	-
Interfund payable	-	8,880
Claims payable	1,265,044	1,299,752
Unearned revenue	-	25,196
Total Current Liabilities	<u>1,269,372</u>	<u>1,333,828</u>
Net Assets (Deficit)		
Unrestricted (Deficit)	<u>(577,922)</u>	<u>(434,693)</u>
Total Net Assets (Deficit)	<u>\$ (577,922)</u>	<u>\$ (434,693)</u>

City of Dalton, Georgia
Workers Compensation Fund
Comparative Statement of Revenues,
Expenses, and Changes in Fund Net Assets
For The Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Charges for services	\$ 600,001	\$ 582,760
Operating Expenses		
Claims	460,207	335,539
Premiums and administrative fees	<u>300,189</u>	<u>317,888</u>
Total Operating Expenses	<u>760,396</u>	<u>653,427</u>
Operating Income (Loss)	<u>(160,395)</u>	<u>(70,667)</u>
Non-Operating Revenues and Expenses		
Investment earnings	<u>17,166</u>	<u>33,931</u>
Total Non-Operating Revenues and Expenses	<u>17,166</u>	<u>33,931</u>
Change in Net Assets	(143,229)	(36,736)
Net Assets Beginning of Year	<u>(434,693)</u>	<u>(397,957)</u>
Net Assets End of Year	<u><u>\$ (577,922)</u></u>	<u><u>\$ (434,693)</u></u>

City of Dalton, Georgia
Health Insurance Fund
Comparative Statement of Net Assets
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 16,800	\$ 100,131
Accounts receivable	<u>60,824</u>	<u>12,438</u>
Total Current Assets	<u>77,624</u>	<u>112,569</u>
Liabilities		
Current Liabilities:		
Accounts payable	103,600	-
Interfund payable	-	250,000
Claims payable	<u>652,100</u>	<u>946,981</u>
Total Current Liabilities	<u>755,700</u>	<u>1,196,981</u>
Net Assets (Deficit)		
Unrestricted (Deficit)	<u>(678,076)</u>	<u>(1,084,412)</u>
Total Net Assets (Deficit)	<u>\$ (678,076)</u>	<u>\$ (1,084,412)</u>

City of Dalton, Georgia
Health Insurance Fund
Comparative Statement of Revenues,
Expenses, and Changes in Fund Net Assets
For The Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues		
Charges for services	\$ 5,465,056	\$ 6,877,254
Operating Expenses		
Claims	4,518,505	6,502,648
Premiums and administrative fees	545,617	526,132
Total Operating Expenses	<u>5,064,122</u>	<u>7,028,780</u>
Operating (Loss)	<u>400,934</u>	<u>(151,526)</u>
Non-Operating Revenues		
Investment earnings	5,402	5,294
Total Non-Operating Revenues	<u>5,402</u>	<u>5,294</u>
Change in Net Assets	406,336	(146,232)
Net Assets (Deficit) Beginning of Year	<u>(1,084,412)</u>	<u>(938,180)</u>
Net Assets (Deficit) End of Year	<u>\$ (678,076)</u>	<u>\$ (1,084,412)</u>

City of Dalton, Georgia
Municipal Court Agency Fund
Statement of Changes in Assets and Liabilities
Fiduciary Funds
For The Years Ended December 31, 2008 and 2007

	<u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>2008</u>
Assets				
Cash and cash equivalents	\$ 206,769	\$ 3,881,241	\$ (3,849,748)	\$ 238,262
Liabilities				
Accounts payable	-	3,175,141	(3,137,705)	37,436
Interfund payable	-	3,268,655	(3,268,655)	-
Other liabilities	<u>206,769</u>	<u>915,817</u>	<u>(921,760)</u>	<u>200,826</u>
Total Liabilities	<u>\$ 206,769</u>	<u>\$ 7,359,613</u>	<u>\$ (7,328,120)</u>	<u>\$ 238,262</u>

City of Dalton, Georgia
Tax Agency Fund
Statement of Changes in Assets and Liabilities
Fiduciary Funds
For The Years Ended December 31, 2008 and 2007

	<u>2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>2008</u>
Assets				
Cash and cash equivalents	\$ -	\$ 16,741,553	\$ (16,741,553)	\$ -

STATISTICAL SECTION

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental activities							
Invested in capital assets, net of related debt	\$ 43,717,753	\$ 54,986,410	\$ 65,145,853	\$ 70,240,397	\$ 75,019,657	\$ 76,036,989	\$ 77,111,490
Restricted	5,608,483	6,567,936	6,575,030	3,269,618	1,284,713	1,260,953	1,117,309
Unrestricted	<u>21,663,047</u>	<u>13,301,923</u>	<u>9,323,770</u>	<u>11,250,638</u>	<u>14,174,179</u>	<u>15,545,677</u>	<u>13,406,176</u>
Total governmental activities	<u>\$ 70,989,283</u>	<u>\$ 74,856,269</u>	<u>\$ 81,044,653</u>	<u>\$ 84,760,653</u>	<u>\$ 90,478,549</u>	<u>\$ 92,843,619</u>	<u>\$ 91,634,975</u>
Business-type activities							
Invested in capital assets, net of related debt	\$ 265,163,450	\$ 296,947,820	\$ 343,684,581	\$ 392,238,902	\$ 520,340,969	\$ 562,000,483	\$ 586,400,998
Restricted	377,305,000	308,691,000	256,382,000	210,062,000	158,172,000	129,344,000	113,054,000
Unrestricted	<u>96,067,427</u>	<u>121,735,358</u>	<u>120,945,768</u>	<u>118,139,332</u>	<u>32,788,986</u>	<u>37,168,370</u>	<u>39,386,246</u>
Total business-type activities	<u>\$ 738,535,877</u>	<u>\$ 727,374,178</u>	<u>\$ 721,012,349</u>	<u>\$ 720,440,234</u>	<u>\$ 711,301,955</u>	<u>\$ 728,512,853</u>	<u>\$ 738,841,244</u>
Primary government							
Invested in capital assets, net of related debt	\$ 308,881,203	\$ 351,934,230	\$ 408,830,434	\$ 462,479,299	\$ 595,360,626	\$ 638,037,472	\$ 663,512,488
Restricted	382,913,483	315,258,936	262,957,030	213,331,618	159,456,713	130,604,953	114,171,309
Unrestricted	<u>117,730,474</u>	<u>135,037,281</u>	<u>130,269,538</u>	<u>129,389,970</u>	<u>46,963,165</u>	<u>52,714,047</u>	<u>52,792,422</u>
Total primary government	<u>\$ 809,525,160</u>	<u>\$ 802,230,447</u>	<u>\$ 802,057,002</u>	<u>\$ 805,200,887</u>	<u>\$ 801,780,504</u>	<u>\$ 821,356,472</u>	<u>\$ 830,476,219</u>

Note: The requirements for this schedule are effective prospectively. The City elected to provide information retrospective to the adoption of GASB 34 in 2002. In time, the required ten years of data will be presented.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses							
Governmental activities							
General government	\$ 3,878,091	\$ 5,524,351	\$ 4,353,343	\$ 4,071,038	\$ 2,933,500	\$ 2,839,767	\$ 4,270,206
Judicial	-	-	-	-	-	-	704,747
Public safety	11,965,195	12,234,307	12,691,382	13,077,718	13,631,626	15,145,033	14,903,803
Public works	8,986,055	9,387,278	9,778,344	10,322,707	10,762,882	12,790,923	10,136,329
Health and welfare	-	-	-	-	-	-	679,018
Culture and recreation	5,169,098	5,438,637	5,023,790	5,272,738	5,425,002	5,692,834	4,749,408
Housing and development	-	-	-	-	72,898	152,264	1,279,210
Education	23,169,937	23,293,870	28,668,083	27,593,227	27,450,015	29,237,233	240,061
Interest on long-term debt	1,211,233	965,736	807,791	615,149	584,478	272,296	226,898
Total governmental activities expenses	<u>54,379,609</u>	<u>56,844,179</u>	<u>61,322,733</u>	<u>60,952,577</u>	<u>60,860,401</u>	<u>66,130,350</u>	<u>37,189,680</u>
Business-type activities							
Electric system	63,789,000	62,865,371	69,127,132	78,075,006	77,704,298	75,149,652	73,614,065
Gas system	17,036,000	21,261,143	23,490,029	26,935,417	25,565,385	23,620,508	25,082,808
Water system	14,743,000	16,638,348	18,261,632	17,676,876	20,238,893	21,580,197	21,625,495
Sewer system	17,969,000	19,520,140	18,442,853	18,927,394	19,497,405	20,367,610	19,532,011
Information technology system	7,884,000	10,762,684	12,264,206	15,403,179	14,261,918	16,463,005	19,156,275
Landfill	-	-	-	-	-	1,013,513	-
Trade Center	2,394,527	-	-	-	608,332	682,020	673,926
Municipal golf course	1,302,734	1,159,882	1,229,176	1,072,990	1,081,389	1,191,672	1,219,530
Total business-type activities expenses	<u>125,118,261</u>	<u>132,207,568</u>	<u>142,815,028</u>	<u>158,090,862</u>	<u>158,957,620</u>	<u>160,068,177</u>	<u>160,904,110</u>
Total primary government expenses	<u>\$ 179,497,870</u>	<u>\$ 189,051,747</u>	<u>\$ 204,137,761</u>	<u>\$ 219,043,439</u>	<u>\$ 219,818,021</u>	<u>\$ 226,198,527</u>	<u>\$ 198,093,790</u>

(continued)

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

Note: The requirements for this schedule are effective prospectively. The City elected to provide information retrospective to the adoption of GASB 34 in 2002. In time, the required ten years of data will be presented.

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Program revenues							
Governmental activities							
Charges for services							
General government	\$ 1,440,514	\$ 1,991,493	\$ 1,769,075	\$ 2,625,013	\$ 3,021,900	\$ 3,653,811	\$ 1,335,624
Judicial	-	-	-	-	-	-	1,585,097
Public safety	1,601,509	2,115,085	1,951,465	1,003,610	1,117,906	1,040,320	1,009,892
Public works	95,811	608,470	807,426	792,123	1,202,851	420,417	395,118
Health and welfare	-	-	-	-	-	-	207,792
Culture and recreation	253,961	358,366	422,379	718,029	683,328	781,469	485,980
Education	-	-	122,865	122,716	122,796	97,600	142,000
Operating grants and contributions	3,965,015	6,289,541	6,867,424	6,800,635	6,122,681	3,233,969	1,508,234
Capital grants and contributions	168,441	-	-	-	-	1,619,714	1,600,048
Total governmental activities program revenues	<u>7,525,251</u>	<u>11,362,955</u>	<u>11,940,634</u>	<u>12,062,126</u>	<u>12,271,462</u>	<u>10,847,300</u>	<u>8,269,785</u>
Business-type activities							
Charges for services							
Electric system	56,710,000	57,932,000	59,934,000	66,495,000	71,339,000	89,490,000	89,918,000
Gas system	20,039,000	24,248,000	24,877,000	30,728,000	26,227,000	24,155,000	25,694,000
Water system	12,586,000	13,271,000	15,378,000	17,150,000	19,595,000	20,438,000	18,216,000
Sewer system	13,573,000	14,756,000	16,523,000	19,198,000	23,385,000	23,245,000	19,244,000
Information technology system	4,323,000	7,479,000	8,932,000	12,014,000	11,241,000	14,530,000	17,186,000
Landfill	-	-	-	-	439,970	-	207,977
Trade Center	882,365	-	-	-	-	-	-
Municipal golf course	1,117,603	1,032,521	1,016,873	1,005,419	1,023,875	1,078,337	961,943
Operating grants and contributions	734,000	-	-	-	-	-	-
Capital grants and contributions	413,191	1,858,000	580,000	431,000	180,300	124,000	112,000
Total business-type activities program revenues	<u>110,378,159</u>	<u>120,576,521</u>	<u>127,240,873</u>	<u>147,021,419</u>	<u>153,431,145</u>	<u>173,060,337</u>	<u>171,539,920</u>
Total primary government program revenues	<u>\$ 117,903,410</u>	<u>\$ 131,939,476</u>	<u>\$ 139,181,507</u>	<u>\$ 159,083,545</u>	<u>\$ 165,702,607</u>	<u>\$ 183,907,637</u>	<u>\$ 179,809,705</u>
Net revenues (expenses)							
Governmental activities	\$ (46,854,358)	\$ (45,481,224)	\$ (49,382,099)	\$ (48,890,451)	\$ (48,588,939)	\$ (55,283,050)	\$ (28,919,895)
Business-type activities	<u>(14,740,102)</u>	<u>(11,631,047)</u>	<u>(15,574,155)</u>	<u>(11,069,443)</u>	<u>(5,526,475)</u>	<u>12,992,160</u>	<u>10,635,810</u>
Total primary government net revenue (expense)	<u>\$ (61,594,460)</u>	<u>\$ (57,112,271)</u>	<u>\$ (64,956,254)</u>	<u>\$ (59,959,894)</u>	<u>\$ (54,115,414)</u>	<u>\$ (42,290,890)</u>	<u>\$ (18,284,085)</u>

(continued)

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General revenues and other changes in net assets							
Governmental activities							
Property taxes levied for							
General purposes	\$ 6,213,399	\$ 5,948,212	\$ 7,182,195	\$ 6,615,045	\$ 6,781,633	\$ 6,995,308	\$ 6,782,866
Education	23,169,937	23,293,870	28,508,593	27,279,581	27,136,687	29,093,305	-
Debt service	841,797	522,947	533,210	514,763	326,782	342,916	346,686
Recreation	2,625,344	2,626,197	3,109,594	3,009,682	3,054,139	3,362,499	3,454,864
Selective taxes	6,752,216	6,658,286	6,963,600	7,196,529	7,374,626	7,534,604	6,164,971
Hotel/motel taxes	787,040	697,346	714,403	706,542	742,003	771,984	714,896
Unrestricted payments from housing authority	101,712	101,712	101,712	101,712	101,712	101,712	-
Investment earnings	1,868,443	1,406,913	321,795	399,731	593,781	725,851	393,570
Donations	-	-	2,071,485	352,089	107,309	2,000	604,488
Miscellaneous	1,002,309	689,676	560,596	808,255	453,877	985,769	557,910
Transfers	5,123,953	5,494,878	5,995,369	5,764,303	7,647,460	7,719,000	8,691,000
Total governmental activities general revenues and other changes in net assets	<u>48,486,150</u>	<u>47,440,037</u>	<u>56,062,552</u>	<u>52,748,232</u>	<u>54,320,009</u>	<u>57,634,948</u>	<u>27,711,251</u>
Business-type activities							
Income (loss) from investment in joint venture	2,101,036	959,078	20,471	(406,262)	-	-	-
Investment earnings	34,603,953	8,524,957	14,619,498	15,402,893	2,699,302	11,247,738	7,887,581
Miscellaneous	1,056,000	1,796,000	1,814,000	1,265,000	1,381,000	690,000	496,000
Transfers	(5,123,953)	(6,000,000)	(5,995,369)	(5,764,303)	(7,647,460)	(7,719,000)	(8,691,000)
Total business-type activities general revenues and other changes in net assets	<u>32,637,036</u>	<u>5,280,035</u>	<u>10,458,600</u>	<u>10,497,328</u>	<u>(3,567,158)</u>	<u>4,218,738</u>	<u>(307,419)</u>
Total primary government general revenues and other changes in net assets	<u>\$ 81,123,186</u>	<u>\$ 52,720,072</u>	<u>\$ 66,521,152</u>	<u>\$ 63,245,560</u>	<u>\$ 50,752,851</u>	<u>\$ 61,853,686</u>	<u>\$ 27,403,832</u>
Change in net assets							
Governmental activities	\$ 1,631,792	\$ 1,958,813	\$ 6,680,453	\$ 3,857,781	\$ 5,731,070	\$ 2,351,898	\$ (1,208,644)
Business-type activities	17,896,934	(6,351,012)	(5,115,555)	(572,115)	(9,093,633)	17,210,898	10,328,391
Total primary government change in net assets	<u>\$ 19,528,726</u>	<u>\$ (4,392,199)</u>	<u>\$ 1,564,898</u>	<u>\$ 3,285,666</u>	<u>\$ (3,362,563)</u>	<u>\$ 19,562,796</u>	<u>\$ 9,119,747</u>

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General fund										
Reserved	\$ 12,510,739	\$ 10,131,648	\$ 8,895,000	\$ 8,230,000	\$ 8,350,000	\$ 3,500,000	\$ 3,000,000	\$ 2,155,500	\$ 2,634,500	\$ 1,076,000
Unreserved	<u>20,205,740</u>	<u>22,327,531</u>	<u>14,010,417</u>	<u>11,638,754</u>	<u>5,593,628</u>	<u>6,520,302</u>	<u>7,927,055</u>	<u>11,158,682</u>	<u>12,300,596</u>	<u>12,459,498</u>
Total general fund	<u>\$32,716,479</u>	<u>\$32,459,179</u>	<u>\$22,905,417</u>	<u>\$19,868,754</u>	<u>\$13,943,628</u>	<u>\$10,020,302</u>	<u>\$10,927,055</u>	<u>\$13,314,182</u>	<u>\$14,935,096</u>	<u>\$13,535,498</u>
Nonmajor governmental funds										
Reserved	\$ 2,915,684	\$ 2,483,597	\$17,610,594	\$12,519,581	\$ 8,810,406	\$ 6,219,779	\$ 4,329,053	\$ 1,259,397	\$ 1,189,168	\$ 2,551,618
Unreserved, reported in special revenue funds	<u>1,830,892</u>	<u>2,018,429</u>	<u>2,146,627</u>	<u>1,990,467</u>	<u>2,342,265</u>	<u>2,851,765</u>	<u>3,000,585</u>	<u>3,211,590</u>	<u>3,296,752</u>	<u>2,164,468</u>
Total nonmajor governmental funds	<u>\$ 4,746,576</u>	<u>\$ 4,502,026</u>	<u>\$19,757,221</u>	<u>\$14,510,048</u>	<u>\$11,152,671</u>	<u>\$ 9,071,544</u>	<u>\$ 7,329,638</u>	<u>\$ 4,470,987</u>	<u>\$ 4,485,920</u>	<u>\$ 4,716,086</u>

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Revenues										
Taxes	\$ 34,763,829	\$ 35,592,595	\$ 34,939,492	\$ 40,389,733	\$ 39,746,858	\$ 47,011,595	\$ 45,322,142	\$ 45,415,870	\$ 48,100,616	\$ 17,464,283
Licenses and permits	1,467,546	1,512,069	1,663,681	1,440,514	1,572,146	1,769,075	1,952,997	1,752,849	2,029,227	1,335,624
Intergovernmental revenues	1,639,346	1,508,197	4,259,017	4,164,123	6,391,253	6,969,136	6,902,347	6,224,393	4,955,395	3,108,282
Charges for services	315,228	244,551	268,803	349,772	966,835	968,755	1,875,178	2,778,049	2,355,614	2,331,802
Fines and forfeitures	1,406,833	1,515,049	1,506,343	1,601,509	2,115,085	1,951,465	1,003,610	1,117,906	1,040,320	964,673
Investment income	1,191,791	1,604,489	1,728,609	1,695,094	1,340,431	309,415	368,735	521,582	686,626	371,002
Miscellaneous	472,250	623,415	634,630	1,002,309	689,677	2,632,081	1,160,344	561,186	987,769	1,437,982
Total Revenues	<u>41,256,823</u>	<u>42,600,365</u>	<u>45,000,575</u>	<u>50,643,054</u>	<u>52,822,285</u>	<u>61,611,522</u>	<u>58,585,353</u>	<u>58,371,835</u>	<u>60,155,567</u>	<u>27,013,648</u>
Expenditures										
General government	2,704,908	2,861,158	3,132,514	3,422,729	3,523,592	3,892,689	3,580,189	3,268,927	3,729,484	2,404,601
Judicial	-	-	-	-	-	-	-	-	-	686,788
Public safety	8,374,372	8,580,047	10,006,198	12,237,205	12,070,669	12,580,716	12,630,817	13,629,246	14,458,606	14,231,734
Public works	6,528,826	7,696,284	11,229,941	9,719,987	10,695,114	13,450,186	11,806,875	11,398,450	12,209,967	8,092,435
Health and welfare	-	-	-	-	-	-	-	-	-	595,669
Culture and recreation	3,494,784	4,393,788	4,347,439	4,779,289	4,845,398	4,017,035	4,269,528	4,530,155	5,115,500	3,741,273
Housing and development	-	-	-	-	-	-	-	86,070	142,500	1,163,681
Education	18,900,611	19,274,617	18,878,728	23,169,937	23,293,870	28,508,593	27,279,581	27,136,687	29,093,305	-
Capital Outlay	3,457,075	4,117,439	4,057,703	6,525,924	8,379,837	5,044,091	1,441,736	1,046,339	139,473	4,605,673
Debt Service:										
Principal retirement	1,248,030	1,311,591	1,370,502	3,154,957	3,874,893	4,065,421	4,236,396	4,832,929	1,100,051	1,147,790
Interest and fiscal charges	759,124	690,427	1,078,207	1,162,356	977,303	908,284	592,687	562,016	249,834	204,436
Total Expenditures	<u>45,467,730</u>	<u>48,925,351</u>	<u>54,101,232</u>	<u>64,172,384</u>	<u>67,660,676</u>	<u>72,467,015</u>	<u>65,837,809</u>	<u>66,490,819</u>	<u>66,238,720</u>	<u>36,874,080</u>
Excess of Revenues										
Over (Under) Expenditures	<u>(4,210,907)</u>	<u>(6,324,986)</u>	<u>(9,100,657)</u>	<u>(13,529,330)</u>	<u>(14,838,391)</u>	<u>(10,855,493)</u>	<u>(7,252,456)</u>	<u>(8,118,984)</u>	<u>(6,083,153)</u>	<u>(9,860,432)</u>

(continued)

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

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Other Financing Sources (Uses)										
Bonds issued	\$ -	\$ -	\$ 15,152,859	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Refunding bond issued	-	-	-	7,770,000	-	-	-	-	-	-
Bond premium	-	-	-	20,444	-	-	-	-	-	-
Bond discounts	-	-	-	(28,253)	-	-	-	-	-	-
Refunded bond escrow	-	-	-	(7,640,650)	-	-	-	-	-	-
Bond issue cost	-	-	(152,859)	-	-	-	-	-	-	-
Transfers in	7,606,459	8,835,157	8,768,382	7,610,823	11,545,920	10,117,273	8,355,113	11,127,203	9,306,268	9,996,811
Transfers out	<u>(1,606,459)</u>	<u>(2,841,433)</u>	<u>(3,530,464)</u>	<u>(2,486,870)</u>	<u>(6,051,042)</u>	<u>(4,774,164)</u>	<u>(1,937,810)</u>	<u>(3,479,743)</u>	<u>(1,587,268)</u>	<u>(1,305,811)</u>
Total other Financing Sources (Uses)	<u>6,000,000</u>	<u>5,993,724</u>	<u>20,237,918</u>	<u>5,245,494</u>	<u>5,494,878</u>	<u>5,343,109</u>	<u>6,417,303</u>	<u>7,647,460</u>	<u>7,719,000</u>	<u>8,691,000</u>
Net Change in Fund Balance	<u>\$ 1,789,093</u>	<u>\$ (331,262)</u>	<u>\$ 11,137,261</u>	<u>\$ (8,283,836)</u>	<u>\$ (9,343,513)</u>	<u>\$ (5,512,384)</u>	<u>\$ (835,153)</u>	<u>\$ (471,524)</u>	<u>\$ 1,635,847</u>	<u>\$ (1,169,432)</u>
Debt Service as a % of noncapital expenditures	5.0%	4.7%	5.1%	8.0%	8.8%	8.2%	8.1%	8.8%	2.2%	4.2%

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

<u>Fiscal Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Public Utilities</u>	<u>Less Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>
1999	\$ 1,266,218,520	\$ 1,155,270,984	\$ 36,803,802	\$ 39,769,510	\$ 2,418,523,796	4.300
2000	1,331,843,359	1,204,709,513	40,123,375	43,701,625	2,532,974,622	4.267
2001	1,417,398,419	1,209,283,147	39,850,602	47,013,856	2,619,518,312	4.262
2002	1,503,157,037	1,192,009,288	39,913,501	70,967,906	2,664,111,920	4.248
2003	1,948,322,199	1,193,297,885	46,472,555	87,264,120	3,100,828,519	3.898
2004	1,748,909,580	1,378,139,450	44,721,045	93,392,450	3,078,377,625	3.857
2005	1,842,791,190	1,403,339,300	44,522,298	130,265,366	3,160,387,422	3.797
2006	1,954,445,189	1,537,856,776	41,566,765	145,206,625	3,388,662,105	3.721
2007	2,139,401,407	1,590,117,669	42,578,173	161,443,322	3,610,653,927	3.606
2008	2,121,520,337	1,443,689,560	39,531,613	179,466,406	3,425,275,104	3.002

Source: Whitfield County Board of Tax Assessors.

Note: Real property includes commercial and residential property. All property is assessed at 100% of estimated actual value. For this reason, assessed value is equal to estimated actual value. A reappraisal of residential and agricultural property was completed in 2003. Tax rates are per \$1,000 of assessed value.

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

<u>Fiscal Year</u>	<u>Operating Millage</u>	<u>Debt Service Millage</u>	<u>Recreation Millage</u>	<u>Total City Millage</u>	<u>Dalton Public Schools Millage</u>	<u>Special Districts Millage</u>	<u>Whitfield County Millage</u>	<u>Total Direct and Overlapping Rates</u>
1999	2.900	0.400	1.000	4.300	7.590	2.000	3.400	17.290
2000	2.897	0.370	1.000	4.267	7.583	2.000	3.290	17.140
2001	2.920	0.342	1.000	4.262	7.574	2.000	6.688	20.524
2002	2.920	0.328	1.000	4.248	8.619	2.000	6.663	21.530
2003	2.712	0.186	1.000	3.898	8.350	2.000	5.616	19.864
2004	2.689	0.168	1.000	3.857	8.700	2.000	5.538	20.095
2005	2.629	0.168	1.000	3.797	8.565	3.000	5.713	21.075
2006	2.621	0.100	1.000	3.721	8.393	3.000	5.466	20.580
2007	2.506	0.100	1.000	3.606	8.134	3.000	5.242	19.982
2008	1.902	0.100	1.000	3.002	7.845	2.250	5.061	18.158

Source: Whitfield County Board of Tax Assessors.

Note: Overlapping rates are those of local and county governments that apply to property owners within the City of Dalton. Not all overlapping rates apply to all City of Dalton property owners. For example, the rates for special districts apply only to those property owners located within the geographic boundaries of the special district.

Note: The debt service tax revenue is reported in the debt service fund. The recreation tax revenue is reported in the recreation special revenue fund.

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

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Shaw Industries, Inc.	\$ 382,791,822	1	11.2%	412,815,829	1	17.1%
Mohawk Industries, Inc.	150,327,095	2	4.4%	138,545,335	3	5.7%
Beaulieu of America, Inc.	80,684,276	3	2.4%	153,466,934	2	6.3%
J & J Industries, Inc.	70,945,834	4	2.1%	61,228,134	4	2.5%
TANDUS Group (formerly Collins & Aikman)	40,089,689	5	1.2%	43,922,838	5	1.8%
Windstream Georgia, CC (formerly Alltel)	30,604,127	6	0.9%	33,975,156	6	1.4%
CBL & Associates	28,076,323	7	0.8%	-	NA	NA
Shiroki Georgia, LLC (formerly SWM Georgia, LLC)	27,801,739	8	0.8%	-	NA	NA
Thomas Industries, LLC	26,992,620	9	0.8%	-	NA	NA
Propes Fabrics, Inc.	24,003,957	10	0.7%	-	NA	NA
Dixie Group (Bretlin)	-	NA	NA	21,102,764	7	0.9%
Synthetic Industries	-	NA	NA	20,842,247	8	0.9%
Conagra	-	NA	NA	12,701,284	9	0.5%
Huntsman Packaging	-	NA	NA	11,287,011	10	0.5%

Source: Whitfield County Tax Commissioner

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

Fiscal Year	Collected within the Fiscal Year of the Levy				Total Collections to Date		
	Taxes Levied	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
1999	\$ 27,797,588	\$ 25,591,026	92.1%	\$ 2,155,113	\$ 27,746,139	99.8%	
2000	27,585,990	25,817,729	93.6%	1,745,200	27,562,929	99.9%	
2001	29,723,027	25,656,242	86.3%	4,007,348	29,663,590	99.8%	
2002	32,097,049	27,203,122	84.8%	4,781,468	31,984,590	99.6%	
2003	34,007,488	3,243,048	9.5%	30,593,703	33,836,751	99.5%	
2004	36,284,746	30,593,267	84.3%	5,548,301	36,141,568	99.6%	
2005	36,944,389	31,790,728	86.1%	5,496,684	37,287,412	100.9%	
2006	39,066,393	32,976,187	84.4%	5,849,531	38,825,718	99.4%	
2007	40,451,745	35,995,374	89.0%	4,461,084	40,456,458	100.0%	
2008	13,637,618	9,217,364	67.6%	-	9,217,364	67.6%	

Note: Prior to 2008, the City of Dalton Public School System and the Downtown Dalton Development Authority were included in taxes levied and taxes collected.

Source: Whitfield County Board of Tax Assessors.

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

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Revenue Bonds			
1999	\$ 11,130,000	\$ 3,287,164	\$ 181,480,000	\$ 195,897,164	33.0%	\$ 7,976
2000	9,995,000	3,082,031	174,705,000	187,782,031	30.8%	7,440
2001	23,475,000	2,877,208	164,545,000	190,897,208	29.6%	7,519
2002	20,720,000	2,672,230	152,940,000	176,332,230	24.9%	6,485
2003	17,050,000	2,467,012	140,810,000	160,327,012	19.8%	5,284
2004	13,200,000	2,251,591	129,363,000	144,814,591	17.3%	4,685
2005	9,190,000	2,025,195	115,748,000	126,963,195	14.2%	4,033
2006	4,595,000	1,787,266	101,556,000	107,938,266	10.9%	3,358
2007	3,745,000	1,537,215	86,635,000	91,917,215	8.5%	2,782
2008	2,860,000	1,274,425	71,033,000	75,167,425	Not yet available	2,250

Note: Details regarding the City's outstanding debt are disclosed in Note 4-H of the Notes to the Basic Financial Statements.

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

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>
1999	\$ 11,130,000	0.5%	453
2000	9,995,000	0.4%	396
2001	23,475,000	0.9%	925
2002	20,720,000	0.8%	762
2003	17,050,000	0.5%	562
2004	13,200,000	0.4%	427
2005	9,190,000	0.3%	292
2006	4,595,000	0.1%	143
2007	3,745,000	0.1%	113
2008	2,860,000	0.1%	86

- Note: Details regarding the City's outstanding debt is disclosed in Note 4-H of the Notes to the Basic Financial Statements.
Note: The actual taxable value of property is obtained from the Schedule of Assessed and Estimated Actual Value of Taxable Property.
Note: Population data can be found in the Schedule of Demographic and Economic Statistics

City of Dalton, Georgia
Direct and Overlapping Governmental Activities Debt
As of December 31, 2008
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Applicable Percentage</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with revenues other than property taxes			
Whitfield County agreement with City - 2002 Issue	\$ 1,430,000	15.2%	\$ 217,360
Dalton Public School System agreement with City - notes payable	509,770	100.0%	509,770
Dalton Public School System capital leases	2,554,133	100.0%	2,554,133
Dalton Public School System agreement with City - QZA Bonds 2003 Issue	2,000,000	100.0%	2,000,000
Dalton Public School System agreement with City - 2007, 2006, and 2005 Issues	27,055,000	100.0%	<u>27,055,000</u>
Total overlapping debt			32,336,263
City direct debt			<u>2,194,655</u>
Total direct and overlapping debt			<u>\$ 34,530,918</u>

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

Note: For debt repaid with Local Option Sales Tax, 15.2% is the share allocable to the City of Dalton, which is based on a Service Delivery with Whitfield County.

Note: The amount reported as City direct debt is less than the amount reported on the Statement of Net Assets because 1) Whitfield County is responsible for 50% of the general obligation debt carried by the City and 2) Dalton Public School System is responsible for 40% of the notes payable carried by the City.

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

For the year ending December 31,

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$ 256,271,846	\$ 257,667,625	\$ 266,653,217	\$ 273,507,983	\$ 318,809,264	\$ 317,177,008	\$ 329,065,279	\$ 353,386,873	\$ 377,209,725	\$ 360,474,151
Total net debt applicable to limit	<u>8,750,436</u>	<u>7,885,998</u>	<u>20,827,155</u>	<u>16,798,003</u>	<u>11,798,132</u>	<u>9,483,726</u>	<u>25,806,202</u>	<u>25,563,873</u>	<u>36,220,989</u>	<u>30,908,236</u>
Legal debt margin	<u>\$ 247,521,410</u>	<u>\$ 249,781,627</u>	<u>\$ 245,826,062</u>	<u>\$ 256,709,980</u>	<u>\$ 307,011,132</u>	<u>\$ 307,693,282</u>	<u>\$ 303,259,077</u>	<u>\$ 327,823,000</u>	<u>\$ 340,988,736</u>	<u>\$ 329,565,915</u>
Total net debt applicable to limit as a % of debt limit	3.4%	3.1%	7.8%	6.1%	3.7%	3.0%	7.8%	7.2%	9.6%	8.6%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 3,425,275,104
Add: exempt real property	<u>179,466,406</u>
Total assessed value	3,604,741,510
	<u>10.0%</u>
Debt limit (10% of assessed value)	<u>\$ 360,474,151</u>
Debt applicable to limit	
Total bonded debt	\$ 102,948,000
Less: Utility revenue bonds	71,033,000
Amount available for repayment of general obligation bonds	<u>1,006,764</u>
Total debt applicable to limit	<u>\$ 30,908,236</u>
Legal debt margin	<u>\$ 329,565,915</u>

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

Fiscal Year	Utility Revenue Bonds			Debt Service		
	Utility Service Charges	Utility Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
1999	\$ 89,102,000	\$ 74,782,000	\$ 14,320,000	\$ 6,460,000	\$ 3,797,000	1.4
2000	95,054,000	86,006,000	9,048,000	6,775,000	7,378,000	0.6
2001	99,694,000	86,076,000	13,618,000	10,160,000	8,933,000	0.7
2002	102,908,000	86,269,000	16,639,000	11,605,000	8,429,000	0.8
2003	110,207,000	96,799,000	13,408,000	12,685,000	7,610,000	0.7
2004	116,712,000	103,640,000	13,072,000	13,310,000	6,785,000	0.7
2005	133,571,000	113,970,000	19,601,000	13,920,000	6,569,000	1.0
2006	140,546,000	114,373,000	26,173,000	14,700,000	5,595,000	1.3
2007	155,356,000	112,203,000	43,153,000	15,430,000	4,867,000	2.1
2008	150,273,000	111,552,000	38,721,000	16,305,000	3,995,000	1.9

Note: Details regarding the City's outstanding debt can be found in Note 4-H of the Notes to the Basic Financial Statements. Operating expenses do not include interest, depreciation, or amortization.

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

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	School Enrollment
1999	24,560	\$ 594,254	\$ 24,196	2.6%	4,869
2000	25,238	610,659	24,196	3.5%	5,060
2001	25,390	644,677	25,391	4.2%	5,463
2002	27,192	709,249	26,083	3.7%	5,691
2003	30,341	808,648	26,652	3.2%	5,980
2004	30,909	836,768	27,072	4.3%	5,250
2005	31,478	897,154	28,501	4.2%	6,089
2006	32,140	992,740	30,888	4.1%	6,238
2007	33,045	1,079,117	32,656	4.5%	6,486
2008	33,401	Not yet available	Not yet available	5.7%	6,735

Source: Per Capita Personal Income and Unemployment Rate information was provided by the Georgia Department of Labor. School Enrollment information was provided by Dalton Independent School System. Population information was provided by North Georgia Regional Development Center.

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

Taxpayer	2008			1999		
	Employees (1)	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	6,393	1	19.1%	NA	NA	NA
Mohawk Industries, Inc.	2,317	2	6.9%	NA	NA	NA
Beaulieu of America, Inc.	1,921	3	5.8%	NA	NA	NA
Hamilton Medical Center	1,262	4	3.8%	NA	NA	NA
Dalton Public School System	983	5	2.9%	NA	NA	NA
J & J Industries, Inc.	781	6	2.3%	NA	NA	NA
City of Dalton, Georgia	723	7	2.2%	NA	NA	NA
TANDUS Group (formerly Collins & Aikman)	671	8	2.0%	NA	NA	NA
Shiroki Georgia, LLC (formerly SWM Georgia, LLC)	500	9	1.5%	NA	NA	NA
Pilgrim's Pride Corp.	494	10	1.5%	NA	NA	NA

NA Information not available.

Note: The above figures for the City of Dalton include Dalton Utilities and employees leased to joint ventures.

Source: Dalton-Whitfield Chamber of Commerce and City occupation tax data.

(1) Includes City of Dalton only.

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

Function/Program	For the year ending December 31,									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Administration and elected officials	8	9	9	9	11	12	13	11	15	14
Human Resources	2	2	2	2	2	3	4	4	4	4
City Clerk	7	6	6	6	6	3	2	2	4	4
Finance	-	-	-	-	-	5	5	5	4	5
Building Inspection	4	3	4	4	5	5	5	5	5	5
Municipal Court	6	8	9	9	9	5	11	9	9	10
Public Safety										
Police										
Officers	74	79	79	86	89	84	79	92	95	98
Civilians	10	10	11	9	10	10	20	11	11	12
Fire										
Firefighters and officers	71	72	75	81	90	87	83	89	89	91
Civilians	2	2	2	2	2	2	2	2	1	-
Streets and Sanitation										
Refuse collection	32	35	33	30	33	32	32	32	32	32
Streets	36	41	50	28	25	24	22	15	32	10
Other	29	42	40	65	59	55	57	54	31	23
DWRSWMA (Landfill)	38	38	38	39	44	39	43	38	38	38
WLSF (Dalton Utilities)	256	278	283	289	310	320	323	322	320	309
Culture and Recreation										
Recreation	37	33	35	31	34	34	37	38	37	37
Golf Course	11	11	11	10	11	11	11	11	11	11
Senior Center	3	4	4	3	3	2	3	4	4	4
Trade Center	19	20	19	16	19	13	15	21	18	16

NA Information not available by department. Total employees for 1998 was 397.

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

Note: The City leases employees to the Dalton-Whitfield Solid Waste Management Authority and to the Northwest Georgia Trade and Convention Center Authority.

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

Function/Program	For the year ending December 31,									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government										
Building permits issued	335	385	296	490	360	582	505	459	424	298
Public Safety										
Police										
Physical arrests	3,838	3,077	3,538	3,852	3,759	4,024	3,926	4,080	8,048	2,852
Traffic citations and warnings	14,416	19,508	19,414	19,801	19,719	17,772	15,501	16,331	17,473	19,140
Fire										
Calls answered	1,195	1,167	1,206	1,201	1,228	1,396	1,439	1,608	1,460	1,323
Inspections conducted	923	1,013	985	1,056	1,073	897	677	478	275	170
Culture and Recreation										
Youth athletic enrollment	NA	NA	NA	NA	NA	NA	2,420	2,306	2,571	2,725
Adult athletic enrollment	NA	NA	NA	NA	NA	NA	2,534	2,510	2,380	2,390
Special events	NA	NA	NA	NA	NA	NA	9,511	9,830	9,860	10,500
Tournaments	NA	NA	NA	NA	NA	NA	2,355	10,856	16,664	17,200

(continued)

NA Information not available.

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

Function/Program	For the year ending December 31,									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
WLSF (Dalton Utilities)										
Electric System										
Number of service connections	13,424	14,164	14,725	15,001	15,034	15,273	15,446	15,612	15,858	15,904
Daily average consumption	3,612	3,671	3,533	3,822	3,792	3,978	4,090	3,997	3,725	4,164
Maximum daily peak (MW's)	258	253	243	260	258	258	266	264	262	262
Natural Gas System										
Number of service connections	8,757	9,095	8,948	8,810	8,365	8,659	8,532	8,374	8,255	8,031
Daily average consumption	10,325	10,000	8,240	8,020	7,260	6,785	6,730	5,925	5,840	5,532
Maximum daily peak (Dkthms)	NA	28,927	27,242	21,867	20,304	17,651	17,078	14,992	15,380	17,868
Sewer system										
Number of service connections	10,261	10,689	10,948	11,321	11,356	11,610	11,930	12,185	12,490	12,466
Daily average treatment	30.0	30.0	30.0	32.0	32.0	34.4	33.9	33.9	30.1	24.4
Maximum daily capacity (Mil/gallons)	45.0	45.0	45.0	45.0	45.0	40.1	40.1	40.1	40.1	66.6
Water system										
Number of service connections	28,387	30,542	31,038	31,431	32,894	33,853	34,717	35,218	35,513	32,457
Daily average consumption (Mil/gallons)	37.0	36.0	36.0	38.0	38.0	37.0	38.4	37.9	32.1	23.8
Maximum daily capacity (Mil/gallons)	57.0	57.0	57.0	57.0	57.0	58.5	58.5	58.5	58.5	65.5
Optilink (Telecom) System										
Number of service connections	-	-	-	97	97	3,746	6,280	8,163	10,334	11,650

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

Function/Program	For the year ending December 31,									
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	48	48	49	53	58	58	58	58	58	58
Fire										
Number of stations	4	4	4	4	5	5	5	5	5	5
Streets and Sanitation										
Miles of streets	172	172	174	174	165	167	168	169	169	169
Streetlights	3,871	3,902	3,925	3,960	3,960	3,960	4,002	4,052	4,420	4,435
Culture and Recreation										
Community centers	3	3	3	3	3	3	3	3	3	3
Parks	11	11	11	11	11	11	11	11	11	11
Park acreage	405	405	405	405	405	459	459	459	459	459
Golf courses	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	2	2	2
Tennis courts	16	16	16	16	16	16	14	14	18	18
WLSF (Dalton Utilities)										
Electric System										
Miles of distribution	189.8	189.8	189.8	189.8	195.2	195.2	195.2	195.2	196.7	197.1
Number of substations	8	8	8	8	8	8	8	9	9	9
Water system										
Miles of distribution	249	249	249	249	249	251	251	251	255	255
Sewer system										
Miles of sewer	213	213	221	240	240	260	260	260	284	278
Number of treatment plants	4	3	3	3	3	4	4	4	4	5
Water system										
Miles of water mains	1,000	1,000	1,050	1,100	1,250	1,415	1,390	1,390	1,291	1,288
Number of fire hydrants	764	814	850	900	990	3,326	4,297	4,297	4,950	5,299
Optilink (Telecom) System										
Miles of fiber optics	-	-	-	230.3	230.3	230.3	241.0	320.8	570.4	578.0

**INDEPENDENT AUDITORS' REPORT ON SPECIAL
PURPOSE LOCAL OPTION SALES TAX**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying Schedule of Projects Constructed with Special Purpose Local Option Sales Tax as of December 31, 2008. The Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is prepared using the accrual basis of accounting. This Schedule of Projects Constructed with Special Purpose Local Option Sales Tax is the responsibility of the City of Dalton, Georgia's management. Our responsibility is to express an opinion on the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax based on our audit.

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

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

In our opinion, the Schedule of Projects Constructed with Special Purpose Local Option Sales Tax referred to above presents fairly, in all material respects, the financial progress of the two projects being constructed using the Special Purpose Local Option Sales Tax for the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America.

Estes & Williams

Dalton, Georgia
September 25, 2009

City of Dalton, Georgia
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax
For the Year Ended December 31, 2008

Project Name	Original Estimated Project Cost	Estimated SPLOST Funds	Prior Years	Current Years	Total	Estimated Percentage Complete	Current Year SPLOST Funds Received	Cumulative SPLOST Funds Received
SPLOST 2008:								
Road Projects	<u>\$ 30,384,359</u>	<u>\$ 30,384,359</u>	<u>\$ -</u>	<u>\$ 566,323</u>	<u>\$ 566,323</u>	2%	<u>\$ 566,323</u>	<u>\$ 566,323</u>
SPLOST 2002:								
Streetscape	<u>\$ 6,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ 7,182,841</u>	<u>\$ 14,725</u>	<u>\$ 7,197,566</u>	99%	<u>\$ 22,622</u>	<u>\$ 3,835,787</u>
Total	<u>\$ 36,884,359</u>	<u>\$ 35,884,359</u>	<u>\$ 7,182,841</u>	<u>\$ 581,048</u>	<u>\$ 7,763,889</u>		<u>\$ 588,945</u>	<u>\$ 4,402,110</u>

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia, as of and for the year ended December 31, 2008, which collectively comprise the City of Dalton, Georgia's basic financial statements and have issued our report thereon dated September 25, 2009. We did not audit the financial statements of the Water, Light, and Sinking Fund Commission, which is a major fund and comprises 98%, 97%, and 99%, respectively, of the assets, net assets, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Water, Light and Sinking Fund Commission, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Dalton, Georgia'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, Georgia's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Dalton, Georgia's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Dalton, Georgia's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Dalton, Georgia's financial statements that is more than inconsequential will not be prevented or detected by the City of Dalton, Georgia's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting. They include items FS08-01 through FS08-05.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Dalton, Georgia's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Dalton, Georgia'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

This report is intended solely for the information and use of management, City Council, 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
September 25, 2009

City of Dalton, Georgia
Schedule of Findings and Responses
December 31, 2008

Findings – Financial Statement Audit

- FS08-01** Condition: Cash receipt activity of the Recreation Department, Golf Course, and Senior Center is recorded in the accounting records subsequent to collection through journal entries.
- Criteria: Using nonsystematic nonroutine transactions to record activity in the accounting records affords the opportunity for error or misstatement.
- Cause: Cash receipts are collected and recorded at some time subsequent to collection. Written records of collections are kept, and the activity is easier to record at a later time through journal entry.
- Effect: The nonintegrated systems require journal entries to record activity, and that activity could be misclassified or not recorded in the accounting system.
- Recommendation: Cash should be collected at designated locations and recorded contemporaneously in the accounting system. Computer generated receipts should be given to the purchaser.
- Management Response: We concur. Controls have been evaluated at the Recreation department. The Finance Department is in the process of reviewing the general billing module that will be required to process transactions at remote locations. After implementation at the Recreation Department, the Golf Course and the Senior Center will be evaluated and recommendations will be made to the Recreation Commission. We anticipate implementation at the Recreation Department by the first quarter of 2010.
-
- FS08-02** Condition: The Municipal Court uses a computer system that is not integrated with the City computer system, therefore, journal entries are required to record the activity of the Municipal Court.
- Criteria: Using nonsystematic nonroutine transactions to record activity in the accounting records affords the opportunity for error or misstatement.
- Cause: The Municipal Court operates on a computer system that allows them to track their activities more effectively than the City of Dalton computer system.
- 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 two systems should be integrated in a way to allow the information maintained in the Municipal Court system to be automatically recorded in the City of Dalton system.
- Management Response: We concur. However, daily reconciliation procedures performed by Finance Department employees are in place that mitigate the risks. An analysis of the integration of the two systems has been determined by management to be cost prohibitive.

City of Dalton, Georgia
Schedule of Findings and Responses
December 31, 2008

Findings – Financial Statement Audit (continued)

- FS08-03** Condition: Cash disbursement activity of the Internal Service Funds (Health Insurance Fund and Workers Compensation Fund) is performed by the third party administrator and is recorded in the City accounting records through journal entries.
- Criteria: Using nonsystematic nonroutine transactions to record activity in the accounting records affords the opportunity for error or misstatement.
- Cause: The City utilizes third parties to handle the administration and payment of insurance claims. The third parties use City of Dalton checks to pay claims and provide a report to the City of Dalton detailing those checks. The City of Dalton records the total of those checks in their system using a journal entry.
- Effect: The nonintegrated systems require journal entries to record activity, and that activity could be misclassified or not recorded in the accounting system.
- Recommendation: One suggestion is for the two systems to be integrated in a way that allow the payments made by the administrators to be uploaded into the City accounting system. Another recommendation is for the administrator to pay all claims themselves and to bill the City for the total amount of claims paid.
- Management Response: We concur. However, the City will no longer be self-insured for health insurance beginning in 2009. The periodic reconciliations and review procedures performed by the Finance Department are in place to mitigate the risks for the workers compensation fund.
-
- FS08-04** Condition: The City does not maintain formalized deposit and investment policies.
- Criteria: The absence of the policies allows the potential to invest in items that provide more risk than desired.
- Cause: The policies have never been decided or documented.
- Effect: The City could have assets invested in funds and accounts that are subject to a greater risk than management and the Mayor and Council find prudent.
- Recommendation: The City management should write investment policies, have them approved by Mayor and Council, and implement the restrictions.
- Management Response: We concur. The Finance Director invests funds in compliance with state laws. The Finance Director will have an adopted investment policy in place by the end of 2009.
-
- FS08-05** Condition: Billing and collection procedures are not uniform across departments.
- Criteria: Absence of centralized billing or adequate billing and collection procedures allows for improper revenue recognition.
- Cause: Each department performs billing and books receivables based on individual departmental policies.
- Effect: Revenues could be misclassified, receivables may not be relieved, and monies may go uncollected.
- Recommendation: All billing activity and collections should be centralized and administered by the Finance Department.
- Management Response: We concur. However, the City does not have a centralized financial services department that is dedicated to billing and collection procedures. Each department is responsible for the collection of revenues indicative of the service provided by that department. The collection procedures for various revenues are contained in ordinances that mandate procedures to follow. The Finance Director will work with the various departments to develop procedures to prevent revenue from not being realized.