

CITY OF DALTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the
Year Ended December 31, 2007

James C. Sanders, Jr.
City Administrator

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, 2007**

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June 27, 2008

To the Honorable Mayor, Distinguished Members of the
City Council, and Citizens of the City of Dalton:

State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. These statements are to be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. This report is published to fulfill that requirement for the year ended December 31, 2007.

Responsibility for accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. 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. Because the cost of internal controls should not outweigh their benefits, the City of Dalton's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City of Dalton, Georgia. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

An audit of the City of Dalton's financial statements was performed by Estes CPAs. An independent audit was performed to provide reasonable assurance that the financial statements of the City of Dalton are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was reasonable basis for rendering an unqualified opinion that the City of Dalton's financial statements for the year ended December 31, 2007 are fairly presented in conformity with GAAP. The Independent Auditors' Report is presented in the financial section of this report.

The City of Dalton's financial statement audit was a part of a broader, federally mandated Single Audit. A Single Audit is designed to meet special needs of federal grantor agencies. Standards governing Single Audit engagements require the independent auditor to also report on the internal controls and compliance with legal requirements with special emphasis on internal controls and legal requirements involving the administration of federal awards. There reports are presented in the Single Audit section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditors' 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 33,045. 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 member council, who enact laws, determine policies, and adopt the annual budget. The City Administrator is responsible for the daily management of the City. The combined financial statements of the City include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board. 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. The City provides police and fire protection, highway and street maintenance, sanitation, culture and recreation, public improvements, planning and zoning, economic development, a golf course, utilities, a trade center (a joint venture), and a landfill (a joint venture). Selected demographic information is provided within the statistical section of this report. In addition, the City exercises fiduciary responsibility of the Employees' Pension Trust Fund.

The annual budget serves as the foundation for the City of Dalton's financial planning and control. The budget is adopted by the City Council on or before December 31st at a regular Council meeting that is open to the public. The budget is prepared by fund and department. The level of legal budgetary control is at the department level. Department directors have the discretion of budget transfers within their respective budget through the Finance Department, provided that the request does not increase the overall budget allocation for that department.

Local Economy

The 6 largest carpet companies and 18 of top 35 carpet companies are located in Georgia. Dalton's main industry continues to be textile and textile related industries. Dalton is known as the "Carpet Capital of the World" and houses 30 carpet manufacturers which produce 70% of the world's \$16 billion carpet industry. This manufacturing base has diversified to produce related products such as rugs, wood, laminate, and vinyl flooring. Continued growth in international sales has provided some protection to the local area's employment, but the recent downturn in housing and rising energy costs are impacting local manufacturing.

Most recent data indicates the manufacturing industry makes up 37% of the 127,000 jobs in Whitfield County with retail and health care/social service comprising 11% and 8% respectively. Unemployment in Dalton as of year end was at 4.5%, slightly below the national average of 4.8%. Overall manufacturing salaries increased 4.3% during 2007. Overall job growth is not expected to increase in 2008. Expectations are that an increase in retail jobs and the 110 jobs added by Shiroki will help absorb anticipated jobs lost in the manufacturing industry.

Building and construction permits continued to increase in 2007 due to permitting commercial endeavors. Dalton added a 55,000 square foot shopping center expansion which will house T. J. Maxx and Panera Bread chains. A large shopping complex off of the North By-Pass and two new bank buildings will be constructed during 2008.

Major Initiatives

The budget was once again conservatively structured in 2007 to build fund balance in anticipation of rising health care, a commitment to fund OPEB costs, and a slowing economy. The health insurance changes implemented in 2006 and 2007 did not achieve the results anticipated in 2007 and will be reevaluated during the 2009 budget process. The Mayor and Council committed to fund the Other Post Employment Benefits (OPEB) annual required contribution at 100% in the initial year and at 110% in subsequent years.

The Public Works Department continues to reduce personnel through attrition. During 2007, an additional 6 positions were eliminated without an interruption in the level of service provided. The Mayor, Council, and City management continue to evaluate the cost associated with services provided by the public works department in an attempt to provide the service at a reduced cost. The Mayor and Council will be exploring a joint City-County road department and contracting various aspects of the road department sector.

The taxpayers overwhelmingly approved a county-wide 3 year SPLOST referendum that is expected to generate \$50 million in road/transportation improvements. The tax commences January 1, 2008.

The Public Safety Departments made some positive improvements with the Fire Department adding a Sutphen Fire Apparatus to bolster the City's Class 2 ISO rating and the Police Department achieving a 6% reduction in Part I offenses.

Looking To The Future

The Dalton-Whitfield Economic Development Authority (DWEDA) contracted with a technology based economic development consulting firm to prepare a study that will provide a basis for developing high impact, high wage business growth in the Dalton Whitfield area. They are also working on a comprehensive branding campaign that will help Dalton Whitfield stand out in the increasingly competitive site-selection marketplace. DWEDA 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, 11 parks, a golf course, and 3 community centers.

City management is currently evaluating City services and staffing levels to determine efficiency and deliverables are attained in a cost effective manner. The Mayor and Council plan to provide assistance to our local citizens and businesses by implementing a 20% general government tax millage rate reduction in 2008 and 2009. Further, they plan to place a Freeport Exemption Referendum on the ballot for the November election.

Cash Management

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

Risk Management

The City's responsibility for risk is managed by 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. The City is self insured for both programs. 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 coverage.

Pension Benefits

The City of Dalton contributes to the City of Dalton Employee Pension Plan, which is a single-employer defined benefit pension plan administered by MetLife. Annually, an independent actuary engaged by the Pension Board calculates the annual required contribution (ARC) to the plan. The ARC is the minimum contribution estimated to ensure funding of the plan for future benefit payments. Any credit balances carried forward from the prior year are considered when determining if funding is in compliance. For the funding year 2007, the Plan had a credit balance carry forward of \$641,355. 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. An actuarial valuation was completed during 2007 to comply with GASB 45. The elected officials determined that the annual required contribution would be funded at 100% in the initial year and at 110% in subsequent years. This was determined in the latter part of 2007. The Georgia Municipal Association OPEB Program and Trust was chosen as the investment vehicle for the City of Dalton. The GMA Program was not ready to receive deposits until 2008, so the funds were not transferred to the Trust until February 2008.

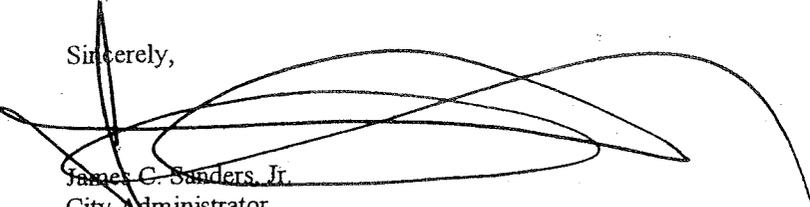
Awards and Acknowledgement

The Government Finance Offices 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, 2006. 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 each department for the contributions made in the preparation of this report. We would also like to thank the staff of Estes CPAs for their technical guidance and assistance to make this a quality report.

Sincerely,



James C. Sanders, Jr.
City Administrator



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, 2006

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.



Charles S. Cox

President

Jeffrey R. Emer

Executive Director

**City of Dalton, Georgia
City Officials and Administration
December 31, 2007**

David Pennington
Mayor

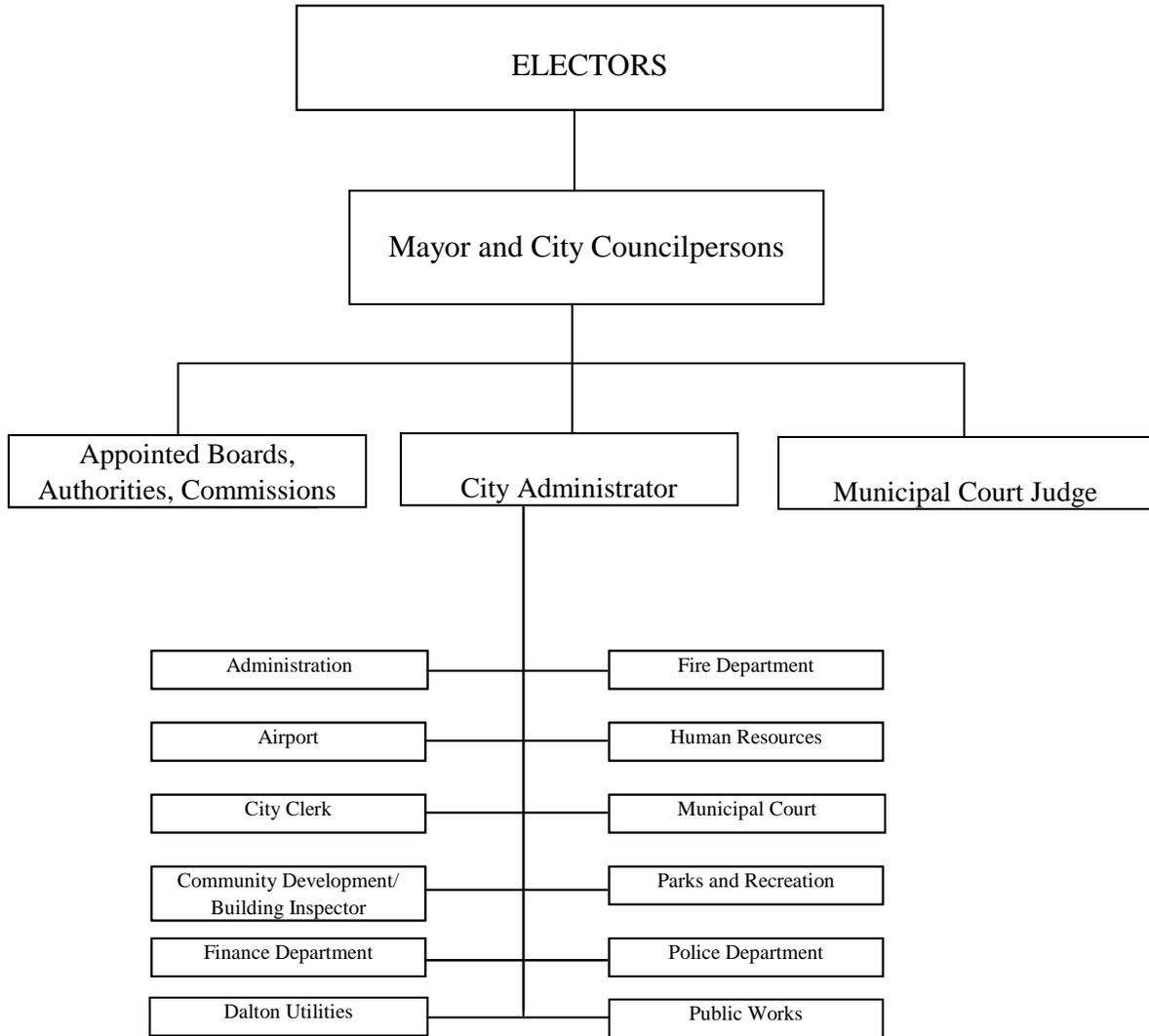
City Council

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

City Administration

James C. Sanders, Jr.	City Administrator
Cindy Jackson	Finance Director
Greg Williams	Building Inspector
Bernadette Chattam	City Clerk
Don Cope	Dalton Utilities
Barry Gober	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
Doug Phipps	Trade & Convention Center Director

**City of Dalton, Georgia
Organizational Chart
December 31, 2007**



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, 2007, 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 both a major fund and 97%, 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dalton, Georgia, as of December 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison information for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2008, on our consideration of the City of Dalton, Georgia's internal control over financial reporting and 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 important for 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Dalton, Georgia. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards 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 CPAs

Dalton, Georgia
June 27, 2008

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(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, 2007. 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 \$821,423,873 (net assets) for the calendar year reported. This represents an increase of \$19,585,551 from the prior year.

- ... Total net assets are comprised of the following:
 - (1) Capital assets, net of related debt of \$638,037,472 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 \$130,604,953 are restricted by constraints imposed from outside the City such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net assets of \$52,781,448 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 \$19,421,016 this year. Compared to the prior year ending fund balance of \$17,785,169, the fund balance increased \$1,635,847 during the current year.

- ... At the end of the current calendar year, unreserved fund balance for the General Fund was \$12,300,596, or 20% of total General Fund expenditures.

- ... The business-type activities enterprise funds reported total ending net assets of \$728,580,254 as of December 31, 2007. This reflects an increase of \$17,233,653 from the prior year. The transfer to the City of \$8,265,000 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

This Management Discussion and Analysis document introduces the City's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The City also includes in this report additional information to supplement the basic financial statements. Comparative data is presented when available.

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

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

The 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, 2007
(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, public safety, streets and sanitation, culture and recreation, and education. 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 economic 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 12 and 13 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 14 through 18 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 19 through 25 of this report.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

Fiduciary funds are reported only in the fund financial statements. The City has a pension trust fund and a municipal court agency fund. The municipal court agency fund is 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. This fund is accounted for as a proprietary fund 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 26 and 27 of this report.

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 28 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.

City of Dalton, Georgia
Management's Discussion and Analysis
For the Year Ended December 31, 2007
(Unaudited)

Financial Analysis of the City as a Whole

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 \$821,423,873. The following table provides a summary of the City's net assets:

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Assets:						
Current assets	\$ 37,493,453	\$ 24,877,645	\$ 62,325,770	\$ 54,035,518	\$ 99,819,223	\$ 78,913,163
Capital assets	81,208,676	81,225,944	668,794,483	642,833,969	750,003,159	724,059,913
Other long-term assets	<u>918,002</u>	<u>950,229</u>	<u>140,656,946</u>	<u>189,498,724</u>	<u>141,574,948</u>	<u>190,448,953</u>
Total assets	<u>119,620,131</u>	<u>107,053,818</u>	<u>871,777,199</u>	<u>886,368,211</u>	<u>991,397,330</u>	<u>993,422,029</u>
Liabilities:						
Current liabilities	19,696,431	8,466,433	42,933,370	41,244,736	62,629,801	49,711,169
Long-term liabilities	<u>7,080,081</u>	<u>8,095,664</u>	<u>100,263,575</u>	<u>133,776,874</u>	<u>107,343,656</u>	<u>141,872,538</u>
Total liabilities	<u>26,776,512</u>	<u>16,562,097</u>	<u>143,196,945</u>	<u>175,021,610</u>	<u>169,973,457</u>	<u>191,583,707</u>
Net assets:						
Invested in capital assets, net of debt	76,036,989	75,019,657	562,000,483	520,340,969	638,037,472	595,360,626
Restricted	1,260,953	1,297,885	129,344,000	158,172,000	130,604,953	159,469,885
Unrestricted	<u>15,545,677</u>	<u>14,174,179</u>	<u>37,235,771</u>	<u>32,833,632</u>	<u>52,781,448</u>	<u>47,007,811</u>
Total net assets	<u>\$ 92,843,619</u>	<u>\$ 90,491,721</u>	<u>\$728,580,254</u>	<u>\$711,346,601</u>	<u>\$821,423,873</u>	<u>\$ 801,838,322</u>

The City's 2007 current ratio is 1.6 to 1, unchanged from 2006. The City's governmental activities current ratio is 1.9 to 1, as compared to 2.9 to 1 during 2006. The decline is due to the utilization of cash for current expenditures resulting from a decrease in current year tax revenue collections. For the year ended December 31, 2006, current year tax collections were at 84.4% of the tax levy, but for the year ended December 31, 2007, collections were at 78.2% of the tax levy. A substantial amount of tax bills were sent out late, resulting in a delinquent tax date of December 28 rather than December 20. This is the primary cause of this decrease. The business-type activities current ratio is 1.5 to 1, as compared to 1.3 to 1 during 2006.

The City as a whole experienced an increase in net assets of approximately \$19.6 million. The City reported positive balances in net assets for both governmental and business-type activities. Net assets increased by \$2.4 million for governmental activities and increased by \$17.2 million for business-type activities.

Note that approximately 82% of the governmental activities' net assets are invested in capital assets. The City uses these capital assets to provide services to its citizens. Approximately 77% of the business-type activities net assets are invested in capital 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 \$52,781,448. This portion is available for spending, and comprises 6% of total net assets.

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program:						
Charges for services	\$ 5,993,617	\$ 6,148,781	\$ 172,936,337	\$ 153,250,845	\$ 178,929,954	\$ 159,399,626
Operating grants	3,233,969	6,122,681	-	-	3,233,969	6,122,681
Capital grants	1,619,714	-	124,000	180,300	1,743,714	180,300
General:						
Taxes	48,100,616	45,415,870	-	-	48,100,616	45,415,870
Investment earnings	725,851	593,781	11,247,738	2,699,302	11,973,589	3,293,083
Other	1,089,481	662,898	690,000	1,381,000	1,779,481	2,043,898
Total revenues	<u>60,763,248</u>	<u>58,944,011</u>	<u>184,998,075</u>	<u>157,511,447</u>	<u>245,761,323</u>	<u>216,455,458</u>
Program Expenses:						
General government and administration	2,839,767	2,933,500	-	-	2,839,767	2,933,500
Public safety	15,145,033	13,631,626	-	-	15,145,033	13,631,626
Streets and sanitation	12,790,923	10,762,882	-	-	12,790,923	10,762,882
Culture and recreation	5,692,834	5,425,002	-	-	5,692,834	5,425,002
Education	29,237,233	27,450,015	-	-	29,237,233	27,450,015
Interest	272,296	584,478	-	-	272,296	584,478
Utilities	-	-	157,180,972	157,267,899	157,180,972	157,267,899
Trade Center	-	-	659,265	608,332	659,265	608,332
Landfill	-	-	1,013,513	-	1,013,513	-
Economic Development	152,264	72,898	-	-	152,264	72,898
Golf course	-	-	1,191,672	1,081,389	1,191,672	1,081,389
Total expenses	<u>66,130,350</u>	<u>60,860,401</u>	<u>160,045,422</u>	<u>158,957,620</u>	<u>226,175,772</u>	<u>219,818,021</u>
Excess (deficiency)	(5,367,102)	(1,916,390)	24,952,653	(1,446,173)	19,585,551	(3,362,563)
Transfers	7,719,000	7,647,460	(7,719,000)	(7,647,460)	-	-
Change in net assets	2,351,898	5,731,070	17,233,653	(9,093,633)	19,585,551	(3,362,563)
Beginning net assets	90,491,721	84,760,651	711,346,601	720,440,234	801,838,322	805,200,885
Ending net assets	<u>\$ 92,843,619</u>	<u>\$ 90,491,721</u>	<u>\$ 728,580,254</u>	<u>\$ 711,346,601</u>	<u>\$ 821,423,873</u>	<u>\$ 801,838,322</u>

The City's total revenues increased 13.5% (\$29.3 million). The total cost of all programs and services increased 2.8% (\$6.4 million).

Governmental Activities

Revenues increased 3% (\$1.8 million). This increase is due primarily to the overall increase in real and personal property tax revenue totaling \$2.5 million. The tax digest increased \$1.4 million and substantial tax collections were realized within sixty days after the year-end, which is recorded as a receivable and included in 2007 revenue. The City experienced a 6.6% increase in the 2007 tax digest, 3.3% of which was due to growth and 3.3% of which was due to reassessment. The 2007 millage rate was rolled back to eliminate a tax increase to the taxpayers.

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In governmental activities, taxes comprise 79% (\$48.1 million) of total revenues. Of that tax revenue, 83% (\$39.8 million) is property tax revenue. Program revenues cover only 16% of governmental program expenses, and property taxes fund 60%. Net transfers totaled \$7.7 million and fund 12% of governmental program expenses. The General Fund received a transfer of \$8.3 million from the WLSF Commission to fund general government operations.

Overall expenses increased 9% (\$5.3 million). The functions with the greatest increase included public safety (\$1.5 million), public works (\$2.0 million), and education (\$1.8 million). Public safety and public works increases are attributable to increases from personnel and personnel related costs. All employees received a 5% cost of living adjustment, the employer's portion of health insurance increased an average of 30%, and OPEB costs were accrued in the amount of \$234,000 and \$200,000 for the public safety and public works functions, respectively. The increase in education expenses of \$1.8 million is due directly to the increase in property tax collections for the education component of the tax digest. The revenues are collected on behalf of the school system and are passed through the City to the City of Dalton Board of Education.

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	\$ 2,839,767	\$ (2,094,471)
Public safety	15,145,033	14,031,916
Streets and sanitation	12,790,923	9,822,063
Culture and recreation	5,692,834	4,599,207
Economic development	152,264	152,264
Education	29,237,233	29,139,633
Interest	272,296	(367,562)
 Total	 \$ 66,130,350	 \$ 55,283,050

The general government and administration 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. The amount shown as revenue is used to pay principal on long-term debt. The principal payments on long-term debt are not expenses in governmental activities, but are reductions in liabilities. Therefore, the revenue shown above is representative of principal paid on outstanding debt. Intergovernmental revenue reported in the Debt Service Fund of \$639,858 represents amounts transferred from other entities to fund principal and interest payments on debt. Of that revenue, \$517,582 was used to retire debt principal.

Business-type Activities

Revenues increased 17% (\$27.5 million) overall. Charges for services increased 13% (\$19.7 million) due to increased revenue in the utility sectors. The electric sector revenue increased \$18.2 million primarily due to a 14% overall rate increase. This increase was partly offset by a 5.5% decrease in electric consumption. Water revenues increased \$.8 million due to a 19% overall rate increase, offset by an 11.7% consumption decrease. The information technology revenue increased \$3.3 million due to market penetration coupled with an 8% rate increase for the cable area. The City is heavily reliant on its utilities to provide services to the City's constituents. The charge for utility service makes up 93% of total revenues for the business-type activities.

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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 \$19,421,016. Of this year-end total, \$1.2 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 an increase of \$1,635,847 (9%) from the prior year. The general fund reported an increase in fund balance \$1.6 million and other the governmental funds reported an increase in fund balances of \$14,933.

Major Governmental Funds

The General Fund is the City's primary operating fund and the largest source of day-to-day service delivery. At the end of 2007, the fund balance of the General Fund was \$14,935,096. Unreserved fund balance represents 39% of General Fund expenditures (this excludes the education expenditure because the City's fund balance is not available for the operations of the Dalton Public School System). Total fund balance represents 48% of total expenditures, exclusive of the education expenditure.

The General Fund's fund balance increased by \$1.6 million. The increase is attributable primarily to streets and sanitation. The public works department eliminated six positions through attrition in a concerted effort to reduce personnel, which resulted in a \$200,000 savings. Operating costs came under budget by another \$312,000 and two infrastructure projects with a cost of \$700,000 were postponed until 2008.

The Proprietary Fund

The proprietary fund statements 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.

Budgetary Highlights

The General Fund –

Over the course of the year, the City Council revised the City budget through budget amendments eight times.

The first budget amendment was necessary to record the actual agreed upon service delivery budget that was not finalized when the original budget was adopted. This amendment also included an increase in transfers in based on the final utility numbers. The second budget amendment was to account for additional overtime funding for the police department in reaction to a gang related fatality. The third amendment was necessary to adjust the budget for the red light camera lease agreement. The fourth budget amendment was to adjust for a consulting contract for the municipal airport. The fifth amendment was necessary to increase budget lines associated with the sale of surplus police and public works department equipment and vehicles. The sixth budget amendment adjusted the budget for an additional police department grant. The seventh budget amendment was necessary to estimate additional grant funding and letting of contracts for airport projects. The eighth budget amendment was to adjust for an additional 3.7 months of health insurance premiums required to fully fund 2007 plan costs and the decision to fund the OPEB costs at 100% for the 2007 year.

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Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2007 was \$81,208,676 and \$668,794,483, respectively. The net investment in governmental activities capital assets was flat over the year. The net investment increased by 4% (\$26 million) for business-type activities. The overall increase was 4% (\$26 million) for the City as a whole. See Note 4D for additional information about changes in capital assets during the calendar year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Non-depreciable assets:						
Land	\$ 13,903,093	\$ 13,903,093	\$ 877,709	\$ 877,709	\$ 14,780,802	\$ 14,780,802
Construction in progress	39,191	1,593,221	8,047,000	5,688,000	8,086,191	7,281,221
Total non-depreciable	<u>13,942,284</u>	<u>15,496,314</u>	<u>8,924,709</u>	<u>6,565,709</u>	<u>22,866,993</u>	<u>22,062,023</u>
Depreciable assets:						
Land improvements	22,696,106	22,477,468	457,949	457,949	23,154,055	22,935,417
Buildings and improvements	26,362,730	25,805,062	792,110	792,110	27,154,840	26,597,172
Machinery, equipment, and furniture	18,525,410	17,080,230	725,570	725,570	19,250,980	17,805,800
Intangibles	169,623	169,623	-	-	169,623	169,623
Utility plant	-	-	955,584,000	906,353,000	955,584,000	906,353,000
Infrastructure	108,102,142	104,384,072	-	-	108,102,142	104,384,072
Total depreciable assets	175,856,011	169,916,455	957,559,629	908,328,629	1,133,415,640	1,078,245,084
Less accumulated depreciation	<u>108,589,619</u>	<u>104,186,825</u>	<u>305,182,855</u>	<u>278,799,369</u>	<u>413,772,474</u>	<u>382,986,194</u>
Book value - depreciable assets	<u>67,266,392</u>	<u>65,729,630</u>	<u>652,376,774</u>	<u>629,529,260</u>	<u>719,643,166</u>	<u>695,258,890</u>
Percentage depreciated	<u>61.7%</u>	<u>61.3%</u>	<u>31.9%</u>	<u>30.7%</u>	<u>36.5%</u>	<u>35.5%</u>
Nuclear fuel, at amortized cost	-	-	7,493,000	6,739,000	7,493,000	6,739,000
Book value - all assets	<u>\$ 81,208,676</u>	<u>\$ 81,225,944</u>	<u>\$ 668,794,483</u>	<u>\$ 642,833,969</u>	<u>\$ 750,003,159</u>	<u>\$ 724,059,913</u>

Debt Administration

At the end of the calendar year, the City had total bonded debt outstanding of \$90,380,000. Of this amount, \$3,745,000 is backed by the full faith and credit of the City (general obligation bonds). The other major component is \$86,635,000, 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 \$1,537,215. The notes pertain to installment agreements for the purchase of land for the recreation complex.

City of Dalton, Georgia
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During the year, the City retired 15% of the beginning outstanding bonded debt balance.

	Governmental Activities		Business-Type Activities		Totals	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General obligation bonds	\$ 3,745,000	\$ 4,595,000	\$ -	\$ -	\$ 3,745,000	\$ 4,595,000
Revenue bonds	-	-	86,635,000	101,556,000	86,635,000	101,556,000
Notes	<u>1,537,215</u>	<u>1,787,266</u>	<u>-</u>	<u>-</u>	<u>1,537,215</u>	<u>1,787,266</u>
Total	<u>\$ 5,282,215</u>	<u>\$ 6,382,266</u>	<u>\$ 86,635,000</u>	<u>\$ 101,556,000</u>	<u>\$ 91,917,215</u>	<u>\$ 107,938,266</u>

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

Economic Conditions and Next Years Budget

The City's tax digest remains relatively flat. The City anticipates a 5% increase in tax revenue for 2008. The City anticipates that it will once again roll back the mileage rate.

The 2008 General Fund budget reflects a 2% decrease in revenues in comparison to actual 2007 revenues. The overall revenue decrease is primarily due to reduction in anticipated federal and state grant revenue. 2008 budgeted expenditures remain flat when compared to actual 2007 expenditures. The City does not anticipate an increase in the utility transfer from 2007 to 2008. Based on the adopted 2008 budget, projected fund balance will increase \$1.7 million.

- ... A hiring freeze for new positions has been continued in 2008. In addition, departments are continuing to evaluate positions based on need as employees retire or terminate. Public works continues to streamline its departmental operations primarily through attrition. Other departments are also reviewing needs as employees terminate or retire.
- ... The City continues to evaluate services provided and the level of service desired by citizens. One attempt to reduce costs is having one day per week garbage pickup instead of two days per week.
- ... The City continues to face the challenges of rising health care costs. Employee and employer premiums once again increased in 2008. The City is also evaluating the various networks available and other resources to help contain the cost.
- ... The continued volatility in fuel costs continues to affect the City financially.
- ... The City continues to endure drought conditions and limitations on water usage.
- ... The taxpayers elected a new mayor and two new councilpersons during the November 2007 elections.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances, comply with finance-related laws and regulations, and demonstrate the City's commitment to public accountability. Questions regarding information provided in this report should be addressed to the Department of Finance, City of Dalton, 300 Waugh Street, Dalton, Georgia, 30720.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Dalton, Georgia
Statement of Net Assets
December 31, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,654,741	\$ 6,745,405	\$ 11,400,146
Investments	10,330,642	-	10,330,642
Receivables:			
Accounts	1,225,817	11,134,000	12,359,817
Taxes	4,424,769	-	4,424,769
Intergovernmental	14,440,917	-	14,440,917
Unbilled revenues	-	5,273,000	5,273,000
Accrued interest	-	1,313,000	1,313,000
Derivative	-	866,000	866,000
Fuel stocks	-	8,667,000	8,667,000
Inventory	5,526	9,383,195	9,388,721
Prepaid items and deposits	119,211	664,000	783,211
Internal balances	2,291,830	(2,291,830)	-
Restricted funds	-	2,700,000	2,700,000
Restricted combined utilities sinking fund	-	17,872,000	17,872,000
Total Current Assets	<u>37,493,453</u>	<u>62,325,770</u>	<u>99,819,223</u>
Noncurrent Assets			
Nondepreciable capital assets	13,942,284	8,924,709	22,866,993
Depreciable capital assets, net	67,266,392	659,869,774	727,136,166
Restricted combined renewals and extensions fund	-	48,450,000	48,450,000
Restricted natural gas derivative	-	476,000	476,000
Restricted nuclear decommissioning	-	58,980,000	58,980,000
Regulatory asset	-	10,528,000	10,528,000
Deferred charges	78,932	306,000	384,932
Negative net pension cost	835,663	-	835,663
Investment in joint ventures	3,407	21,916,946	21,920,353
Total Noncurrent Assets	<u>82,126,678</u>	<u>809,451,429</u>	<u>891,578,107</u>
Total Assets	<u>119,620,131</u>	<u>871,777,199</u>	<u>991,397,330</u>
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	2,074,911	22,338,206	24,413,117
Intergovernmental payable	12,835,466	-	12,835,466
Revenue bonds payable	-	15,430,000	15,430,000
Accrued interest payable	73,511	2,433,000	2,506,511
Claims payable	2,246,733	-	2,246,733
Unearned revenue	336,134	5,972	342,106
Compensated absences payable	981,886	79,192	1,061,078
Notes payable	262,790	-	262,790
General obligation bonds payable	885,000	-	885,000
Customer deposits	-	2,647,000	2,647,000
Total Current Liabilities	<u>19,696,431</u>	<u>42,933,370</u>	<u>62,629,801</u>
Long-Term Liabilities			
Deferred credit - TVA right of use	-	567,000	567,000
Asset retirement obligations	-	28,254,000	28,254,000
Compensated absences payable (less current portion)	2,945,656	237,575	3,183,231
Notes payable	1,274,425	-	1,274,425
General obligation bonds payable (less current portion)	2,860,000	-	2,860,000
Revenue bonds payable (less current portion)	-	71,205,000	71,205,000
Total Long-Term Liabilities	<u>7,080,081</u>	<u>100,263,575</u>	<u>107,343,656</u>
Total Liabilities	<u>26,776,512</u>	<u>143,196,945</u>	<u>169,973,457</u>
Net Assets			
Invested in capital assets, net of related debt	76,036,989	562,000,483	638,037,472
Restricted for:			
Debt service	1,152,046	17,872,000	19,024,046
Capital projects	-	48,450,000	48,450,000
Economic development	3,407	-	3,407
Cemetery chapel renovations	105,500	-	105,500
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	-	63,022,000	63,022,000
Unrestricted	15,545,677	37,235,771	52,781,448
Total Net Assets	<u>\$ 92,843,619</u>	<u>\$ 728,580,254</u>	<u>\$ 821,423,873</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Activities
For the Year Ended December 31, 2007

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		
					Governmental Activities	Business-Type Activities	Total
Primary Government							
General government & administration	\$ 2,839,767	\$ 3,653,811	\$ 37,348	\$ 1,243,079	\$ 2,094,471	\$ -	\$ 2,094,471
Public safety	15,145,033	1,040,320	72,797	-	(14,031,916)	-	(14,031,916)
Streets and sanitation	12,790,923	420,417	2,171,808	376,635	(9,822,063)	-	(9,822,063)
Culture and recreation	5,692,834	781,469	312,158	-	(4,599,207)	-	(4,599,207)
Economic development	152,264	-	-	-	(152,264)	-	(152,264)
Education	29,237,233	97,600	-	-	(29,139,633)	-	(29,139,633)
Interest on long-term debt	272,296	-	639,858	-	367,562	-	367,562
Total Governmental Activities	<u>66,130,350</u>	<u>5,993,617</u>	<u>3,233,969</u>	<u>1,619,714</u>	<u>(55,283,050)</u>	<u>-</u>	<u>(55,283,050)</u>
Business-Type Activities:							
WLSF:							
Electric system	75,149,652	89,490,000	-	125,600	-	14,465,948	14,465,948
Gas system	23,620,508	24,155,000	-	(200)	-	534,292	534,292
Water system	21,580,197	20,438,000	-	(1,800)	-	(1,143,997)	(1,143,997)
Sewer system	20,367,610	23,245,000	-	400	-	2,877,790	2,877,790
Information technology system	16,463,005	14,530,000	-	-	-	(1,933,005)	(1,933,005)
Landfill	1,013,513	-	-	-	-	(1,013,513)	(1,013,513)
Trade Center	659,265	-	-	-	-	(659,265)	(659,265)
Municipal golf course	1,191,672	1,078,337	-	-	-	(113,335)	(113,335)
Total Business-Type Activities	<u>160,045,422</u>	<u>172,936,337</u>	<u>-</u>	<u>124,000</u>	<u>-</u>	<u>13,014,915</u>	<u>13,014,915</u>
Total - Primary Government	<u>\$ 226,175,772</u>	<u>\$ 178,929,954</u>	<u>\$ 3,233,969</u>	<u>\$ 1,743,714</u>	<u>(55,283,050)</u>	<u>13,014,915</u>	<u>(42,268,135)</u>
General Revenues							
Property taxes levied for:							
General purposes					6,995,308	-	6,995,308
Education					29,093,305	-	29,093,305
Debt service					342,916	-	342,916
Recreation					3,362,499	-	3,362,499
Selective taxes					7,534,604	-	7,534,604
Hotel/motel taxes					771,984	-	771,984
Unrestricted payments from housing authority					101,712	-	101,712
Investment earnings					725,851	11,247,738	11,973,589
Donations - unrestricted					2,000	-	2,000
Miscellaneous					985,769	690,000	1,675,769
Total General Revenues					<u>49,915,948</u>	<u>11,937,738</u>	<u>61,853,686</u>
Transfers					<u>7,719,000</u>	<u>(7,719,000)</u>	<u>-</u>
Total General Revenues and Transfers					<u>57,634,948</u>	<u>4,218,738</u>	<u>61,853,686</u>
Change in Net Assets					<u>2,351,898</u>	<u>17,233,653</u>	<u>19,585,551</u>
Net Assets Beginning of Year, as restated					<u>90,491,721</u>	<u>711,346,601</u>	<u>801,838,322</u>
Net Assets End of Year					<u>\$ 92,843,619</u>	<u>\$ 728,580,254</u>	<u>\$ 821,423,873</u>

See accompanying notes to the basic financial statements.

FUND FINANCIAL STATEMENTS

City of Dalton, Georgia
Balance Sheet
Governmental Funds
December 31, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 2,790,820	\$ 1,701,309	\$ 4,492,129
Investments	8,639,444	950,591	9,590,035
Receivables:			
Accounts	1,147,077	66,302	1,213,379
Taxes	4,011,715	413,054	4,424,769
Intergovernmental - local	12,768,644	1,316,007	14,084,651
Intergovernmental - SPLOST	-	26,622	26,622
Intergovernmental - state and federal	319,493	10,151	329,644
Interfund	318,119	281,216	599,335
Inventory, at cost	-	5,526	5,526
Prepaid items	27,658	-	27,658
Total Assets	<u>\$ 30,022,970</u>	<u>\$ 4,770,778</u>	<u>\$ 34,793,748</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 820,372	\$ 16,932	\$ 837,304
Accrued expenditures	1,111,311	126,296	1,237,607
Intergovernmental payable	12,835,466	-	12,835,466
Accrued interest payable	-	73,511	73,511
Interfund payable	9,787	68,119	77,906
Deferred revenue	310,938	-	310,938
Total Liabilities	<u>15,087,874</u>	<u>284,858</u>	<u>15,372,732</u>
Fund Balances			
Reserved for:			
Inventory	-	5,526	5,526
Debt service	-	1,152,046	1,152,046
Capital projects	-	31,596	31,596
General fund capital outlay	2,529,000	-	2,529,000
Cemetery chapel renovations	105,500	-	105,500
Unreserved, undesignated, reported in:			
General fund	12,300,596	-	12,300,596
Special revenue funds	-	3,296,752	3,296,752
Total Fund Balances	<u>14,935,096</u>	<u>4,485,920</u>	<u>19,421,016</u>
Total Liabilities and Fund Balances	<u>\$ 30,022,970</u>	<u>\$ 4,770,778</u>	<u>\$ 34,793,748</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, 2007

Total Governmental Fund Balances		\$ 19,421,016
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	189,798,296	
Less accumulated depreciation	(108,589,620)	81,208,676
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	(73,412)	
Interfund payables	73,412	-
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		
		78,932
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	(1,537,215)	
Bonds payable	(3,745,000)	
Compensated absences	(3,927,542)	(9,209,757)
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	3,407	
Amounts due to and from the JDA	-	3,407
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.		
		(1,519,105)
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.		
		835,663
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.		
		2,024,787
Net Assets of Governmental Activities		\$ 92,843,619

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, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues			
Real and personal property taxes	\$ 36,088,613	\$ 3,705,415	\$ 39,794,028
Hotel/motel taxes	-	771,984	771,984
Selective taxes	7,331,663	202,941	7,534,604
Intergovernmental-local	2,101,541	505,948	2,607,489
Intergovernmental-SPLOST	-	121,495	121,495
Intergovernmental-Board of Education	-	133,910	133,910
Intergovernmental-state and federal	1,791,478	301,023	2,092,501
Investment earnings	531,605	155,021	686,626
Licenses and permits	2,029,227	-	2,029,227
Fines and forfeitures	997,482	42,838	1,040,320
Charges for services	1,983,380	372,234	2,355,614
Donations	2,000	-	2,000
Miscellaneous	943,085	42,684	985,769
Total Revenues	<u>53,800,074</u>	<u>6,355,493</u>	<u>60,155,567</u>
Expenditures			
Current:			
General government and administration	3,698,543	30,941	3,729,484
Public safety	14,388,607	69,999	14,458,606
Streets and sanitation	12,148,726	61,241	12,209,967
Culture and recreation	997,598	4,117,902	5,115,500
Economic development	142,500	-	142,500
Education	29,093,305	-	29,093,305
Capital Outlay	-	139,473	139,473
Debt Service:			
Principal retirement	-	1,100,051	1,100,051
Interest and fiscal charges	-	249,834	249,834
Total Expenditures	<u>60,469,279</u>	<u>5,769,441</u>	<u>66,238,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,669,205)</u>	<u>586,052</u>	<u>(6,083,153)</u>
Other Financing Sources (Uses)			
Transfers in	9,036,984	269,284	9,306,268
Transfers out	(746,865)	(840,403)	(1,587,268)
Total Other Financing Sources (Uses)	<u>8,290,119</u>	<u>(571,119)</u>	<u>7,719,000</u>
Net Change in Fund Balances	1,620,914	14,933	1,635,847
Fund Balances Beginning of Year	<u>13,314,182</u>	<u>4,470,987</u>	<u>17,785,169</u>
Fund Balances End of Year	<u>\$ 14,935,096</u>	<u>\$ 4,485,920</u>	<u>\$ 19,421,016</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, 2007

Net Changes in Fund Balances - Total Governmental Funds		\$ 1,635,847
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	(4,443,538)	
Capital outlay	<u>4,434,182</u>	(9,356)
Write off of capital assets not reported at the fund level		(7,912)
Elimination of transfers between governmental funds:		
Transfers in	(1,041,268)	
Transfers out	<u>1,041,268</u>	-
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 2007		(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.		
		250,051
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.		
		850,000
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		(176,277)
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 economic 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	142,500	
City's portion of the government-wide JDA current year net loss	<u>152,264</u>	(9,764)
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.		
		<u>(158,229)</u>
Change in Net Assets of Governmental Activities		<u>\$ 2,351,898</u>

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, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues				
Real and personal property taxes	\$ 36,988,000	\$ 36,988,000	\$ 36,088,613	\$ (899,387)
Selective taxes	7,172,500	7,107,500	7,331,663	224,163
Licenses and permits	1,931,000	1,947,500	2,029,227	81,727
Fines and forfeitures	1,081,590	1,081,590	997,482	(84,108)
Charges for services	1,527,258	1,758,348	1,983,380	225,032
Intergovernmental	3,409,800	3,902,897	3,893,019	(9,878)
Investment earnings	278,000	480,000	531,605	51,605
Donations	105,200	54,200	2,000	(52,200)
Miscellaneous	432,750	659,560	943,085	283,525
Total Revenues	<u>52,926,098</u>	<u>53,979,595</u>	<u>53,800,074</u>	<u>(179,521)</u>
Expenditures				
Current:				
General government and administration	3,721,290	4,001,602	3,698,543	303,059
Public safety	13,898,200	14,788,365	14,388,607	399,758
Streets and sanitation	12,584,690	13,724,650	12,148,726	1,575,924
Culture and recreation	1,021,348	1,056,617	997,598	59,019
Economic development	142,500	142,500	142,500	-
Education	29,370,000	29,370,000	29,093,305	276,695
Total Expenditures	<u>60,738,028</u>	<u>63,083,734</u>	<u>60,469,279</u>	<u>2,614,455</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(7,811,930)</u>	<u>(9,104,139)</u>	<u>(6,669,205)</u>	<u>2,434,934</u>
Other Financing Sources (Uses)				
Transfers in	9,193,000	9,225,690	9,036,984	(188,706)
Transfers out	(746,870)	(746,870)	(746,865)	5
Total Other Financing Sources (Uses)	<u>8,446,130</u>	<u>8,478,820</u>	<u>8,290,119</u>	<u>(188,701)</u>
Net Change in Fund Balances	<u>\$ 634,200</u>	<u>\$ (625,319)</u>	1,620,914	<u>\$ 2,246,233</u>
Fund Balances Beginning of Year			<u>13,314,182</u>	
Fund Balances End of Year			<u>\$ 14,935,096</u>	

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2007

	<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	\$ 6,572,000	\$ 173,405	\$ 6,745,405	\$ 162,612
Investments	-	-	-	740,607
Receivables:				
Accounts	11,134,000	-	11,134,000	12,438
Interfund	-	8,880	8,880	4,494
Unbilled revenues	5,273,000	-	5,273,000	-
Accrued interest	1,313,000	-	1,313,000	-
Derivative	866,000	-	866,000	-
Fuel stocks	8,667,000	-	8,667,000	-
Inventory	9,369,000	14,195	9,383,195	-
Prepaid expenses and deposits	664,000	-	664,000	91,553
Restricted customer deposit fund	2,700,000	-	2,700,000	-
Restricted combined utilities sinking fund	17,872,000	-	17,872,000	-
Total Current Assets	<u>64,430,000</u>	<u>196,480</u>	<u>64,626,480</u>	<u>1,011,704</u>
Noncurrent Assets:				
Land	-	877,709	877,709	-
Construction in progress	8,047,000	-	8,047,000	-
Depreciable capital assets, net	658,962,000	907,774	659,869,774	-
Restricted combined renewals and extensions fund	48,450,000	-	48,450,000	-
Restricted natural gas derivative	476,000	-	476,000	-
Restricted nuclear decommissioning	58,980,000	-	58,980,000	-
Regulatory asset	10,528,000	-	10,528,000	-
Debt expense, net	306,000	-	306,000	-
Investment in joint ventures	-	21,916,946	21,916,946	-
Total Noncurrent Assets	<u>785,749,000</u>	<u>23,702,429</u>	<u>809,451,429</u>	<u>-</u>
Total Assets	<u>\$ 850,179,000</u>	<u>\$ 23,898,909</u>	<u>\$ 874,077,909</u>	<u>\$ 1,011,704</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Net Assets
Proprietary Funds
December 31, 2007

	<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	\$ 15,430,000	\$ -	\$ 15,430,000	\$ -
Accrued interest on long-term debt	2,433,000	-	2,433,000	-
Accounts payable and accrued expenses	22,287,000	51,206	22,338,206	-
Unearned revenue	-	5,972	5,972	25,196
Interfund payable	-	275,923	275,923	258,880
Claims payable	-	-	-	2,246,733
Compensated absences	-	79,192	79,192	-
Customer deposits	<u>2,647,000</u>	<u>-</u>	<u>2,647,000</u>	<u>-</u>
Total Current Liabilities	<u>42,797,000</u>	<u>412,293</u>	<u>43,209,293</u>	<u>2,530,809</u>
Long-Term Liabilities:				
Deferred credit - TVA right of use	567,000	-	567,000	-
Long-term debt	71,205,000	-	71,205,000	-
Asset retirement obligations	28,254,000	-	28,254,000	-
Compensated absences	<u>-</u>	<u>237,575</u>	<u>237,575</u>	<u>-</u>
Total Long-Term Liabilities	<u>100,026,000</u>	<u>237,575</u>	<u>100,263,575</u>	<u>-</u>
Total Liabilities	<u>142,823,000</u>	<u>649,868</u>	<u>143,472,868</u>	<u>2,530,809</u>
Net Assets				
Invested in capital assets, net of related debt	560,215,000	1,785,483	562,000,483	-
Restricted for:				
Debt service	17,872,000	-	17,872,000	-
Capital projects	48,450,000	-	48,450,000	-
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	63,022,000	-	63,022,000	-
Unrestricted	<u>17,797,000</u>	<u>21,463,558</u>	<u>39,260,558</u>	<u>(1,519,105)</u>
Total Net Assets	<u>\$ 707,356,000</u>	<u>\$ 23,249,041</u>	<u>\$ 730,605,041</u>	<u>\$ (1,519,105)</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, 2007

Total Statement of Net Assets - Proprietary Funds Net Assets \$ 730,605,041

**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.

(2,024,787)

Net Assets of Business-Type Activities \$ 728,580,254

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, 2007

	<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	\$ 171,858,000	\$ 895,333	\$ 172,753,333	\$ 7,460,014
Merchandise sales	-	56,920	56,920	-
Tournaments	-	57,354	57,354	-
Concessions	-	67,331	67,331	-
Miscellaneous	-	1,399	1,399	-
Total Operating Revenues	<u>171,858,000</u>	<u>1,078,337</u>	<u>172,936,337</u>	<u>7,460,014</u>
Operating Expenses				
Cost of services	110,971,000	-	110,971,000	844,020
Course maintenance	-	695,360	695,360	-
General administration	11,841,000	424,058	12,265,058	-
Depreciation	29,671,000	71,486	29,742,486	-
Claims	-	-	-	6,838,187
Total Operating Expenses	<u>152,483,000</u>	<u>1,190,904</u>	<u>153,673,904</u>	<u>7,682,207</u>
Operating Income (Loss)	<u>19,375,000</u>	<u>(112,567)</u>	<u>19,262,433</u>	<u>(222,193)</u>
Non-Operating Revenues (Expenses)				
Interest income	5,925,000	4,738	5,929,738	39,225
Net increase (decrease) in fair value of investments	5,318,000	-	5,318,000	-
Allowance for debt funds used during construction	526,000	-	526,000	-
Miscellaneous income (expense)	164,000	-	164,000	-
Interest expense	(4,674,000)	-	(4,674,000)	-
Income from joint ventures	-	(1,672,778)	(1,672,778)	-
Total Non-Operating Revenues (Expenses)	<u>7,259,000</u>	<u>(1,668,040)</u>	<u>5,590,960</u>	<u>39,225</u>
Income Before Contributions and Transfers	26,634,000	(1,780,607)	24,853,393	(182,968)
Contributions in aid of construction	124,000	-	124,000	-
Transfers in (out)	(8,265,000)	546,000	(7,719,000)	-
Change in Net Assets	18,493,000	(1,234,607)	17,258,393	(182,968)
Net Assets Beginning of Year	<u>688,863,000</u>	<u>24,483,648</u>	<u>713,346,648</u>	<u>(1,336,137)</u>
Net Assets End of Year	<u>\$ 707,356,000</u>	<u>\$ 23,249,041</u>	<u>\$ 730,605,041</u>	<u>\$ (1,519,105)</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, 2007

Changes in Fund Net Assets - Total Business-Type Activities \$ 17,258,393

**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.

(24,740)

Change in Net Assets of Business-Type Activities \$ 17,233,653

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007

	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	\$ 169,070,000	\$ 1,074,676	\$ 170,144,676	\$ -
Cash received from overparity in transmission facilities	1,972,000	-	1,972,000	-
Cash received from interfund services provided	-	-	-	7,477,158
Cash payments to employees for services	(20,047,744)	(715,603)	(20,763,347)	-
Cash payments for goods, services, claims, and fees	<u>(99,691,256)</u>	<u>(376,919)</u>	<u>(100,068,175)</u>	<u>(7,629,587)</u>
Net Cash Provided by (Used in) Operating Activities	<u>51,303,000</u>	<u>(17,846)</u>	<u>51,285,154</u>	<u>(152,429)</u>
Cash Flows from Investing Activities				
Interest on investments	5,925,000	4,738	5,929,738	39,225
Sales and maturity of investment securities	111,087,000	-	111,087,000	59,472
Purchases of investment securities	<u>(77,665,000)</u>	<u>-</u>	<u>(77,665,000)</u>	<u>-</u>
Net Cash Provided by (Used in) Investing Activities	<u>39,347,000</u>	<u>4,738</u>	<u>39,351,738</u>	<u>98,697</u>
Cash Flows from Noncapital Financing Activities				
Transfers out	<u>(8,265,000)</u>	<u>-</u>	<u>(8,265,000)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Contributions in aid of construction	124,000	-	124,000	-
Principal and interest paid on long-term debt	(19,884,000)	-	(19,884,000)	-
Acquisition of capital assets	<u>(57,245,000)</u>	<u>-</u>	<u>(57,245,000)</u>	<u>-</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(77,005,000)</u>	<u>-</u>	<u>(77,005,000)</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	5,380,000	(13,108)	5,366,892	(53,732)
Cash and Cash Equivalents Beginning of Year	<u>1,192,000</u>	<u>186,513</u>	<u>1,378,513</u>	<u>216,344</u>
Cash and Cash Equivalents End of Year	<u>\$ 6,572,000</u>	<u>\$ 173,405</u>	<u>\$ 6,745,405</u>	<u>\$ 162,612</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, 2007

	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)	\$ 19,375,000	\$ (112,567)	\$ 19,262,433	\$ (222,193)
Adjustments:				
Depreciation	29,671,000	71,486	29,742,486	-
Amortization	2,559,000	-	2,559,000	-
Miscellaneous income and expense	164,000	-	164,000	-
(Increase) Decrease in Assets:				
Accounts receivable	(816,000)	-	(816,000)	(12,438)
Interfund receivable	-	(8,880)	(8,880)	(4,494)
Accrued interest receivable	1,171,000	-	1,171,000	-
Fuel stocks	(1,504,000)	-	(1,504,000)	-
Inventory	(557,000)	6,846	(550,154)	-
Prepaid expenses and deposits	(12,000)	-	(12,000)	(91,553)
Increase (Decrease) in Liabilities:				
Accounts payable	1,267,000	(86)	1,266,914	(198,111)
Interfund payable	-	(66)	(66)	258,880
Unearned revenue	-	(3,661)	(3,661)	92,284
Accrued wages	-	24,147	24,147	-
Deferred credit - TVA right of use	(50,000)	-	(50,000)	-
Other	35,000	4,935	39,935	-
Claims payable	-	-	-	25,196
Net Cash Provided by (Used in) Operating Activities	<u>\$ 51,303,000</u>	<u>\$ (17,846)</u>	<u>\$ 51,285,154</u>	<u>\$ (152,429)</u>
Noncash Investing, Capital, and Financing Activities				
Net increase in fair value of investments	<u>\$ 5,318,000</u>	<u>\$ -</u>	<u>\$ 5,318,000</u>	<u>\$ -</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Statement of Fiduciary Net Assets
Fiduciary Funds
December 31, 2007

	Pension Trust Fund	Municipal Court Agency Fund
Assets		
Cash and cash equivalents	\$ 610,562	\$ 206,769
Investments, at fair value		
MetLife index equity fund	24,344,570	-
MetLife small cap index equity fund	8,797,751	-
MetLife fixed income guaranteed account	28,074,083	-
Total Assets	\$ 61,826,966	\$ 206,769
Liabilities		
Current Liabilities:		
Accounts payable	11,412	-
Other liabilities	-	206,769
Total Current Liabilities	11,412	206,769
Net Assets		
Held in trust for pension benefits	\$ 61,815,554	\$ -

(See pension trust fund schedule of funding progress)

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Pension Trust Fund
Comparative Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For The Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Additions		
Contributions:		
Employer	\$ 2,717,142	\$ 2,633,106
Plan members	<u>1,014,934</u>	<u>979,882</u>
Total contributions	<u>3,732,076</u>	<u>3,612,988</u>
Investment income:		
Interest and dividends	645,011	577,397
Net increase (decrease) in fair value of investments	<u>2,398,368</u>	<u>5,300,454</u>
Total investment income	3,043,379	5,877,851
Less: investment expense	<u>166,216</u>	<u>170,843</u>
Net investment earnings	<u>2,877,163</u>	<u>5,707,008</u>
Total Additions	<u>6,609,239</u>	<u>9,319,996</u>
Deductions		
Administrative expenses	51,418	69,673
Pension benefits	<u>4,457,488</u>	<u>4,002,024</u>
Total Deductions	<u>4,508,906</u>	<u>4,071,697</u>
Change in Net Assets	2,100,333	5,248,299
Net Assets Beginning of Year	<u>59,715,221</u>	<u>54,466,922</u>
Net Assets End of Year	<u>\$ 61,815,554</u>	<u>\$ 59,715,221</u>

See accompanying notes to the basic financial statements.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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City of Dalton, Georgia
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December 31, 2007

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City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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, 2007

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, 2007, 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 \$31,478 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 with rental fees charged 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, 2007

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 six 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, 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, 2007

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 two fiduciary funds which include a pension trust fund and a municipal court agency fund. The fiduciary funds are not included in the government-wide financial statements.

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

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

1-C Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net 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 trust fund is accounted for on a flow of economic resources measurement focus. The statement of fiduciary net assets presents the pension trust fund’s assets, liabilities, and net assets. The statement of changes in fiduciary net assets reports additions and deductions to net assets. The municipal court agency fund is not involved in the measurement of results of operations and therefore, measurement focus is not applicable to it.

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 pension trust fund 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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

1-D Basis of Accounting (continued)

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.* 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. All regulatory assets and liabilities are reflected in rates. 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.

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 \$5,273,000 for the year ended December 31, 2007. 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 receivable and unbilled revenues were \$42,000 for the year ended December 31, 2007. 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 2007, total MWhs sold back to Southern Power Company totaled 173,000, with proceeds of \$7,348,000, which is shown as an offset to purchased energy expense.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

1-D Basis of Accounting (continued)

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

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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

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

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, 2007 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.

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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

1-E-7 Capital Assets (continued)

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, 2007.

WLSF 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. 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 \$3,108,000 during 2007. 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 \$2,303,000 during 2007.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

1-E-7 Capital Assets (continued)

Depreciation and Nuclear Decommissioning - Depreciation of the major classes of utility plant is computed on additions when they are placed in service using rates computed under the composite straight-line method, which approximated 3.1% in 2007, 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 2005 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. 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 this the external trust funds that are estimated to be sufficient to meet its responsibilities under the NRC's guidelines. Earnings on the trust fund are considered in determining decommissioning expense.

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

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

1-E-7 Capital Assets (continued)

The decommissioning cost estimates are based on prompt dismantlement and removal of the plant 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, and/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, 2007, 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 ITS 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, 2007 was \$79 million. The parity income for the year ended December 31, 2007 totaled \$2 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."

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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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, golfing, recycling and the workers’ compensation and health insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of each fund.

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

1-E-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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

1-E-14 Contributions of Capital (continued)

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 plant through a higher rate base and higher depreciation expense. For the year ended December 31, 2007, the average AFUDC rate was 5.23%.

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 two major customers during the year ended December 31, 2007 totaled approximately 19% and 15%, respectively. No other customer accounted for more than ten percent of the WLSF Commission’s sales during 2007.

Forty-two percent of the DWRSWMA’s fee revenue was attributed to two waste transport companies for the year ended December 31, 2007.

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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

Note 2 – Restatement of Equity Balances

2-A Restatement of Governmental Activities Net Assets

The beginning net assets for governmental activities were restated to correct an error made in the prior year. This change does not affect governmental fund balances. The Dalton-Whitfield Economic Development Authority was reported in 2006 as a business-type activities joint venture, but should have been reported as a governmental activities joint venture. Further, the capital assets and related depreciation of the EDA was not reported in 2006.

Net Assets at December 31, 2006, as previously reported	\$ 90,478,549
Increase due to correction of EDA presentation	<u>13,172</u>
Net Assets at December 31, 2006, as restated	<u>\$ 90,491,721</u>

2-B Restatement of Business-Type Activities Net Assets

The beginning net assets for business-type activities were restated to correct the errant reporting of the EDA. This change does affect nonmajor enterprise fund balances. The Dalton-Whitfield Economic Development Authority was reported in 2006 as a business-type activities joint venture, but should have been reported as a governmental activities joint venture.

Net Assets at December 31, 2006, as previously reported	\$ 711,356,788
Decrease due to correction of EDA presentation	<u>(10,187)</u>
Net Assets at December 31, 2006, as restated	<u>\$ 711,346,601</u>

2-C Restatement of Nonmajor Enterprise Fund Net Assets

The beginning net assets for nonmajor enterprise funds were restated to correct the errant reporting of the EDA. The Dalton-Whitfield Economic Development Authority was reported in 2006 as a nonmajor enterprise fund joint venture, but should have been reported as a governmental expenditure of the General Fund.

EDA Net Assets at December 31, 2006, as previously reported	\$ 10,187
Decrease due to correction of EDA presentation	<u>(10,187)</u>
EDA Net Assets at December 31, 2006, as restated	<u>\$ -</u>
Total Nonmajor Enterprise Funds Net Assets at December 31, 2006, as previously reported	\$ 24,493,835
Decrease due to correction of EDA presentation	<u>(10,187)</u>
Total Nonmajor Enterprise Funds Net Assets at December 31, 2006, as restated	<u>\$ 24,483,648</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

2-D Restatement of Health Insurance and Workers Compensation Fund Net Assets

The beginning net assets for the Health Insurance Fund and the Workers' Compensation Fund were restated to reflect the forgiveness of an interfund receivable and payable between the two funds. During 2007, the Finance and Administration Committee approved the elimination of the interfund balances for both funds. There was no effect on the total internal service funds as a result of this transaction.

Health Insurance Fund Net Assets at December 31, 2006, as previously reported	\$	(5,168,180)
Increase due to forgiveness of interfund payable		4,230,000
Health Insurance Fund Net Assets at December 31, 2006, as restated	\$	(938,180)
Workers Compensation Fund Net Assets at December 31, 2006, as previously reported	\$	3,832,043
Decrease due to forgiveness of interfund receivable		(4,230,000)
Workers Compensation Fund Net Assets at December 31, 2006, as restated	\$	(397,957)

2-E Reclassifications

Beyond these restatements, certain 2006 amounts have been reclassified to conform to the 2007 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.

3-B Deficit Fund Equities

The Workers Compensation Fund had deficit net assets of \$434,693 at December 31, 2007. The Health Insurance Fund had deficit net assets of \$1,084,412 at December 31, 2007.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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.

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.

	Fair Value	Rating
MetLife Index Fund	\$ 24,344,570	Not Rated
MetLife Small Cap Index Fund	8,797,751	Not Rated
MetLife Guaranteed Adjusted Index Value Account	28,074,083	Not Rated
 Total Pension Trust Fund Investments	 \$ 61,216,404	

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 65% and 13% 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, 2007

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 +
Federal Home Loan Mortgage Corporation	AAA/Aaa	\$ 24,598,000	\$ -	\$ -	\$ 567,000	\$ 24,031,000
Federal National Mortgage Association	AAA/Aaa	58,928,000	-	-	9,485,000	49,443,000
Coupons (U.S. Strip)	Not Rated	7,489,000	-	846,000	4,784,000	1,859,000
Coupons (Resolution Fund Corporation)	Not Rated	19,115,000	-	-	-	19,115,000
Repurchase agreements	Not Rated	6,000	6,000	-	-	-
Bond repurchase agreements	Not Rated	7,716,000	7,716,000	-	-	-
Total		<u>\$ 117,852,000</u>	<u>\$ 7,722,000</u>	<u>\$ 846,000</u>	<u>\$ 14,836,000</u>	<u>\$ 94,448,000</u>

4-B Receivables

Receivables at December 31, 2007 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, 2007

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. During 2007, some of the tax bills were not mailed until October 28, 2007. Therefore, those bills were not due until December 28, 2007.

Taxes receivable at December 31, 2007 consists of uncollected property taxes levied during the year ended December 31, 2007 and prior years. Uncollected taxes from prior years are considered uncollectible and have been included in the allowance for uncollectible taxes. Uncollected taxes are summarized below:

Tax year 2007	\$ 8,846,319
Tax year 2006	526,825
Tax year 2005	230,820
Tax year 2004	22,599
Tax year 2003	39,036
Tax year 2002	22,559
Tax year 2001	15,932
Tax year 2000	4,116
Tax year 1999	<u>17</u>
 Total taxes receivable	 9,708,223
 Allowance for uncollectible	 <u>(5,283,454)</u>
 Reported property taxes receivable	 <u>\$ 4,424,769</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-D Capital Assets

Governmental capital asset activity for the year ended December 31, 2007, was as follows:

	Adjusted Balance 12/31/2006	Additions	Disposals and Reclassifications	Adjusted Balance 12/31/2007
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 13,903,093	\$ -	\$ -	\$ 13,903,093
Construction in progress	7,869,637	39,191	(7,869,637)	39,191
Total capital assets not being depreciated	<u>21,772,730</u>	<u>39,191</u>	<u>(7,869,637)</u>	<u>13,942,284</u>
Other capital assets:				
Land improvements	22,477,468	269,388	(50,750)	22,696,106
Buildings	24,681,046	417,766	-	25,098,812
Building improvements	1,124,016	166,036	(26,134)	1,263,918
Vehicles	6,795,183	329,308	(1,990,803)	5,133,688
Machinery	7,566,395	466,681	1,990,803	10,023,879
Equipment	2,668,256	85,448	563,744	3,317,448
Furniture & fixtures	50,395	-	-	50,395
Intangibles	169,623	-	-	169,623
Bridge and bridge culvert	8,752,560	-	-	8,752,560
Streets and streetscape	85,285,065	1,181,533	6,940,268	93,406,866
Airport runway extension	3,838,519	1,446,126	393,853	5,678,498
Mast arm lighting	231,513	32,705	-	264,218
Total other capital assets	<u>163,640,039</u>	<u>4,394,991</u>	<u>7,820,981</u>	<u>175,856,011</u>
Total cost	<u>185,412,769</u>	<u>4,434,182</u>	<u>(48,656)</u>	<u>189,798,295</u>
Accumulated depreciation:				
Land improvements	7,468,604	1,053,985	(34,209)	8,488,380
Buildings	5,387,075	513,241	-	5,900,316
Building improvements	455,570	36,368	(2,097)	489,841
Vehicles	4,809,902	474,179	(1,349,730)	3,934,351
Machinery	4,606,977	631,670	1,349,730	6,588,377
Equipment	1,190,489	265,956	(4,626)	1,451,819
Furniture & fixtures	12,144	2,520	-	14,664
Intangibles	127,208	14,906	-	142,114
Bridge and bridge culvert	4,743,258	175,052	-	4,918,310
Streets and streetscape	74,968,627	1,057,258	-	76,025,885
Airport runway extension	376,366	205,873	188	582,427
Mast arm lighting	40,605	12,530	-	53,135
Total accumulated depreciation	<u>104,186,825</u>	<u>4,443,538</u>	<u>(40,744)</u>	<u>108,589,619</u>
Governmental activities capital assets, net	<u>\$ 81,225,944</u>	<u>\$ (9,356)</u>	<u>\$ (7,912)</u>	<u>\$ 81,208,676</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-D Capital Assets (continued)

Governmental activities depreciation expense

General government and administration	\$ 568,690
Public safety	815,843
Streets and sanitation	1,892,478
Culture and recreation	<u>1,166,527</u>
Total governmental activities depreciation expense	<u>\$ 4,443,538</u>

Business-type capital asset activity for the year ended December 31, 2007, was as follows:

	Adjusted Balance 12/31/2006	Additions	Disposals and Reclassifications	Adjusted Balance 12/31/2007
Capital assets not being depreciated:				
Land	\$ 877,709	\$ -	\$ -	\$ 877,709
Construction in progress	<u>5,688,000</u>	<u>2,359,000</u>	<u>-</u>	<u>8,047,000</u>
Total capital assets not being depreciated	<u>6,565,709</u>	<u>2,359,000</u>	<u>-</u>	<u>8,924,709</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>906,353,000</u>	<u>49,585,000</u>	<u>(354,000)</u>	<u>955,584,000</u>
Total other capital assets	<u>908,328,629</u>	<u>49,585,000</u>	<u>(354,000)</u>	<u>957,559,629</u>
Total cost	<u>914,894,338</u>	<u>51,944,000</u>	<u>(354,000)</u>	<u>966,484,338</u>
Accumulated depreciation:				
Land improvements	185,261	19,825	-	205,086
Buildings	248,494	18,512	-	267,006
Building improvements	37,813	6,566	-	44,379
Vehicles	123,575	-	-	123,575
Machinery	157,075	3,536	-	160,611
Equipment	244,151	23,047	-	267,198
Utility plant	<u>277,803,000</u>	<u>26,312,000</u>	<u>-</u>	<u>304,115,000</u>
Total accumulated depreciation	<u>278,799,369</u>	<u>26,383,486</u>	<u>-</u>	<u>305,182,855</u>
Nuclear fuel, at amortized cost	<u>6,739,000</u>	<u>754,000</u>	<u>-</u>	<u>7,493,000</u>
Business-type activities capital assets, net	<u>\$ 642,833,969</u>	<u>\$ 26,314,514</u>	<u>\$ (354,000)</u>	<u>\$ 668,794,483</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-E Interfund Balances and Transfers

Interfund balances at December 31, 2007 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, 2007 consisted of the following:

Payable to:	Payable from:				Total
	General fund	Non-major governmental funds	Non-major enterprise funds	Internal service funds	
General fund	\$ -	\$ 68,119	\$ -	\$ 250,000	\$ 318,119
Non-major governmental funds	5,293	-	275,923	-	281,216
Non-major enterprise funds	-	-	-	8,880	8,880
Internal service funds	4,494	-	-	-	4,494
Total	\$ 9,787	\$ 68,119	\$ 275,923	\$ 258,880	\$ 612,709

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, 2007, consisted of the following:

Transfer to	Transfer from:			Total
	General fund	WLSF Commission	Non-major governmental funds	
General fund	\$ -	\$ 8,265,000	\$ 771,984	\$ 9,036,984
Non-major governmental funds	200,865	-	68,419	269,284
Non-major enterprise funds	546,000	-	-	546,000
	\$ 746,865	\$ 8,265,000	\$ 840,403	\$ 9,852,268

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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.

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 2007 was approximately \$30,000. The annual minimum lease payments under operating leases as of December 31, 2007 are:

2008	\$	29,297
2009		17,232
2010		11,922
2011		9,216
2012		9,216

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>
2008	\$ 262,790	\$	71,984	\$	334,774
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>\$ 1,537,215</u>	\$	<u>220,078</u>	\$	<u>1,757,293</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-H Long-Term Debt (continued)

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:

Date Due	Principal	Interest	Total
2008	\$ 885,000	\$ 147,022	\$ 1,032,022
2009	920,000	111,623	1,031,623
2010	955,000	77,122	1,032,122
2011	985,000	39,400	1,024,400
	\$ 3,745,000	\$ 375,167	\$ 4,120,167

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 \$171,858,000. Of that amount, \$155,356,000 is used as security for the revenue bonds.

At December 31, 2007, total long-term debt consisted of the following:

Term bonds, Series 1997, 4.865%, maturing in 2008; payable from combined utilities revenues	\$ 9,840,000
Term bonds, Series 1999, 5.36%, maturing in 2012; payable from combined utilities revenues, net of unamortized premium of \$450,000	76,795,000
Less: current maturities/sinking fund redemptions	(15,430,000)
	\$ 71,205,000

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-H Long-Term Debt (continued)

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
2008	\$ 15,430,000	\$ 4,867,000	\$ 20,297,000
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>19,625,000</u>	<u>1,124,000</u>	<u>20,749,000</u>
	<u>\$ 86,635,000</u>	<u>\$ 15,304,000</u>	<u>\$ 101,939,000</u>

Changes in Long-term Liabilities - The City's long-term obligations consisted of the following at December 31, 2007:

	Outstanding 12/31/2006	Additions	Reductions	Outstanding 12/31/2007	Amounts Due in One Year
Governmental Activities					
General obligation bonds	\$ 4,595,000	\$ -	\$ (850,000)	\$ 3,745,000	\$ 885,000
Notes payable	1,787,266	-	(250,051)	1,537,215	262,790
Compensated absences	<u>3,751,265</u>	<u>1,835,831</u>	<u>(1,659,554)</u>	<u>3,927,542</u>	<u>981,886</u>
Total Governmental Activities	<u>\$ 10,133,531</u>	<u>\$ 1,835,831</u>	<u>\$ (2,759,605)</u>	<u>\$ 9,209,757</u>	<u>\$ 2,129,676</u>
Business-Type Activities					
Deferred credit - TVA right of use	\$ 617,000	\$ -	\$ (50,000)	\$ 567,000	\$ 50,000
Asset retirement obligations	26,910,000	1,344,000	-	28,254,000	-
Revenue bonds	101,556,000	-	(14,921,000)	86,635,000	15,430,000
Compensated absences	<u>311,832</u>	<u>22,571</u>	<u>(17,636)</u>	<u>316,767</u>	<u>79,192</u>
Total Business-Type Activities	<u>\$ 129,394,832</u>	<u>\$ 1,366,571</u>	<u>\$ (14,988,636)</u>	<u>\$ 115,772,767</u>	<u>\$ 15,559,192</u>

Fair Values – The Commissions' financial instruments for which the carrying amounts did not approximate fair value at December 31, 2007 were as follows:

	Carrying Amount	Fair Value
Long-term debt at December 31, 2007	<u>\$ 71,205,000</u>	<u>\$ 90,446,000</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.

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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-H Long-Term Debt (continued)

Financial Instruments – Interest Rate Swap Agreement - In March 2003, the WLSF Commission entered into an Interest Rate Swap Agreement (the Swap Agreement) with Salomon Smith Barney. The agreement stipulated that the Commission pay a weekly floating rate based on Security Industry and Financial Markets Association Municipal Swap Index, which was 3.42 on December 31, 2007 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 4.6% as of December 31, 2007.

The WLSF Commission follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and SFAS No. 133, “*Accounting for Derivative Instruments and Hedging Activities*”, as amended. 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 \$228,000 for the year ended December 31, 2007. The amount of change in fair market value was a decrease of \$186,000 as of December 31, 2007, which is included in the net increase (decrease) in fair value of investments and derivatives on the same statement. The Swap Agreement is to continue until its termination date of January 1, 2012.

Financial Instruments – Natural Gas Derivatives – In August 2006, the WLSF Commission entered into three forward sales agreements with Texican Natural Gas Company (Texican). The agreements stipulated that the WLSF Commission would agree to sell Texican 500,000 mmBtu’s of natural gas at an average weighted price of \$10.98 during each of the three months of the first quarter of 2007. As the WLSF Commission held physical natural gas in its storage facilities in August, it was able to lock in a margin that would remain unchanged regardless of whether natural gas prices increased or decreased. Rising gas prices would decrease the value of its forward sales agreements and increase the value of its natural gas inventories while falling gas prices would increase the value of its forward sales agreements and decrease the value of its natural gas inventories. The January 2007 forward sales agreement was settled in December 2006 with a realized gain of \$888,000 and was included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets as net increase (decrease) in fair value of investments for the year ended December 31, 2006. The total gain of \$1,335,000 from the remaining February 2007 and March 2007 forward sales agreements is included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets as net increase (decrease) in fair value of investments for the year ended December 31, 2007.

In 2007, the WLSF Commission entered into forward sales agreements with Texican. The agreements stipulated that the Commission would agree to settle 483,333 mmBtus of natural gas either by sale or physical storage transfer during the first quarter of 2008. The unrealized gain of \$866,000 is included in the Statement of Revenues, Expenses, and Changes in Fund Net Assets as net increase (decrease) in fair value of investments and derivatives and as a current derivative asset in the Statement of Net Assets – Proprietary Funds.

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*. Statement 143 established new accounting and reporting standards 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, Statement 143 does not permit the continued accrual of future retirement costs for long-lived assets that the Commission does not have a legal obligation to retire. However, the Commission accrues for removal costs on many of its regulated long-lived assets through depreciation expense in accordance with rates.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-H Long-Term Debt (continued)

The asset retirement liability 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 Statement of Revenues, Expenses, and Changes in Fund Net Assets allowed removal costs for both legal obligations and for other cost 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 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.

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 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.

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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-I Pensions (continued)

Current Membership of Active and Inactive Participants:

Active Participants:	
Number	511
Average age	44.3
Average service	13
Inactive Participants:	
Number of retirees (and beneficiaries)	231
Number of Participants with Vested Benefits	3

Funding Policy - In accordance with the most recent actuarial report as of January 1, 2007, the Pension Plan's funding policy for employers should be increased from 9.7% for 2005 to 11.4% for 2006 and to 12.7% for 2007 of covered payroll to adequately fund the Pension Plan's ongoing costs and a fifteen year amortization of the unfunded actuarial accrued liability. In addition, the funding policy would include any additional contribution necessary to meet minimum funding standards under the Public Retirement Systems. Employees are required to pay 4% 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 2007, 2006, and 2005 were \$2,990,129, \$2,711,343, and \$2,347,380, respectively. Of the required employer contributions, the percentage contributed for the plan years 2007, 2006, and 2005 were 91%, 97%, and 112%, respectively, before application of a credit. After application of the credit, each year was funded at 100%.

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.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-I Pensions (continued)

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, 2007
<u>Derivation of Annual Pension Cost</u>	
Annual required contribution	\$ 2,990,129
Interest on net pension obligation	(71,031)
Amortization of net pension obligation	73,017
Annual pension cost	\$ 2,992,115
 <u>Derivation of Net Pension Obligation</u>	
Annual pension cost of plan for prior plan year	\$ 2,713,520
Actual contributions to plan for prior plan year	(2,633,109)
Increase (decrease) in net pension obligation	80,411
Net pension obligation as of January 1, 2006	(916,074)
Net pension obligation as of January 1, 2007	\$ (835,663)
 <u>Basis of Valuation</u>	
Current valuation date	January 1, 2007
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

The unfunded actuarial accrued liability is being amortized as a level percent of compensation on a closed basis. The weighted-average remaining amortization period as of January 1, 2007 was 15 years. 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.

Trend Information for the Plan

Schedule of Employer Contributions				
Year Ended December 31,	Annual Pension Cost	Actual Contribution	Percentage Contributed	Net Pension Obligation
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)
2002	1,794,745	1,318,653	73%	1,022,953

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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.

Benefits - 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 50 with 15 years of service, (2) age 55 with 10 years of service, or (3) 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, for a maximum of 5 years or until the retiree turns age 65. The Plan provides life insurance 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 for employees who retire on or after June 1, 1998 and \$30,000 for employees who retired before June 1, 1998.

Funding - Eligible retirees and dependents are required to share in the cost of health insurance coverage. Annual contribution rates for calendar years 2006 and 2007 are as follows:

Coverage	City Retirees		WLSF Retirees	
	2006	2007	2006	2007
Individual	\$ 240	\$ 480	\$ 240	\$ 480
Individual + 1	n/a	2,208	n/a	2,208
Family	2,328	2,640	3,528	2,640

The annual required contribution rate for the City for the period July 1, 2006 through June 30, 2007 was \$1,702,729.

Membership in the Plan consisted of the following at July 1, 2006:

Active Participants:	
Eligible for retirement benefits	111
Not eligible for retirement benefits	<u>654</u>
Total	765
Average Age	40.9
Average Service	9.4

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-J Other Post Employment Benefits (continued)

Annual OPEB costs and Net OPEB Obligation – The City first had an actuarial valuation performed for the plan as of July 1, 2006 for the period July 1, 2006 through June 30, 2007 to determine the funded status of the plan as of that date as well as the employer’s annual required contribution (ARC) for the period. The City is undergoing another actuarial valuation as of January 1, 2008, but it has yet to be completed. The City’s annual OPEB cost (income) of \$1,702,729 is equal to the ARC for the corresponding period, as the transition liability was set at zero as of December 31, 2006. The following summarizes the cost, contribution, and net OPEB obligation at December 31, 2007 (comparative data is not included as December 31, 2007 is the implementation year; December 31, 2006 is the transition year).

<u>Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>	<u>Net OPEB Obligation</u>
2007	\$ 1,702,729	\$ 686,416	40%	\$ 1,016,313
2006	-	-	N/A	-

The change in the net OPEB obligation (asset) was as follows:

Beginning net OPEB obligation (asset)	\$ -
Annual OPEB cost (income)	1,702,729
Employer Contribution	<u>(686,416)</u>
Ending net OPEB obligation (asset)	<u>\$ 1,016,313</u>

The funding status of the Plan was as follows:

	<u>July 1, 2006</u>
<u>Funded status and funding progress</u>	
Unfunded actuarial accrued liability	\$ 15,746,132
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	15,746,132
Funded ratio	0%
Covered payroll (active plan members)	29,181,022
UAAL as a percentage of covered payroll	54%
<u>Basis of Valuation</u>	
Current valuation date	July 1, 2006
Discount rate	4.0%
Health claims rate (initial, ultimate)	8.0%, 5.5%
Administrative fees	4.0%
Actuarial value of assets	Market value
Actuarial funding method	Projected Unit Credit
Amortization period	30 years

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

4-J Other Post Employment Benefits (continued)

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 Schedule of Funding Progress, presented as required supplementary information following the Notes to the Basic Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. 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.

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 2007, employee contributions totaled \$354,128 and employer contributions totaled \$142,036.

4-L Net Assets

Net assets on the government-wide statement of net assets as of December 31, 2007 are as follows:

	Governmental Activities	Business-type Activities	Total
Investments in capital assets, net of related debt:			
Cost of capital assets	\$ 189,798,295	\$ 973,977,338	\$ 1,163,775,633
Less: accumulated depreciation	108,589,619	305,182,855	413,772,474
Book value	81,208,676	668,794,483	750,003,159
Less: capital related debt and accrued interest	5,282,215	89,068,000	94,350,215
Less: asset retirement obligations	-	28,254,000	28,254,000
Less: regulatory liability	-	-	-
Add: regulatory asset	-	10,528,000	10,528,000
Add: bond issuance and refunding amounts	78,932	-	78,932
Add: unspent bond proceeds included above	31,596	-	31,596
Investments in capital assets, net of related debt	<u>\$ 76,036,989</u>	<u>\$ 562,000,483</u>	<u>\$ 638,037,472</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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, 2007, interutility sales were as follows:

Electric	\$ 4,614,000
Natural gas	9,000
Water	260,000
Sewer	174,000
Information Technology	<u>2,015,000</u>
Total	<u>\$ 7,072,000</u>

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>\$ 771,984</u>
Expenditures for promotion of tourism and support:	
Northwest Georgia Trade and Convention Center	\$ 396,000
Dalton Area Convention and Visitors Bureau	150,000
Dalton-Whitfield Economic Development Authority	142,500
VD Parrot Park development	<u>210,753</u>
Total expenditures	<u>\$ 899,253</u>
Percentage of expenditures to revenue	116.49%

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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. 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, 2007. The private insurance carriers estimated claims incurred but not paid at December 31, 2007 were \$946,681 and \$1,299,752 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 2007, 2006, and 2005 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-six percent of the liability is attributable to the School District. The School District is a separate and distinct organization operating under state legislation and is not a component unit of the City.

Date	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
Workers Compensation:				
2005	\$ 392,118	\$ 1,358,420	\$ (844,555)	\$ 905,983
2006	905,983	1,154,887	(759,480)	1,301,390
2007	1,301,390	664,468	(666,106)	1,299,752
Health Insurance:				
2005	\$ 553,080	\$ 5,787,650	\$ (5,713,658)	\$ 627,072
2006	627,072	5,466,274	(5,240,287)	853,059
2007	853,059	6,546,345	(6,452,423)	946,981

The internal service funds experienced a loss in 2007. This loss must be allocated among the different functions of the entities that use the Workers' Compensation and the Health Insurance Funds. The loss 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 losses to each function and activity.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

5-B Risk Management (continued)

	Total Loss Allocated
Governmental Activities	
General government	\$ (27,515)
Public safety	1,478
Streets & sanitation	178,197
Culture & recreation	(40,260)
Education	46,328
Total Governmental Activities	158,228
Business-Type Activities	
Municipal Golf Course	768
WLSF	23,972
Total Business-Type Activities	24,740
	\$ 182,968

Of the total allocation to the governmental activities streets and sanitation function, \$189,218 of the total 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 \$39,210.

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 \$100,590,000 per incident for each licensed reactor operated by it, but not more than \$15,000,000 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. The Commission's maximum annual assessment would be \$1,190,138.

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 \$1,121,646 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, 2007 the approximate construction and purchase commitments to complete these projects is \$2,529,000.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

5-C Commitments and Contingent Liabilities (continued)

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

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. On March 17, 2006, the U.S. Court of Appeals for the District of Columbia Circuit vacated the EPA's proposed rule which sought to clarify the scope of the existing routine maintenance, repair, and replacement exclusion. The ultimate outcome of this matter cannot be determined at this time.

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.

Fuel Commitments - The WLSF Commission, through GPC, is obligated by various long-term commitments for the procurement of fossil and nuclear fuel to supply a portion of the fuel requirements of its generating plants. They are also obligated by various long-term commitments for both the procurement of natural gas to supply its customers, as well as related transportation and storage fees.

Capital Expenditures - The WLSF Commission has a five year capital budget approximating \$264 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, 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, 2007, GPC 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 is under review by the Georgia Public Service Commission's ("GPSC") Independent Evaluator before GPC submits a final recommendation to the GPSC on August 1, 2008 for approval. A final certification decision is expected in March 2009. Under the terms of a separate agreement, the co-owners must finalize their ownership percentages by July 2, 2008, except for allowed changes, under certain limited circumstances during the GPSC certification process. The sources of construction funds for the WLSF Commission's 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 13, 2008.

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, 2007

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	\$ 950,000	\$ 2,250,000	2,200,000	800,000	1,300,000	7,500,000
	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, 2007	100%	100%	100%	54%	38%	
	950,000	2,250,000	5,400,000	1,072,000	1,178,000	10,850,000
Land acquisition	150,000	-	-	-	-	150,000
Accrual at 12/31/07	\$ 1,100,000	\$ 2,250,000	\$ 5,400,000	\$ 1,072,000	\$ 1,178,000	\$11,000,000

The Authority will record the remaining estimated cost of closure and post-closure care costs of \$2,850,000 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 2007. 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 September and June 2007, the Dalton-Whitfield Regional Solid Waste Management Authority was in compliance for closure and post-closure care financial assurance requirements as of December 31, 2007.

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

5-D Joint Ventures (continued)

Condensed audited financial statements for the DWRSWMA at December 31, 2007 are as follows:

<u>Assets</u>	
Current assets	\$ 19,325,296
Capital assets-net	<u>22,397,780</u>
Total assets	<u><u>\$ 41,723,076</u></u>
 <u>Liabilities and Net Assets</u>	
Current liabilities	\$ 1,427,610
Non-current liabilities	11,433,859
Net assets	<u>28,861,607</u>
Total liabilities and net assets	<u><u>\$ 41,723,076</u></u>
 <u>Statement of Revenues and Expenses</u>	
Operating revenues	\$ 5,048,067
Operating expenses	(3,861,904)
Depreciation	<u>(1,229,215)</u>
Operating Income	(43,052)
Non-operating revenues (expenses)	<u>(1,983,974)</u>
Increase (decrease) in net assets	<u><u>\$ (2,027,026)</u></u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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 issued separate audited financial statements dated May 19, 2008.

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, 2007 are as follows:

<u>Assets</u>	
Current assets	\$ 915,985
Capital assets-net	11,473,127
Total assets	<u>\$ 12,389,112</u>
 <u>Liabilities and Net Assets</u>	
Current liabilities	\$ 203,883
Non-current liabilities	216,787
Net assets	11,968,442
Total liabilities and net assets	<u>\$ 12,389,112</u>
 <u>Statement of Revenues and Expenses</u>	
Operating revenues	\$ 1,693,347
Operating expenses	(2,586,961)
Depreciation	(460,519)
Operating Income	(1,354,133)
Non-operating revenues (expenses)	5,629
Transfers in	1,121,975
Increase (decrease) in net assets	<u>\$ (226,529)</u>

City of Dalton, Georgia
Notes to the Basic Financial Statements
December 31, 2007

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 issued separate audited financial statements dated June 19, 2008.

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, 2007 are as follows:

<u>Assets</u>	
Current assets	\$ 52,817
Capital assets-net	5,862
Total assets	\$ 58,679
 <u>Liabilities and Net Assets</u>	
Current liabilities	\$ 51,865
Net assets	952
Total liabilities and net assets	\$ 52,817
 <u>Statement of Activities</u>	
Transfers in	\$ 285,000
Economic development	(304,527)
Increase (decrease) in net assets	\$ (19,527)

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, 2007 is \$1,305,820.

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, 2007 is \$4,380,000.

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, 2007 is \$14,480,000.

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, 2007 is \$11,925,000.

PENSION PLAN REQUIRED SUPPLEMENTARY INFORMATION

City of Dalton, Georgia
Pension Trust Fund
Schedule of Employer Contributions
December 31, 2007

<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%

City of Dalton, Georgia
Pension Trust Fund
Schedule of Funding Progress
December 31, 2007

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%

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.

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, 2007

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,458,612	\$ 242,697	\$ -	\$ 1,701,309
Investments	125,881	824,685	25	950,591
Receivables:				
Accounts	66,302	-	-	66,302
Taxes	375,258	37,796	-	413,054
Intergovernmental-local	1,195,902	120,105	-	1,316,007
Intergovernmental-SPLOST	-	-	26,622	26,622
Intergovernmental - state and federal	10,151	-	-	10,151
Interfund	275,993	274	4,949	281,216
Inventory, at cost	5,526	-	-	5,526
Total Assets	\$ 3,513,625	\$ 1,225,557	\$ 31,596	\$ 4,770,778
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 16,932	\$ -	\$ -	\$ 16,932
Accrued expenditures	126,296	-	-	126,296
Accrued interest payable	-	73,511	-	73,511
Interfund payable	68,119	-	-	68,119
Total Liabilities	211,347	73,511	-	284,858
Fund Balances				
Reserved for:				
Inventory	5,526	-	-	5,526
Debt service	-	1,152,046	-	1,152,046
Capital projects	-	-	31,596	31,596
Unreserved, undesignated, reported in:				
Special revenue funds	3,296,752	-	-	3,296,752
Total Fund Balances	3,302,278	1,152,046	31,596	4,485,920
Total Liabilities and Fund Balances	\$ 3,513,625	\$ 1,225,557	\$ 31,596	\$ 4,770,778

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, 2007

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues				
Real and personal property taxes	\$ 3,362,499	\$ 342,916	\$ -	\$ 3,705,415
Hotel/motel taxes	771,984	-	-	771,984
Vehicle taxes	174,627	28,314	-	202,941
Fines and forfeitures	42,838	-	-	42,838
Intergovernmental-local	-	505,948	-	505,948
Intergovernmental-SPLOST	-	-	121,495	121,495
Intergovernmental-Board of Education	-	133,910	-	133,910
Intergovernmental - state and federal	301,023	-	-	301,023
Investment earnings	72,952	38,661	43,408	155,021
Charges for services	372,234	-	-	372,234
Miscellaneous	38,999	3,685	-	42,684
Total Revenues	<u>5,137,156</u>	<u>1,053,434</u>	<u>164,903</u>	<u>6,355,493</u>
Expenditures				
Current:				
General government and administration	30,941	-	-	30,941
Public safety	69,999	-	-	69,999
Streets and sanitation	61,241	-	-	61,241
Culture and recreation	4,117,902	-	-	4,117,902
Capital Outlay	-	-	139,473	139,473
Debt Service:				
Principal retirement	-	1,100,051	-	1,100,051
Interest and fiscal charges	-	249,834	-	249,834
Total Expenditures	<u>4,280,083</u>	<u>1,349,885</u>	<u>139,473</u>	<u>5,769,441</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>857,073</u>	<u>(296,451)</u>	<u>25,430</u>	<u>586,052</u>
Other Financing Sources (Uses)				
Transfers in	-	269,284	-	269,284
Transfers out	(771,984)	-	(68,419)	(840,403)
Total Other Financing Sources (Uses)	<u>(771,984)</u>	<u>269,284</u>	<u>(68,419)</u>	<u>(571,119)</u>
Net Change in Fund Balances	85,089	(27,167)	(42,989)	14,933
Fund Balances Beginning of Year	<u>3,217,189</u>	<u>1,179,213</u>	<u>74,585</u>	<u>4,470,987</u>
Fund Balances End of Year	<u>\$ 3,302,278</u>	<u>\$ 1,152,046</u>	<u>\$ 31,596</u>	<u>\$ 4,485,920</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, 2007

	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	\$ 2,790,820	\$ 1,951,106
Investments	8,639,444	10,339,442
Receivables:		
Accounts	1,147,077	1,151,147
Taxes	4,011,715	1,944,745
Intergovernmental-state and federal	319,493	429,909
Intergovernmental-local	12,768,644	1,227,594
Interfund	318,119	125,198
Prepaid items	<u>27,658</u>	<u>38,012</u>
Total Assets	<u>\$ 30,022,970</u>	<u>\$ 17,207,153</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	820,372	594,084
Accrued expenditures	1,111,311	545,527
Intergovernmental payable - local	12,835,466	2,425,167
Interfund payable	9,787	2,896
Deferred revenue	<u>310,938</u>	<u>325,297</u>
Total Liabilities	<u>15,087,874</u>	<u>3,892,971</u>
Fund Balances		
Reserved for capital outlay	2,529,000	2,050,000
Reserved for cemetery chapel renovations	105,500	105,500
Unreserved - undesignated	<u>12,300,596</u>	<u>11,158,682</u>
Total Fund Balances	<u>14,935,096</u>	<u>13,314,182</u>
Total Liabilities and Fund Balances	<u>\$ 30,022,970</u>	<u>\$ 17,207,153</u>

City of Dalton, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Real and personal property taxes	<u>\$36,988,000</u>	<u>\$36,988,000</u>	<u>\$36,088,613</u>	<u>\$ (899,387)</u>	<u>\$33,918,320</u>
Selective taxes:					
Sales tax	2,900,000	2,900,000	2,943,919	43,919	2,971,685
Recording intangibles	263,000	198,000	215,795	17,795	286,740
Beer tax	585,000	550,000	542,084	(7,916)	547,117
Wine tax	62,500	62,500	64,815	2,315	66,403
Liquor tax	85,000	70,000	72,193	2,193	73,624
Mixed drink tax	60,000	60,000	57,086	(2,914)	60,076
Vehicle tax	1,697,000	1,697,000	1,868,174	171,174	1,665,284
Insurance premium tax	1,460,000	1,525,000	1,525,639	639	1,462,585
Real estate transfer tax	<u>60,000</u>	<u>45,000</u>	<u>41,958</u>	<u>(3,042)</u>	<u>55,095</u>
Total selective taxes	<u>7,172,500</u>	<u>7,107,500</u>	<u>7,331,663</u>	<u>224,163</u>	<u>7,188,609</u>
Licenses and permits:					
Alcoholic beverage licenses	315,000	315,000	339,146	24,146	313,396
Occupation taxes	836,000	852,000	885,541	33,541	770,735
Building permits	300,000	300,000	347,738	47,738	276,844
Other permits	-	500	318	(182)	-
Cable TV. franchise fees	255,000	255,000	264,650	9,650	239,160
Telephone franchise fees	<u>225,000</u>	<u>225,000</u>	<u>191,834</u>	<u>(33,166)</u>	<u>152,714</u>
Total licenses and permits	<u>1,931,000</u>	<u>1,947,500</u>	<u>2,029,227</u>	<u>81,727</u>	<u>1,752,849</u>
Court fines	<u>1,081,590</u>	<u>1,081,590</u>	<u>997,482</u>	<u>(84,108)</u>	<u>1,101,917</u>
Charges for services:					
Senior center	272,538	297,538	251,820	(45,718)	248,869
Garbage fees	-	23,000	19,530	(3,470)	117,223
Public works fees	53,560	53,560	48,006	(5,554)	757,192
Municipal court fees	1,158,410	1,344,500	1,624,584	280,084	1,269,051
Cemetery fees	<u>42,750</u>	<u>39,750</u>	<u>39,440</u>	<u>(310)</u>	<u>48,900</u>
Total charges for services	<u>1,527,258</u>	<u>1,758,348</u>	<u>1,983,380</u>	<u>225,032</u>	<u>2,441,235</u>

(Continued)

City of Dalton, Georgia
Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Intergovernmental:					
Whitfield County	\$ 2,181,600	\$ 2,146,440	\$ 1,999,829	\$ (146,611)	\$ 1,548,515
Housing Authority	101,000	101,000	101,712	712	101,712
Federal grants and contracts	611,200	848,877	842,519	(6,358)	1,158,061
State grants and contracts	<u>516,000</u>	<u>806,580</u>	<u>948,959</u>	<u>142,379</u>	<u>367,926</u>
Total intergovernmental	<u>3,409,800</u>	<u>3,902,897</u>	<u>3,893,019</u>	<u>(9,878)</u>	<u>3,176,214</u>
Miscellaneous:					
Penalties and fines	70,000	71,000	312,674	241,674	102,874
Investment earnings	278,000	480,000	531,605	51,605	303,937
Rental income	18,000	18,500	18,480	(20)	18,000
Airport fees	57,600	57,600	58,921	1,321	59,949
Donations	105,200	54,200	2,000	(52,200)	107,309
Sale of property	-	145,310	138,776	(6,534)	(10,603)
Reimbursements	193,150	273,150	305,839	32,689	142,752
Miscellaneous	<u>94,000</u>	<u>94,000</u>	<u>108,395</u>	<u>14,395</u>	<u>109,041</u>
Total miscellaneous	<u>815,950</u>	<u>1,193,760</u>	<u>1,476,690</u>	<u>282,930</u>	<u>833,259</u>
Total revenues	<u>\$ 52,926,098</u>	<u>\$ 53,979,595</u>	<u>\$ 53,800,074</u>	<u>\$ (179,521)</u>	<u>\$ 50,412,403</u>

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
LEGISLATIVE					
Salaries	\$ 31,200	\$ 32,520	\$ 32,519	\$ 1	\$ -
Employee benefits	22,350	25,260	25,258	2	-
Communications	3,250	2,660	2,581	79	-
Dues and subscriptions	15,800	21,695	21,507	188	-
Insurance	1,600	2,150	546	1,604	-
Meals	500	500	360	140	-
Office supplies & equipment	500	325	88	237	-
Training expenditures	2,000	1,550	1,543	7	-
Vehicle expenditures	36,000	36,000	36,000	-	-
Total	<u>113,200</u>	<u>122,660</u>	<u>120,402</u>	<u>2,258</u>	<u>-</u>
ADMINISTRATION					
Salaries	421,667	297,517	270,010	27,507	382,476
Employee benefits	122,129	101,839	98,928	2,911	141,535
Advertising	1,500	1,000	938	62	5,436
Building maintenance	50,000	69,530	70,252	(722)	65,251
Capital outlay	-	-	-	-	30,629
Contract services	-	21,200	21,155	45	18,000
Dues and subscriptions	1,750	2,170	2,064	106	2,392
Historical preservation	4,000	5,675	5,154	521	3,176
Insurance	14,389	25,680	25,527	153	30,440
Meals	2,600	8,740	8,711	29	4,776
Miscellaneous	129,500	15,960	15,084	876	4,312
NGAPDC	78,000	78,000	76,839	1,161	65,530
Office supplies & equipment	7,250	5,500	2,967	2,533	18,882
Professional services	30,000	43,830	43,509	321	32,053
Special meeting costs	400	800	361	439	3,365
Telephone	22,745	19,025	16,531	2,494	20,394
Tourism development	-	18,795	18,792	3	-
Training expenditures	3,000	2,500	2,195	305	2,542
Vehicle expenditures	9,500	9,400	8,453	947	45,615
Utilities	-	2,350	1,268	1,082	-
Whitfield Development Corp	24,200	26,700	12,689	14,011	9,042
Total	<u>922,630</u>	<u>756,211</u>	<u>701,427</u>	<u>54,784</u>	<u>885,846</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
FINANCE DEPARTMENT					
Salaries	\$ 243,600	\$ 221,720	\$ 215,938	\$ 5,782	\$ 225,997
Employee benefits	59,030	69,130	67,600	1,530	65,012
Advertising	300	1,300	1,293	7	591
Capital outlay	10,000	8,200	5,582	2,618	-
Computer support & maintenance	55,000	49,000	47,796	1,204	70,335
Dues and subscriptions	5,400	7,000	6,928	72	5,229
Equipment rental	3,250	3,300	2,984	316	3,171
Insurance	6,820	6,820	6,722	98	5,292
Miscellaneous	2,400	1,850	1,435	415	5,831
Office supplies & equipment	30,000	27,130	25,087	2,043	30,180
Professional services	87,000	88,800	87,485	1,315	75,406
Repairs and maintenance	500	450	-	450	-
Tax digest expenditures	75,000	75,000	57,293	17,707	74,878
Telephone	-	800	750	50	-
Training expenditures	6,000	9,000	8,631	369	12,335
Utilities	74,000	73,150	64,067	9,083	59,701
Vehicle expenditures	350	700	419	281	323
Total	658,650	643,350	600,010	43,340	634,281
GENERAL GOVERNMENT					
Salaries	95,850	117,850	117,477	373	85,384
Employee benefits	28,118	39,038	38,605	433	27,073
Computer support & maintenance	4,100	4,100	2,218	1,882	1,844
Dues and subscriptions	5,751	3,361	1,568	1,793	568
Election expenditures	25,000	22,550	22,514	36	-
Equipment rental	-	-	-	-	11,920
GMA dues and costs	160	160	-	160	16,968
Insurance	5,651	9,759	9,691	68	5,474
Miscellaneous	1,300	1,300	516	784	1,666
Office supplies & equipment	22,900	32,500	28,982	3,518	24,417
Professional services	15,600	29,950	28,693	1,257	10,544
Tax digest costs	8,900	8,900	6,162	2,738	6,112
Telephone	4,400	4,400	2,485	1,915	1,532
Training expenditures	6,000	4,000	3,075	925	4,598
Vehicle expenditures	300	300	-	300	-
Total	224,030	278,168	261,986	16,182	198,100

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
HUMAN RESOURCES					
Salaries	\$ 188,725	\$ 188,725	\$ 185,991	\$ 2,734	\$ 173,862
Employee benefits	57,690	66,245	63,405	2,840	46,218
Advertising	4,000	4,000	3,911	89	4,192
Drug testing	16,500	14,500	13,509	991	18,905
Dues and subscriptions	2,000	4,100	4,051	49	2,794
Employee assistance program	11,000	11,000	9,060	1,940	9,710
Insurance	6,805	6,805	6,673	132	5,305
Miscellaneous	3,500	3,500	2,751	749	1,175
Office supplies & equipment	10,500	10,500	8,892	1,608	5,612
Professional services	6,000	6,000	4,485	1,515	3,213
Recruitment	1,000	1,000	607	393	99
Service awards	5,000	5,000	4,757	243	3,399
Training expenditures	5,000	7,000	4,758	2,242	5,117
Tuition reimbursement	6,000	6,000	5,323	677	1,454
Wellness program	100,000	97,900	64,241	33,659	77,765
Total	<u>423,720</u>	<u>432,275</u>	<u>382,414</u>	<u>49,861</u>	<u>358,820</u>
PUBLIC RELATIONS					
Salaries	-	31,670	31,571	99	-
Employee benefits	-	9,360	8,966	394	-
Advertising	-	600	-	600	-
Dues and subscriptions	-	1,050	561	489	-
Insurance	-	305	287	18	-
Miscellaneous	-	900	673	227	-
Office supplies & equipment	-	1,050	738	312	-
Telephone	-	1,220	1,130	90	-
Training expenditures	-	2,500	1,788	712	-
Vehicle expenditures	-	1,100	955	145	-
Total	<u>-</u>	<u>49,755</u>	<u>46,669</u>	<u>3,086</u>	<u>-</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
TECHNOLOGY					
Salaries	\$ 48,145	\$ 48,330	\$ 48,327	\$ 3	\$ 37,641
Employee benefits	7,565	10,315	10,310	5	6,168
Capital outlay	-	11,500	11,420	80	6,998
Computer support & maintenance	163,400	150,235	98,390	51,845	55,919
Dues and subscriptions	500	500	-	500	-
Insurance	1,362	1,362	1,336	26	377
Miscellaneous	1,000	880	172	708	-
Telephone	1,488	1,588	1,585	3	644
Training	2,500	2,500	1,536	964	2,022
Vehicle expenditures	500	500	-	500	-
Total	226,460	227,710	173,076	54,634	109,769
AIRPORT AUTHORITY					
Capital outlay	15,000	8,655	-	8,655	-
Contract services	-	40,000	23,710	16,290	-
Insurance	5,000	4,889	4,889	-	4,288
Professional services	1,000	1,020	1,015	5	290
Repairs and maintenance	41,500	36,500	35,380	1,120	60,035
Telephone	3,500	3,500	3,232	268	3,507
Utilities	19,500	19,500	18,460	1,040	18,638
Total	85,500	114,064	86,686	27,378	86,758
BUILDING INSPECTOR					
Salaries	226,500	245,020	244,685	335	213,767
Employee benefits	63,665	88,727	88,235	492	54,873
Advertising	300	81	60	21	70
Insurance	5,745	7,351	7,264	87	6,618
Miscellaneous	4,400	3,713	3,513	200	5,735
Office supplies & equipment	3,350	3,400	2,998	402	6,268
Professional services	5,000	5,839	5,835	4	4,592
Repairs and maintenance	1,000	2,145	1,919	226	895
Telephone	8,650	9,486	9,453	33	9,582
Training expenditures	6,000	3,236	3,110	126	5,608
Vehicle expenditures	6,000	6,800	6,623	177	6,444
Total	330,610	375,798	373,695	2,103	314,452

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	<u>2007</u>				<u>2006</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
DALTON WHITFIELD CDC					
Salaries	\$ -	\$ 169,380	\$ 164,927	\$ 4,453	\$ -
Employee benefits	-	43,950	41,606	2,344	-
Advertising	-	2,000	387	1,613	-
Dues and subscriptions	-	1,000	984	16	-
Insurance	-	1,440	1,364	76	-
Miscellaneous	-	3,500	885	2,615	-
Office supplies & equipment	-	11,700	7,215	4,485	-
Training expenditures	-	3,000	2,385	615	-
Vehicle expenditures	-	3,000	1,969	1,031	-
Total	<u>-</u>	<u>238,970</u>	<u>221,722</u>	<u>17,248</u>	<u>-</u>
FIRE DEPARTMENT					
Salaries	4,212,955	4,244,455	4,175,193	69,262	4,031,045
Employee benefits	1,354,084	1,575,548	1,535,441	40,107	1,266,533
Capital outlay	261,750	176,750	122,269	54,481	370,602
Cleaning expenditures	52,000	31,000	22,700	8,300	47,580
Dues and subscriptions	10,500	10,500	10,450	50	4,501
Equipment purchases	52,400	67,900	65,637	2,263	127,551
Equipment rental	12,015	12,015	11,605	410	11,851
Gas and oil	41,980	54,980	52,228	2,752	40,734
Insurance	122,626	125,440	125,503	(63)	94,322
Miscellaneous	15,600	15,600	14,429	1,171	14,438
Office supplies & equipment	26,000	26,000	25,444	556	16,180
Professional services	2,500	2,500	2,198	302	2,142
Repairs and maintenance	123,850	128,850	122,178	6,672	111,081
Supplies	25,000	26,500	26,398	102	24,981
Telephone	17,000	24,500	21,426	3,074	19,052
Training expenditures	63,000	40,405	40,213	192	30,241
Uniforms	110,000	108,000	107,016	984	95,469
Utilities	108,800	117,860	106,500	11,360	97,642
Wellness program	10,800	10,800	10,080	720	10,080
Total	<u>6,622,860</u>	<u>6,799,603</u>	<u>6,596,908</u>	<u>202,695</u>	<u>6,416,025</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
POLICE DEPARTMENT					
Salaries	\$ 4,472,734	\$ 4,651,949	\$ 4,571,832	\$ 80,117	\$ 4,029,530
Employee benefits	1,278,759	1,626,239	1,562,709	63,530	1,214,061
Applicant testing	13,500	9,400	8,662	738	17,748
Capital outlay	343,796	218,496	216,293	2,203	282,880
Cleaning expenditures	48,000	34,526	18,202	16,324	47,368
Community service	10,000	12,800	12,459	341	12,328
Computer support & maintenance	114,970	105,320	104,823	497	89,455
Dues and subscriptions	4,350	4,350	4,221	129	4,233
Equipment purchases	-	163,860	163,742	118	4,028
Equipment rental	14,000	67,640	61,510	6,130	12,943
Evidence/information	50,000	50,000	50,000	-	50,000
Gas and oil	189,200	273,920	273,866	54	226,947
Insurance	200,610	199,860	202,499	(2,639)	209,244
Miscellaneous	22,788	19,041	16,728	2,313	17,163
Office supplies & equipment	32,000	32,450	30,714	1,736	84,628
Professional services	13,000	16,600	16,590	10	10,126
Repairs and maintenance	78,400	84,565	76,053	8,512	137,188
Supplies	15,850	17,250	16,946	304	258,058
Telephone	55,433	63,533	60,762	2,771	43,994
Training expenditures	104,000	104,000	99,369	4,631	109,409
Travel	2,000	2,000	1,694	306	971
Uniforms	72,750	73,476	67,116	6,360	74,600
Utilities	36,200	44,700	42,604	2,096	35,997
Vehicle expenditures	103,000	112,787	112,305	482	113,724
Total	<u>7,275,340</u>	<u>7,988,762</u>	<u>7,791,699</u>	<u>197,063</u>	<u>7,086,623</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
PUBLIC WORKS DEPARTMENT					
Salaries	\$ 3,675,585	\$ 3,696,035	\$ 3,546,477	\$ 149,558	\$ 3,675,314
Employee benefits	1,257,718	1,589,068	1,536,390	52,678	1,279,011
Capital outlay	662,000	764,750	773,803	(9,053)	664,063
Cemetery	98,000	98,000	97,786	214	98,000
Curbside recycling	25,000	25,000	14,350	10,650	18,458
Engineering	3,000	3,000	2,666	334	1,460
Equipment rental	25,500	25,500	11,999	13,501	16,876
Gas and oil	450,000	450,000	307,821	142,179	333,662
Insurance	218,787	213,582	218,351	(4,769)	181,102
Landfill fees	300,000	300,000	258,848	41,152	330,006
Materials and contracts	243,000	197,625	140,427	57,198	530,536
Miscellaneous	23,000	24,345	16,631	7,714	24,700
Mosquito control	20,000	19,000	19,000	-	15,000
Office supplies & equipment	41,000	40,650	32,408	8,242	24,228
Professional services	2,000	2,000	2,000	-	970
Repairs and maintenance	320,000	340,000	339,745	255	307,074
Security expenditures	85,000	85,000	85,000	-	86,568
Signal equipment	50,000	53,500	53,500	-	63,008
Signs and paint	75,000	75,000	61,119	13,881	155,652
Street and traffic lights	300,000	270,000	264,235	5,765	277,131
Street paving	575,000	646,428	637,489	8,939	289,000
Supplies	15,000	15,000	9,723	5,277	13,220
Telephone	25,000	25,000	20,696	4,304	18,862
Training expenditures	9,000	9,000	5,267	3,733	6,665
Tree board expenditures	30,000	30,000	30,000	-	31,290
Uniforms	32,500	32,500	32,500	-	34,000
Utilities	100,000	130,000	128,587	1,413	84,845
Vehicle expenditures	2,000	2,000	376	1,624	124
Total	8,663,090	9,161,983	8,647,194	514,789	8,560,825

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
MUNICIPAL COURT					
Salaries	\$ 340,023	\$ 343,579	\$ 343,567	\$ 12	\$ 316,908
Employee benefits	83,936	108,651	107,806	845	90,177
Advertising	1,500	1,500	300	1,200	850
Capital outlay	35,000	30,227	30,227	-	-
Computer support & maintenance	30,000	32,790	32,250	540	22,222
Dues and subscriptions	-	6,073	5,884	189	-
Equipment rental	9,000	8,488	8,404	84	6,749
Insurance	10,445	11,857	11,669	188	10,507
Miscellaneous	6,008	5,958	5,911	47	9,230
Office supplies & equipment	38,905	35,885	28,010	7,875	26,845
Professional services	107,000	105,050	101,381	3,669	94,780
Repairs and maintenance	11,580	10,790	8,553	2,237	10,111
Telephone	7,497	7,497	5,405	2,092	4,978
Training expenditures	17,600	16,300	13,833	2,467	8,968
Utilities	33,000	33,000	24,555	8,445	27,753
Vehicle expenditures	4,996	4,996	2,701	2,295	3,080
Total	736,490	762,641	730,456	32,185	633,158
SENIOR CENTER					
Salaries	181,592	181,592	170,967	10,625	161,336
Employee benefits	50,036	57,805	49,112	8,693	42,432
Capital outlay	-	-	-	-	71,764
Communications	10,000	9,500	4,715	4,785	6,087
Contract labor	3,350	1,850	1,765	85	1,992
Dues and subscriptions	1,000	1,000	502	498	611
Insurance	5,880	5,880	5,127	753	4,324
Maintenance supplies & equipment	18,880	25,380	21,902	3,478	13,131
Meals	37,000	37,000	35,164	1,836	27,740
Office supplies & equipment	4,300	4,300	3,269	1,031	2,863
Printing and publicity	2,000	2,000	1,729	271	748
Professional services	2,000	2,000	130	1,870	850
Recreation supplies	11,000	9,000	6,086	2,914	5,672
Travel and conference	17,400	17,400	19,691	(2,291)	18,519
Trips and activities	208,500	231,000	215,408	15,592	219,335
Uniforms	800	800	598	202	658
Utilities	18,000	20,500	19,260	1,240	15,036
Vehicle repairs	3,000	3,000	1,471	1,529	2,804
Total	574,738	610,007	556,896	53,111	595,902

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
INFRASTRUCTURE					
Airport development	\$ 675,000	\$ 1,688,647	\$ 1,482,430	\$ 206,217	\$ 907,618
Arbella Street	-	79,100	79,009	91	-
Brooker Drive	-	355,000	353,957	1,043	302,272
Downtown	50,000	50,000	-	50,000	-
East Morris Street	-	146,050	88,049	58,001	-
Ezzard Avenue	-	-	-	-	369,746
Haig Mill Road	300,000	664,800	664,249	551	294,106
Lakeshore Park	-	50,000	49,501	499	100,038
Landfill hauling	-	70,400	37,556	32,844	-
Lighting	260,000	200,000	1,975	198,025	-
Miscellaneous	2,041,600	5,190	4,296	894	4,302
Norfolk Railway Depot	325,000	325,000	10,204	314,796	12,050
Acquired and donated property	100,000	57,220	-	57,220	-
Street paving	-	487,500	468,134	19,366	8,586
Stormwater and drainage	100,000	65,000	28,848	36,152	75,687
Tank removal	30,000	30,000	12,013	17,987	-
Tibbs Road	-	10,560	10,558	2	552,736
VD Parrot Parkway	-	258,700	210,753	47,947	-
Wayfinding signage	40,000	19,500	-	19,500	-
Total	3,921,600	4,562,667	3,501,532	1,061,135	2,627,141
SPECIAL PROJECTS					
Big Brothers Big Sisters Clubs	-	-	-	-	411
Boys and Girls Clubs of America	-	-	-	-	2,200
Creative Arts Guild	56,000	56,000	56,000	-	56,000
Cross Plains Community Partner	7,200	7,200	7,200	-	7,200
Crown Garden and Archives	5,000	5,000	5,000	-	5,000
Dalton Regional Library	142,810	142,810	142,810	-	135,000
DDDA	-	-	-	-	30,125
Economic Development Initiative	142,500	142,500	142,500	-	-
Family Crisis Center	7,200	7,200	7,200	-	7,200
Family Support Council	5,000	5,000	5,000	-	5,000
Friendship House	12,000	12,000	12,000	-	12,000
Martin Luther King banquet	-	-	-	-	200
NWGA Girls Home	-	-	-	-	2,500
San Jose Soccer Organization	-	-	-	-	1,000
The Greenhouse	10,000	10,000	10,000	-	10,000
Voluntary Action Center	7,200	7,200	7,200	-	7,200
Whitfield Day Care Center	7,200	7,200	7,200	-	7,200
Total	402,110	402,110	402,110	-	288,236

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
INTERGOVERNMENTAL TRANSFERS					
Education	\$29,370,000	\$29,370,000	\$29,093,305	\$ 276,695	\$27,136,687
DDDA	<u>187,000</u>	<u>187,000</u>	<u>181,092</u>	<u>5,908</u>	<u>195,624</u>
Total	<u>29,557,000</u>	<u>29,557,000</u>	<u>29,274,397</u>	<u>282,603</u>	<u>27,332,311</u>
 Total expenditures	 <u>\$60,738,028</u>	 <u>\$63,083,734</u>	 <u>\$60,469,279</u>	 <u>\$ 2,614,455</u>	 <u>\$56,128,247</u>

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
POLICE DEPARTMENT					
Administration					
Salaries	\$ 134,874	\$ 177,314	\$ 177,289	25	\$ 127,488
Employee benefits	36,750	364,386	364,302	84	35,876
Computer support & maintenance	114,970	105,320	104,823	497	84,080
Dues and subscriptions	650	650	650	-	627
Equipment rental	14,000	14,000	12,942	1,058	12,943
Gas and oil	1,200	1,860	1,857	3	1,216
Insurance	136,345	135,895	135,945	(50)	130,773
Miscellaneous	3,968	4,768	4,588	180	4,823
Office supplies & equipment	11,500	11,500	11,220	280	14,827
Professional services	13,000	16,600	16,590	10	10,126
Repairs and maintenance	7,000	6,365	5,381	984	6,468
Supplies	2,350	2,350	2,211	139	500
Telephone	55,433	63,533	60,762	2,771	43,994
Training expenditures	5,000	5,000	5,000	-	5,000
Uniforms	1,600	2,601	2,182	419	-
Vehicle expenditures	1,000	1,000	1,000	-	1,800
Total	<u>539,640</u>	<u>913,142</u>	<u>906,742</u>	<u>6,400</u>	<u>480,541</u>
Patrol					
Salaries	2,979,188	3,054,563	2,984,556	70,007	2,615,265
Employee benefits	819,463	834,353	783,305	51,048	789,112
Capital outlay	294,580	171,832	169,599	2,233	226,868
Cleaning expenditures	40,200	26,457	13,872	12,585	39,268
Dues and subscriptions	2,000	2,000	1,925	75	2,000
Equipment purchases	-	138,700	138,612	88	-
Equipment rental	-	53,640	48,568	5,072	-
Gas and oil	145,000	227,710	227,710	-	179,086
Insurance	47,173	46,873	46,272	601	51,856
Miscellaneous	11,876	8,251	7,733	518	6,925
Office supplies & equipment	7,000	7,000	7,000	-	48,889
Repairs and maintenance	17,000	15,600	9,959	5,641	79,792
Supplies	5,000	6,400	6,385	15	226,506
Training expenditures	41,000	41,000	38,582	2,418	41,291
Uniforms	60,000	59,400	53,599	5,801	63,000
Utilities	-	1,500	372	1,128	-
Vehicle expenditures	88,000	97,787	97,684	103	91,824
Total	<u>4,557,480</u>	<u>4,793,066</u>	<u>4,635,733</u>	<u>157,333</u>	<u>4,461,682</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Criminal Investigation Division					
Salaries	\$ 692,473	\$ 742,473	\$ 736,901	\$ 5,572	\$ 650,661
Employee benefits	211,751	216,540	214,130	2,410	197,116
Capital outlay	13,695	14,987	14,995	(8)	47,017
Cleaning expenditures	7,800	8,069	4,330	3,739	8,100
Dues and subscriptions	1,200	1,200	1,146	54	1,117
Equipment purchases	-	14,410	14,402	8	4,028
Evidence/information	50,000	50,000	50,000	-	50,000
Gas and oil	25,000	25,350	25,345	5	27,864
Insurance	10,541	10,541	10,392	149	13,311
Miscellaneous	2,550	2,100	1,950	150	1,127
Office supplies & equipment	7,000	7,000	5,544	1,456	14,434
Repairs and maintenance	2,000	2,000	1,291	709	1,825
Supplies	5,000	5,000	5,005	(5)	12,788
Training expenditures	18,000	18,000	16,142	1,858	16,186
Travel	2,000	2,000	1,694	306	971
Uniforms	8,400	8,425	8,425	-	9,600
Vehicle expenditures	10,000	10,000	9,647	353	14,000
Total	1,067,410	1,138,095	1,121,339	16,756	1,070,145
Support Services					
Salaries	666,199	677,599	673,086	4,513	636,116
Employee benefits	210,795	210,960	200,972	9,988	191,957
Applicant testing	13,500	9,400	8,662	738	17,748
Capital outlay	35,521	31,677	31,699	(22)	8,995
Community service	10,000	12,800	12,459	341	12,328
Computer support & maintenance	-	-	-	-	5,375
Dues and subscriptions	500	500	500	-	489
Equipment purchases	-	10,750	10,728	22	-
Gas and oil	18,000	19,000	18,954	46	18,781
Insurance	6,551	6,551	9,890	(3,339)	13,304
Miscellaneous	4,394	3,922	2,457	1,465	4,288
Office supplies & equipment	6,500	6,950	6,950	-	6,478
Repairs and maintenance	52,400	60,600	59,422	1,178	49,103
Supplies	3,500	3,500	3,345	155	18,264
Training expenditures	40,000	40,000	39,645	355	46,932
Uniforms	2,750	3,050	2,910	140	2,000
Vehicle expenditures	4,000	4,000	3,974	26	6,100
Utilities	36,200	43,200	42,232	968	35,997
Total	1,110,810	1,144,459	1,127,885	16,574	1,074,255
Total Police Department	\$ 7,275,340	\$ 7,988,762	\$ 7,791,699	\$ 197,063	\$ 7,086,623

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	<u>2007</u>				<u>2006</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
PUBLIC WORKS DEPARTMENT					
Administration					
Salaries	\$ 352,937	\$ 352,937	\$ 326,017	\$ 26,920	\$ 335,457
Employee benefits	160,296	499,321	497,636	1,685	161,048
Capital outlay	-	21,550	21,550	-	26,690
Engineering	3,000	3,000	2,666	334	1,460
Equipment rental	20,000	20,000	11,898	8,102	16,876
Insurance	15,107	15,002	20,663	(5,661)	13,541
Materials and contracts	5,000	5,000	5,000	-	3,015
Miscellaneous	6,000	5,995	4,888	1,107	6,932
Office supplies & equipment	7,500	7,500	6,814	686	8,115
Professional services	2,000	2,000	2,000	-	970
Repairs and maintenance	20,000	20,000	19,745	255	13,948
Street and traffic lights	300,000	270,000	264,235	5,765	277,131
Supplies	5,000	5,000	3,534	1,466	4,003
Telephone	25,000	25,000	20,696	4,304	18,862
Training expenditures	5,000	5,000	2,827	2,173	4,185
Uniforms	5,000	5,000	5,000	-	5,000
Utilities	100,000	130,000	128,587	1,413	84,845
Vehicle expenditures	2,000	2,000	376	1,624	124
Total	<u>1,033,840</u>	<u>1,394,305</u>	<u>1,344,132</u>	<u>50,173</u>	<u>982,202</u>
Street					
Salaries	1,162,418	1,190,868	1,190,853	15	669,358
Employee benefits	382,122	373,457	373,449	8	218,669
Capital outlay	80,000	20,600	20,598	2	81,459
Equipment rental	5,500	5,500	101	5,399	-
Insurance	76,110	74,646	74,645	1	33,628
Materials and contracts	185,000	130,015	73,667	56,348	204,171
Miscellaneous	8,000	7,000	527	6,473	1,706
Mosquito control	-	-	-	-	15,000
Office supplies & equipment	14,000	14,000	7,777	6,223	2,675
Paving	575,000	646,428	637,489	8,939	-
Security expenditures	85,000	85,000	85,000	-	86,568
Supplies	10,000	10,000	6,189	3,811	4,959
Uniforms	14,000	14,000	14,000	-	7,000
Total	<u>2,597,150</u>	<u>2,571,514</u>	<u>2,484,295</u>	<u>87,219</u>	<u>1,325,193</u>

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Sanitation					
Salaries	\$ 1,165,508	\$ 1,130,508	\$ 1,042,575	\$ 87,933	\$ 1,064,088
Employee benefits	371,949	372,099	336,455	35,644	383,797
Capital outlay	407,000	466,680	466,681	(1)	268,681
Curbside recycling	25,000	25,000	14,350	10,650	18,458
Insurance	75,193	71,557	71,061	496	54,314
Landfill fees	300,000	300,000	258,848	41,152	330,006
Materials and contracts	2,000	2,000	1,979	21	923
Miscellaneous	2,000	2,000	1,151	849	2,003
Office supplies & equipment	5,000	5,000	4,161	839	3,796
Uniforms	7,000	7,000	7,000	-	7,500
Total	2,360,650	2,381,844	2,204,261	177,583	2,133,566
Shop					
Salaries	373,155	388,155	381,058	7,097	345,614
Employee benefits	118,902	119,322	113,896	5,426	108,688
Capital outlay	130,000	119,210	119,204	6	187,000
Gas and oil	450,000	450,000	307,821	142,179	333,662
Insurance	18,103	18,103	17,938	165	13,952
Materials and contracts	12,000	19,550	19,543	7	12,000
Miscellaneous	1,000	1,350	1,354	(4)	1,000
Office supplies & equipment	12,500	12,150	12,119	31	1,935
Repairs and maintenance	300,000	320,000	320,000	-	293,126
Uniforms	3,000	3,000	3,000	-	3,000
Total	1,418,660	1,450,840	1,295,933	154,907	1,299,977
Traffic engineer					
Salaries	254,131	266,131	263,188	2,943	236,614
Employee benefits	83,224	83,389	83,091	298	83,553
Capital outlay	45,000	136,710	145,770	(9,060)	53,146
Insurance	13,605	13,605	13,502	103	11,254
Materials and contracts	4,000	6,060	5,538	522	9,792
Miscellaneous	5,000	6,000	6,835	(835)	5,438
Office supplies & equipment	500	500	500	-	2,146
Signal equipment	50,000	53,500	53,500	-	63,008
Signs and paint	75,000	75,000	61,119	13,881	155,652
Training expenditures	2,500	2,500	980	1,520	-
Uniforms	1,000	1,000	1,000	-	2,500
Total	533,960	644,395	635,023	9,372	623,103

(Continued)

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Landscaping					
Salaries	\$ 367,436	\$ 367,436	\$ 342,786	\$ 24,650	\$ 339,260
Employee benefits	141,225	141,480	131,863	9,617	72,625
Capital outlay	-	-	-	-	47,087
Cemetery expenditures	98,000	98,000	97,786	214	98,000
Insurance	20,669	20,669	20,542	127	16,086
Materials and contracts	35,000	35,000	34,700	300	29,096
Miscellaneous	1,000	2,000	1,876	124	5,621
Mosquito control	20,000	19,000	19,000	-	-
Office supplies & equipment	1,500	1,500	1,037	463	5,561
Training expenditures	1,500	1,500	1,460	40	2,480
Tree board expenditures	30,000	30,000	30,000	-	31,290
Uniforms	2,500	2,500	2,500	-	3,000
Total	718,830	719,085	683,550	35,535	650,106
Streetscape					
Salaries	-	-	-	-	267,924
Employee benefits	-	-	-	-	86,262
Insurance	-	-	-	-	15,192
Materials and contracts	-	-	-	-	4,754
Uniforms	-	-	-	-	3,500
Total	-	-	-	-	377,632
Asphalt					
Salaries	-	-	-	-	416,999
Employee benefits	-	-	-	-	164,369
Insurance	-	-	-	-	23,135
Materials and contracts	-	-	-	-	266,785
Miscellaneous	-	-	-	-	2,000
Street paving	-	-	-	-	289,000
Supplies	-	-	-	-	4,258
Uniforms	-	-	-	-	2,500
Total	-	-	-	-	1,169,046
Total Public Works	\$ 8,663,090	\$ 9,161,983	\$ 8,647,194	\$ 514,789	\$ 8,560,825

City of Dalton, Georgia
General Fund
Schedule of Expenditures - Budget and Actual - Sub-Budgets
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
MUNICIPAL COURT					
Administration					
Salaries	\$ 193,112	\$ 195,507	\$ 195,503	\$ 4	\$ 181,483
Employee benefits	48,750	73,465	72,647	818	56,612
Advertising	1,500	1,500	300	1,200	850
Computer support & maintenance	15,000	15,000	15,000	-	17,110
Dues and subscriptions	-	6,073	5,884	189	-
Equipment rental	6,000	5,488	5,488	-	5,727
Insurance	7,001	7,513	7,347	166	6,669
Miscellaneous	3,500	3,500	3,495	5	4,973
Office supplies & equipment	24,414	24,414	20,784	3,630	16,007
Professional services	105,000	105,000	101,336	3,664	94,630
Repairs and maintenance	4,092	4,092	2,827	1,265	4,420
Telephone	3,501	3,501	3,358	143	3,217
Training expenditures	10,000	8,700	8,147	553	3,500
Utilities	33,000	33,000	24,555	8,445	27,753
Vehicle expenditures	2,500	2,500	1,244	1,256	2,079
Total	<u>457,370</u>	<u>489,253</u>	<u>467,915</u>	<u>21,338</u>	<u>425,030</u>
Probation					
Salaries	146,911	148,072	148,064	8	135,425
Employee benefits	35,186	35,186	35,159	27	33,565
Capital outlay	35,000	30,227	30,227	-	-
Computer support & maintenance	15,000	17,790	17,250	540	5,112
Equipment rental	3,000	3,000	2,916	84	1,022
Insurance	3,444	4,344	4,322	22	3,838
Miscellaneous	2,508	2,458	2,416	42	4,257
Office supplies & equipment	14,491	11,471	7,226	4,245	10,838
Professional services	2,000	50	45	5	150
Repairs and maintenance	7,488	6,698	5,726	972	5,691
Telephone	3,996	3,996	2,047	1,949	1,761
Training expenditures	7,600	7,600	5,686	1,914	5,468
Vehicle expenditures	2,496	2,496	1,457	1,039	1,001
Total	<u>279,120</u>	<u>273,388</u>	<u>262,541</u>	<u>10,847</u>	<u>208,128</u>
Total Municipal Court	<u>\$ 736,490</u>	<u>\$ 762,641</u>	<u>\$ 730,456</u>	<u>\$ 32,185</u>	<u>\$ 633,158</u>

City of Dalton, Georgia
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007

	Recreation Commission	Hotel Motel Tax	Confiscated Assets	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Assets					
Cash and cash equivalents	\$ 1,302,560	\$ -	\$ 156,051	\$ 1	\$ 1,458,612
Investments	125,881	-	-	-	125,881
Receivables:					
Accounts	5,505	60,797	-	-	66,302
Taxes	375,258	-	-	-	375,258
Intergovernmental - local	1,195,902	-	-	-	1,195,902
Intergovernmental - state and federal	-	-	-	10,151	10,151
Interfund	275,993	-	-	-	275,993
Inventory, at cost	<u>5,526</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,526</u>
Total Assets	<u>\$ 3,286,625</u>	<u>\$ 60,797</u>	<u>\$ 156,051</u>	<u>\$ 10,152</u>	<u>\$ 3,513,625</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 10,066	\$ -	\$ 4,037	2,829	\$ 16,932
Accrued expenditures	126,296	-	-	-	126,296
Interfund payable	<u>-</u>	<u>60,797</u>	<u>-</u>	<u>7,322</u>	<u>68,119</u>
Total Liabilities	<u>136,362</u>	<u>60,797</u>	<u>4,037</u>	<u>10,151</u>	<u>211,347</u>
Fund Balances					
Reserved for:					
Inventory	5,526	-	-	-	5,526
Unreserved - undesignated	<u>3,144,737</u>	<u>-</u>	<u>152,014</u>	<u>1</u>	<u>3,296,752</u>
Total Fund Balances	<u>3,150,263</u>	<u>-</u>	<u>152,014</u>	<u>1</u>	<u>3,302,278</u>
Total Liabilities and Fund Balances	<u>\$ 3,286,625</u>	<u>\$ 60,797</u>	<u>\$ 156,051</u>	<u>\$ 10,152</u>	<u>\$ 3,513,625</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, 2007

	<u>Recreation Commission</u>	<u>Hotel Motel Tax</u>	<u>Confiscated Assets</u>	<u>Community Development Block Grant</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenues					
Real and personal property taxes	\$ 3,362,499	\$ -	\$ -	\$ -	\$ 3,362,499
Hotel/motel taxes	-	771,984	-	-	771,984
Vehicle taxes	174,627	-	-	-	174,627
Fines & forfeitures	-	-	42,838	-	42,838
Investment earnings	70,630	-	2,322	-	72,952
Charges for services	372,234	-	-	-	372,234
Intergovernmental - state and federal	-	-	57,932	243,091	301,023
Miscellaneous	38,999	-	-	-	38,999
Total Revenues	<u>4,018,989</u>	<u>771,984</u>	<u>103,092</u>	<u>243,091</u>	<u>5,137,156</u>
Expenditures					
Current:					
General government	-	-	-	30,941	30,941
Public safety	-	-	69,999	-	69,999
Streets and sanitation	-	-	-	61,241	61,241
Culture and recreation	3,966,994	-	-	150,908	4,117,902
Total Expenditures	<u>3,966,994</u>	<u>-</u>	<u>69,999</u>	<u>243,090</u>	<u>4,280,083</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	51,995	771,984	33,093	1	857,073
Other Financing (Uses)					
Transfers out	-	(771,984)	-	-	(771,984)
Net Change in Fund Balances	51,995	-	33,093	1	85,089
Fund Balances Beginning of Year	<u>3,098,268</u>	<u>-</u>	<u>118,921</u>	<u>-</u>	<u>3,217,189</u>
Fund Balances End of Year	<u>\$ 3,150,263</u>	<u>\$ -</u>	<u>\$ 152,014</u>	<u>\$ 1</u>	<u>\$ 3,302,278</u>

**City of Dalton, Georgia
Recreation Commission Fund
Comparative Balance Sheet
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 1,302,560	\$ 2,585,297
Investments	125,881	-
Receivables:		
Accounts	5,505	15,895
Taxes	375,258	175,438
Intergovernmental - local	1,195,902	109,790
Interfund	275,993	278,230
Inventory, at cost	<u>5,526</u>	<u>5,599</u>
Total Assets	<u>\$ 3,286,625</u>	<u>\$ 3,170,249</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 10,066	\$ 10,586
Accrued expenditures	<u>126,296</u>	<u>61,395</u>
Total Liabilities	<u>136,362</u>	<u>71,981</u>
Fund Balances		
Reserved for:		
Inventory	5,526	5,599
Unreserved - undesignated	<u>3,144,737</u>	<u>3,092,669</u>
Total Fund Balances	<u>3,150,263</u>	<u>3,098,268</u>
Total Liabilities and Fund Balances	<u>\$ 3,286,625</u>	<u>\$ 3,170,249</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, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Real and personal property taxes	\$ 3,490,000	\$ 3,490,000	\$ 3,362,499	\$ (127,501)	\$ 3,054,139
Vehicle tax	-	-	174,627	174,627	159,271
Charges for services	365,935	411,935	372,234	(39,701)	336,814
Investment earnings	30,000	30,000	70,630	40,630	40,575
Miscellaneous	56,743	56,743	38,999	(17,744)	31,864
Total Revenues	<u>3,942,678</u>	<u>3,988,678</u>	<u>4,018,989</u>	<u>30,311</u>	<u>3,622,663</u>
Expenditures					
Current:					
Recreation division	1,204,708	1,254,110	1,113,178	140,932	1,001,894
Parks division	2,246,527	2,622,242	2,304,276	317,966	1,864,538
Administration	481,233	592,071	549,540	42,531	440,615
Total Expenditures	<u>3,932,468</u>	<u>4,468,423</u>	<u>3,966,994</u>	<u>501,429</u>	<u>3,307,047</u>
Net Change in Fund Balances	<u>\$ 10,210</u>	<u>\$ (479,745)</u>	51,995	<u>\$ 531,740</u>	315,616
Fund Balances Beginning of Year			<u>3,098,268</u>		<u>2,782,652</u>
Fund Balances End of Year			<u>\$ 3,150,263</u>		<u>\$ 3,098,268</u>

City of Dalton, Georgia
Recreation Commission Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
RECREATION DIVISION					
Salaries	\$ 336,684	\$ 336,684	\$ 345,402	\$ (8,718)	\$ 320,739
Employee benefits	98,624	113,726	115,777	(2,051)	100,706
Capital outlay	31,180	28,080	10,780	17,300	-
Contract labor	4,000	9,000	8,892	108	3,541
Dues and subscriptions	800	800	800	-	600
Equipment purchases	-	-	14,211	(14,211)	-
Insurance	27,534	27,534	13,366	14,168	9,051
Laundry and uniforms	1,500	1,500	1,500	-	1,087
Meals	800	800	784	16	737
Publicity and printing	7,000	7,000	6,966	34	7,000
Sales tax	10,500	11,500	10,718	782	9,636
Travel and conferences	6,000	6,000	5,751	249	5,058
Aquatics:					
Wages	37,855	37,855	32,341	5,514	33,274
Employee benefits	2,898	2,898	2,474	424	2,370
Supplies	5,500	5,500	2,656	2,844	4,289
Youth athletics:					
Wages	76,832	76,832	65,592	11,240	69,192
Employee benefits	5,870	5,870	4,934	936	5,269
Professional services	34,845	34,845	30,804	4,041	26,099
Supplies	90,000	92,100	90,041	2,059	89,826
Adult athletics					
Wages	25,747	25,796	7,936	17,860	7,789
Employee benefits	1,972	1,975	607	1,368	595
Professional services	68,125	68,125	53,435	14,690	50,288
Supplies	38,560	38,508	36,222	2,286	31,916
Ceramics:					
Wages	12,383	12,383	8,026	4,357	10,057
Employee benefits	947	947	598	349	769
Supplies	1,200	860	75	785	1,743
Day camps:					
Wages	2,816	2,816	1,190	1,626	1,157
Employee benefits	215	215	91	124	89
Supplies	12,600	12,600	6,708	5,892	6,878
Special programs:					
Wages	27,423	27,496	21,357	6,139	15,773
Employee benefits	2,098	2,104	1,564	540	1,207
Supplies	52,700	52,621	48,803	3,818	41,915
Instructional classes:					
Wages	3,000	3,000	1,679	1,321	1,477
Employee benefits	229	229	128	101	113
Supplies	1,000	1,000	56	944	208

(Continued)

City of Dalton, Georgia
Recreation Commission Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
RECREATION DIVISION					
Heritage Point - facility operations:					
Wages	\$ 1,582	\$ 1,582	\$ -	\$ 1,582	\$ 1,044
Employee benefits	121	121	-	121	1
Heritage Point - concessions:					
Wages	26,200	37,131	22,960	14,171	19,360
Employee benefits	2,004	2,373	2,373	-	1,485
Supplies	49,500	67,500	67,477	23	52,775
Concessions:					
Wages	4,025	4,340	4,341	(1)	3,935
Employee benefits	307	332	332	-	301
Supplies	4,100	4,100	3,964	136	4,101
Recreation – facility operations:					
Wages	15,257	15,257	14,617	640	14,113
Employee benefits	1,168	1,168	1,121	47	1,077
Supplies	2,500	2,500	1,867	633	1,380
Community Center Facility:					
Wages	23,000	23,185	22,653	532	16,637
Employee benefits	1,759	1,759	1,784	(25)	1,216
Supplies	9,500	9,315	5,194	4,121	7,101
Soccer:					
Wages	3,825	3,825	-	3,825	-
Employee benefits	293	293	-	293	-
Professional services	11,000	11,000	-	11,000	2,012
Supplies	2,980	2,980	-	2,980	700
Al Rollins Concessions:					
Wages	6,224	6,224	2,566	3,658	6,076
Employee benefits	476	476	215	261	461
Supplies	9,450	9,450	9,450	-	7,671
Total	1,204,708	1,254,110	1,113,178	140,932	1,001,894
ADMINISTRATIVE DIVISION					
Salaries	258,074	258,074	260,989	(2,915)	249,193
Employee benefits	88,213	199,051	186,509	12,542	81,254
Capital outlay	2,000	2,000	15,918	(13,918)	616
Communications	44,000	44,000	37,291	6,709	31,892
Debt retirement	4,000	4,000	3,252	748	3,271
Dues and subscriptions	2,500	2,500	1,576	924	1,559
Insurance	32,946	32,946	-	32,946	30,732
Meals	2,900	2,900	1,546	1,354	1,587
Miscellaneous	-	-	-	-	2,469
Office supplies	18,000	18,000	16,822	1,178	17,791
Professional services	10,000	10,000	8,613	1,387	4,884

(Continued)

City of Dalton, Georgia
Recreation Commission Fund
Schedule of Expenditures - Budget and Actual
For the Year Ended December 31, 2007
(With Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
ADMINISTRATIVE DIVISION					
Publicity and printing	6,100	6,100	5,490	610	5,216
Tax digest expense	10,500	10,500	10,638	(138)	9,375
Travel and conference	2,000	2,000	896	1,104	776
Total	<u>481,233</u>	<u>592,071</u>	<u>549,540</u>	<u>42,531</u>	<u>440,615</u>
PARKS DIVISION					
Salaries	\$ 1,011,988	\$ 1,011,988	\$ 928,738	\$ 83,250	\$ 874,665
Employee benefits	252,259	287,294	277,330	9,964	276,069
Building and facilities maintenance	55,000	55,000	34,410	20,590	61,726
Capital outlay	316,600	638,620	586,735	51,885	188,564
Communications	2,700	2,700	193	2,507	280
Contract maintenance	78,702	78,702	53,640	25,062	50,654
Dues and subscriptions	700	700	217	483	120
Equipment repairs	25,220	25,220	14,512	10,708	8,943
Gas and oil	80,500	84,160	61,344	22,816	56,522
Grounds maintenance	101,000	100,500	83,903	16,597	101,756
Insurance	39,068	39,068	21,260	17,808	15,125
Laundry and uniforms	18,600	18,600	10,785	7,815	13,378
Meals	200	200	200	-	37
Supplies	14,000	14,000	11,910	2,090	10,538
Swimming pool supplies	25,000	25,000	18,837	6,163	15,013
Travel, conference and training	5,800	5,800	3,894	1,906	1,449
Utilities	196,190	211,690	183,478	28,212	180,558
Vehicle repair	23,000	23,000	12,890	10,110	9,141
Total	<u>2,246,527</u>	<u>2,622,242</u>	<u>2,304,276</u>	<u>317,966</u>	<u>1,864,538</u>
Total expenditures	<u>\$ 3,932,468</u>	<u>\$ 4,468,423</u>	<u>\$ 3,966,994</u>	<u>\$ 501,429</u>	<u>\$ 3,307,047</u>

City of Dalton, Georgia
Hotel/Motel Tax Fund
Comparative Balance Sheet
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Accounts receivable	\$ <u>60,797</u>	\$ <u>61,210</u>
Liabilities		
Interfund payable	\$ <u>60,797</u>	\$ <u>61,210</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, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	<u>2007</u>				<u>2006</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues					
Hotel/motel taxes	\$ 793,000	\$ 793,000	\$ 771,984	\$ (21,016)	\$ 742,003
Other Financing (Uses)					
Transfers out	<u>(793,000)</u>	<u>(793,000)</u>	<u>(771,984)</u>	<u>21,016</u>	<u>(742,003)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>	-
Fund Balances Beginning of Year			<u>-</u>		<u>-</u>
Fund Balances End of Year			<u>\$ -</u>		<u>\$ -</u>

**City of Dalton, Georgia
Confiscated Assets Fund
Comparative Balance Sheet
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 156,051	\$ 118,921
Total Assets	<u>\$ 156,051</u>	<u>\$ 118,921</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 4,037	\$ -
Fund Balances		
Unreserved - undesignated	<u>152,014</u>	<u>118,921</u>
Total Liabilities and Fund Balances	<u>\$ 156,051</u>	<u>\$ 118,921</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, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	<u>2007</u>				<u>2006</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues					
Intergovernmental - state and federal	\$ 60,000	\$ 60,000	\$ 57,932	\$ (2,068)	\$ 2,192
Fines & forfeitures	60,000	60,000	42,838	(17,162)	15,989
Investment earnings	<u>1,000</u>	<u>1,000</u>	<u>2,322</u>	<u>1,322</u>	<u>2,490</u>
Total Revenues	<u>121,000</u>	<u>121,000</u>	<u>103,092</u>	<u>(17,908)</u>	<u>20,671</u>
Expenditures					
Current:					
Public safety	<u>62,750</u>	<u>84,550</u>	<u>69,999</u>	<u>14,551</u>	<u>126,598</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 58,250</u>	<u>\$ 36,450</u>	33,093	<u>\$ (3,357)</u>	(105,927)
Fund Balances Beginning of Year			<u>118,921</u>		<u>224,848</u>
Fund Balances End of Year			<u>\$ 152,014</u>		<u>\$ 118,921</u>

City of Dalton, Georgia
Community Development Block Grant Fund
Comparative Balance Sheet
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Cash	\$ 1	\$ 1
Intergovernmental receivable - federal	<u>10,151</u>	<u>89,551</u>
Total Assets	<u>\$ 10,152</u>	<u>\$ 89,552</u>
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 2,829	\$ 25,564
Interfund payable	<u>7,322</u>	<u>63,988</u>
Total Liabilities	<u>10,151</u>	<u>89,552</u>
Fund Balances		
Unreserved - undesignated	<u>1</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 10,152</u>	<u>\$ 89,552</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, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	<u>2007</u>				<u>2006</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Actual</u>
Revenues					
Intergovernmental - federal	\$ 696,700	\$ 602,163	\$ 243,091	\$ (359,072)	\$ 401,573
Total Revenues	<u>696,700</u>	<u>602,163</u>	<u>243,091</u>	<u>(359,072)</u>	<u>401,573</u>
Expenditures					
Current:					
General government	169,850	137,160	30,941	106,219	47,743
Streets and sanitation	279,350	269,170	61,241	207,929	210,484
Culture and recreation	<u>247,500</u>	<u>195,832</u>	<u>150,908</u>	<u>44,924</u>	<u>143,346</u>
Total Expenditures	<u>696,700</u>	<u>602,162</u>	<u>243,090</u>	<u>359,072</u>	<u>401,573</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ -</u>	<u>\$ 1</u>	1	<u>\$ -</u>	-
Fund Balances Beginning of Year			-		-
Fund Balances End of Year			<u>\$ 1</u>		<u>\$ -</u>

**City of Dalton, Georgia
Comparative Balance Sheet
Debt Service Fund
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Cash and cash equivalents	\$ 242,697	\$ 1,237,485
Investments	824,685	-
Receivables:		
Property taxes	37,796	18,121
Intergovernmental-local	120,105	11,338
Interfund	<u>274</u>	<u>655</u>
Total Assets	<u>\$ 1,225,557</u>	<u>\$ 1,267,599</u>
Liabilities and Fund Balances		
Liabilities		
Accrued interest payable	<u>\$ 73,511</u>	<u>\$ 88,386</u>
Fund Balances		
Reserved for debt service	<u>1,152,046</u>	<u>1,179,213</u>
Total Liabilities and Fund Balances	<u>\$ 1,225,557</u>	<u>\$ 1,267,599</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, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Real and personal property taxes	\$ 332,000	\$ 332,000	\$ 342,916	\$ 10,916	\$ 322,933
Vehicle taxes	20,500	30,000	28,314	(1,686)	26,746
Intergovernmental-local	513,390	513,390	505,948	(7,442)	510,026
Intergovernmental-Board of Education	133,910	133,910	133,910	-	133,910
Investment earnings	3,000	20,000	38,661	18,661	106,176
Miscellaneous	-	-	3,685	3,685	3,849
Total Revenues	<u>1,002,800</u>	<u>1,029,300</u>	<u>1,053,434</u>	<u>24,134</u>	<u>1,103,640</u>
Expenditures					
Debt Service:					
Principal retirement	1,100,051	1,096,619	1,100,051	(3,432)	4,832,929
Interest and fiscal charges	267,746	274,178	249,834	24,344	562,016
Total Expenditures	<u>1,367,797</u>	<u>1,370,797</u>	<u>1,349,885</u>	<u>20,912</u>	<u>5,394,945</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(364,997)</u>	<u>(341,497)</u>	<u>(296,451)</u>	<u>45,046</u>	<u>(4,291,305)</u>
Other Financing Sources (Uses)					
Transfers in	200,870	270,870	269,284	(1,586)	2,200,900
Net Change in Fund Balances	<u>\$ (164,127)</u>	<u>\$ (70,627)</u>	(27,167)	<u>\$ 43,460</u>	(2,090,405)
Fund Balances Beginning of Year			<u>1,179,213</u>		<u>3,269,618</u>
Fund Balances End of Year			<u>\$ 1,152,046</u>		<u>\$ 1,179,213</u>

**City of Dalton, Georgia
Capital Projects Fund
Comparative Balance Sheet
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Investments	\$ 25	\$ 74,585
Interfund receivable	4,949	
Intergovernmental receivable - SPLOST	<u>26,622</u>	<u>-</u>
Total Assets	<u>\$ 31,596</u>	<u>\$ 74,585</u>
Liabilities and Fund Balances		
Fund Balances		
Reserved for capital projects	<u>31,596</u>	<u>74,585</u>
Total Liabilities and Fund Balances	<u>\$ 31,596</u>	<u>\$ 74,585</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, 2007
(With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007				2006
	Original Budget	Final Budget	Actual	Variance	Actual
Revenues					
Intergovernmental - SPLOST	\$ 15,000	\$ 125,000	\$ 121,495	\$ (3,505)	\$ 2,000,478
Investment earnings	250	45,250	43,408	(1,842)	68,404
Total Revenues	<u>15,250</u>	<u>170,250</u>	<u>164,903</u>	<u>(5,347)</u>	<u>2,068,882</u>
Expenditures					
Capital Outlay					
Streetscape	15,250	170,250	139,473	30,777	1,046,339
Total Expenditures	<u>15,250</u>	<u>170,250</u>	<u>139,473</u>	<u>30,777</u>	<u>1,046,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>25,430</u>	<u>25,430</u>	<u>1,022,543</u>
Other Financing Sources (Uses)					
Transfers out	-	-	(68,419)	(68,419)	(2,000,478)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(68,419)</u>	<u>(68,419)</u>	<u>(2,000,478)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(42,989)</u>	<u>\$ (42,989)</u>	<u>(977,935)</u>
Fund Balances Beginning of Year			<u>74,585</u>		<u>1,052,520</u>
Fund Balances End of Year			<u>\$ 31,596</u>		<u>\$ 74,585</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, 2007

	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	\$ 173,405	\$ -	\$ -	\$ 173,405
Interfund receivable	8,880	-	-	8,880
Inventory	<u>14,195</u>	<u>-</u>	<u>-</u>	<u>14,195</u>
Total Current Assets	<u>196,480</u>	<u>-</u>	<u>-</u>	<u>196,480</u>
Noncurrent Assets:				
Capital Assets:				
Land	877,709	-	-	877,709
Depreciable capital assets, net	907,774	-	-	907,774
Other Assets:				
Investment in joint ventures	<u>-</u>	<u>7,486,142</u>	<u>14,430,804</u>	<u>21,916,946</u>
Total Noncurrent Assets	<u>1,785,483</u>	<u>7,486,142</u>	<u>14,430,804</u>	<u>23,702,429</u>
Total Assets	<u>1,981,963</u>	<u>7,486,142</u>	<u>14,430,804</u>	<u>23,898,909</u>
Liabilities				
Current Liabilities:				
Accounts payable	675	-	-	675
Accrued expenses	50,531	-	-	50,531
Unearned revenue	5,972	-	-	5,972
Interfund payable	275,923	-	-	275,923
Compensated absences payable	<u>79,192</u>	<u>-</u>	<u>-</u>	<u>79,192</u>
Total Current Liabilities	<u>412,293</u>	<u>-</u>	<u>-</u>	<u>412,293</u>
Long-Term Liabilities:				
Compensated absences payable, net of current portion	<u>237,575</u>	<u>-</u>	<u>-</u>	<u>237,575</u>
Total Long-Term Liabilities	<u>237,575</u>	<u>-</u>	<u>-</u>	<u>237,575</u>
Total Liabilities	<u>649,868</u>	<u>-</u>	<u>-</u>	<u>649,868</u>
Net Assets				
Invested in capital assets, net of related debt	1,785,483	-	-	1,785,483
Unrestricted	<u>(453,388)</u>	<u>7,486,142</u>	<u>14,430,804</u>	<u>21,463,558</u>
Total Net Assets	<u>\$ 1,332,095</u>	<u>\$ 7,486,142</u>	<u>\$ 14,430,804</u>	<u>\$ 23,249,041</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, 2007

	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	\$ 895,333	\$ -	\$ -	\$ 895,333
Merchandise sales	56,920	-	-	56,920
Tournaments	57,354	-	-	57,354
Concessions	67,331	-	-	67,331
Miscellaneous	1,399	-	-	1,399
Total Operating Revenues	<u>1,078,337</u>	<u>-</u>	<u>-</u>	<u>1,078,337</u>
Operating Expenses				
General administration	424,058	-	-	424,058
Course maintenance	695,360	-	-	695,360
Depreciation	71,486	-	-	71,486
Total Operating Expenses	<u>1,190,904</u>	<u>-</u>	<u>-</u>	<u>1,190,904</u>
Operating Income (Loss)	<u>(112,567)</u>	<u>-</u>	<u>-</u>	<u>(112,567)</u>
Non-Operating Revenues				
Investment earnings	4,738	-	-	4,738
Income from joint venture	-	(659,265)	(1,013,513)	(1,672,778)
Total Non-Operating Revenues	<u>4,738</u>	<u>(659,265)</u>	<u>(1,013,513)</u>	<u>(1,668,040)</u>
Income (Loss) Before Transfers In	<u>(107,829)</u>	<u>(659,265)</u>	<u>(1,013,513)</u>	<u>(1,780,607)</u>
Transfers in	-	546,000	-	546,000
Net Change in Net Assets	<u>(107,829)</u>	<u>(113,265)</u>	<u>(1,013,513)</u>	<u>(1,234,607)</u>
Net Assets Beginning of Year, as restated	<u>1,439,924</u>	<u>7,599,407</u>	<u>15,444,317</u>	<u>24,483,648</u>
Net Assets End of Year	<u>\$ 1,332,095</u>	<u>\$ 7,486,142</u>	<u>\$ 14,430,804</u>	<u>\$ 23,249,041</u>

City of Dalton, Georgia
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended December 31, 2007

	Municipal Golf Course
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash received from customers	\$ 1,074,676
Cash payments for personnel services	(715,603)
Cash payments for goods and services	(376,919)
Net Cash Provided by (Used in) Operating Activities	(17,846)
Cash Flows from Investing Activities	
Investment earnings	4,738
Net Increase (Decrease) in Cash and Cash Equivalents	(13,108)
Cash and Cash Equivalents Beginning of Year	186,513
Cash and Cash Equivalents End of Year	\$ 173,405
Reconciliation of Operating Income (Loss) to Net Cash (Used in) Operating Activities	
Operating (Loss)	\$ (112,567)
Adjustments:	
Depreciation	71,486
(Increase) Decrease in Assets:	
Interfund receivable	(8,880)
Inventory	6,846
Increase (Decrease) in Liabilities:	
Accounts payable	(86)
Interfund payable	(66)
Unearned revenue	(3,661)
Accrued expenses	24,147
Compensated absences payable	4,935
Net Cash Provided by (Used in) Operating Activities	\$ (17,846)

**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, 2007

	Electric System	Gas System	Water System	Sewer System	Information Technology System	Total
Assets						
Current Assets:						
Cash and cash equivalents	\$ 3,418,000	\$ 920,000	\$ 789,000	\$ 854,000	\$ 591,000	\$ 6,572,000
Accounts receivable	5,540,000	2,258,000	1,259,000	1,453,000	624,000	11,134,000
Unbilled revenues	2,953,000	844,000	685,000	791,000	-	5,273,000
Accrued interest receivable	676,000	40,000	232,000	234,000	131,000	1,313,000
Derivative	-	866,000	-	-	-	866,000
Fuel stocks	1,610,000	7,057,000	-	-	-	8,667,000
Inventories	7,193,000	260,000	586,000	81,000	1,249,000	9,369,000
Prepaid expenses and deposits	369,000	101,000	58,000	63,000	73,000	664,000
Restricted customer deposit fund	1,512,000	432,000	351,000	405,000	-	2,700,000
Restricted combined utilities sinking fund	6,077,000	357,000	5,719,000	5,719,000	-	17,872,000
Total Current Assets	<u>29,348,000</u>	<u>13,135,000</u>	<u>9,679,000</u>	<u>9,600,000</u>	<u>2,668,000</u>	<u>64,430,000</u>
Noncurrent Assets:						
Construction in progress	155,000	-	-	4,171,000	3,721,000	8,047,000
Depreciable capital assets, net	175,790,000	12,751,000	190,643,000	182,405,000	97,373,000	658,962,000
Restricted combined utilities renewals/extensions fund	17,442,000	969,000	11,628,000	11,628,000	6,783,000	48,450,000
Restricted natural gas derivative	247,000	67,000	57,000	62,000	43,000	476,000
Restricted nuclear decommissioning	58,980,000	-	-	-	-	58,980,000
Regulatory asset	17,637,000	(394,000)	(5,323,000)	(5,323,000)	3,931,000	10,528,000
Debt expense, net	104,000	6,000	98,000	98,000	-	306,000
Total Noncurrent Assets	<u>270,355,000</u>	<u>13,399,000</u>	<u>197,103,000</u>	<u>193,041,000</u>	<u>111,851,000</u>	<u>785,749,000</u>
Total Assets	<u>299,703,000</u>	<u>26,534,000</u>	<u>206,782,000</u>	<u>202,641,000</u>	<u>114,519,000</u>	<u>850,179,000</u>
Liabilities						
Current Liabilities:						
Current maturities of long-term debt	5,245,000	309,000	4,938,000	4,938,000	-	15,430,000
Accrued interest on long-term debt	826,000	49,000	779,000	779,000	-	2,433,000
Accounts payable and accrued expenses	10,928,000	4,956,000	2,083,000	2,394,000	1,926,000	22,287,000
Customer deposits	1,482,000	424,000	344,000	397,000	-	2,647,000
Total Current Liabilities	<u>18,481,000</u>	<u>5,738,000</u>	<u>8,144,000</u>	<u>8,508,000</u>	<u>1,926,000</u>	<u>42,797,000</u>
Long-Term Liabilities:						
Deferred credit - TVA right of use	-	-	-	567,000	-	567,000
Long-term debt	24,185,000	1,424,000	22,764,000	22,764,000	68,000	71,205,000
Asset retirement obligations	28,254,000	-	-	-	-	28,254,000
Total Long-Term Liabilities	<u>52,439,000</u>	<u>1,424,000</u>	<u>22,764,000</u>	<u>23,331,000</u>	<u>68,000</u>	<u>100,026,000</u>
Total Liabilities	<u>70,920,000</u>	<u>7,162,000</u>	<u>30,908,000</u>	<u>31,839,000</u>	<u>1,994,000</u>	<u>142,823,000</u>
Net Assets						
Invested in capital assets, net of related debt	135,072,000	10,575,000	156,839,000	152,772,000	104,957,000	560,215,000
Restricted for:						
Debt service	6,077,000	357,000	5,719,000	5,719,000	-	17,872,000
Capital projects	17,442,000	969,000	11,628,000	11,628,000	6,783,000	48,450,000
Customer deposit fund, nuclear decommissioning, restricted cash, and natural gas derivative	60,739,000	1,365,000	408,000	467,000	43,000	63,022,000
Unrestricted	9,453,000	6,106,000	1,280,000	216,000	742,000	17,797,000
Total Net Assets	<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>

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, 2007

	Electric System	Gas System	Water System	Sewer System	Information Technology System	Total
Operating Revenues						
Electric	\$ 87,518,000	\$ -	\$ -	\$ -	\$ -	\$ 87,518,000
Parity income	1,972,000	-	-	-	-	1,972,000
Natural gas	-	24,155,000	-	-	-	24,155,000
Water	-	-	20,438,000	-	-	20,438,000
Sewer	-	-	-	23,245,000	-	23,245,000
Information technology	-	-	-	-	14,530,000	14,530,000
Total Operating Revenues	<u>89,490,000</u>	<u>24,155,000</u>	<u>20,438,000</u>	<u>23,245,000</u>	<u>14,530,000</u>	<u>171,858,000</u>
Operating Expenses						
Production	22,812,000	-	4,658,000	9,367,000	-	36,837,000
Purchased electricity	33,544,000	-	-	-	-	33,544,000
Purchased natural gas	-	20,306,000	-	-	-	20,306,000
Distribution	4,572,000	1,209,000	3,832,000	1,246,000	9,425,000	20,284,000
Depreciation	10,612,000	827,000	6,493,000	6,590,000	5,149,000	29,671,000
General administration	2,250,000	1,184,000	5,328,000	1,895,000	1,184,000	11,841,000
Total Operating Expenses	<u>73,790,000</u>	<u>23,526,000</u>	<u>20,311,000</u>	<u>19,098,000</u>	<u>15,758,000</u>	<u>152,483,000</u>
Operating Income (Loss)	<u>15,700,000</u>	<u>629,000</u>	<u>127,000</u>	<u>4,147,000</u>	<u>(1,228,000)</u>	<u>19,375,000</u>
Non-Operating Revenues (Expenses)						
Interest income	3,436,000	82,000	933,000	933,000	541,000	5,925,000
Net increase (decrease) in fair value of investments	4,504,000	1,238,000	(164,000)	(164,000)	(96,000)	5,318,000
Allowance for debt funds used during construction	2,000	-	1,000	71,000	452,000	526,000
Miscellaneous income (expense)	85,000	23,000	20,000	21,000	15,000	164,000
Interest expense	(1,356,000)	(93,000)	(1,262,000)	(1,262,000)	(701,000)	(4,674,000)
Total Non-Operating Revenues (Expenses)	<u>6,671,000</u>	<u>1,250,000</u>	<u>(472,000)</u>	<u>(401,000)</u>	<u>211,000</u>	<u>7,259,000</u>
Income (Loss) Before Contributions and Transfers	<u>22,371,000</u>	<u>1,879,000</u>	<u>(345,000)</u>	<u>3,746,000</u>	<u>(1,017,000)</u>	<u>26,634,000</u>
Contributions and Transfers						
Contributions and reallocations	(10,202,000)	(1,949,000)	6,545,000	(2,398,000)	8,128,000	124,000
Transfers out	(4,298,000)	(1,157,000)	(992,000)	(1,074,000)	(744,000)	(8,265,000)
Total Contributions and Transfers	<u>(14,500,000)</u>	<u>(3,106,000)</u>	<u>5,553,000</u>	<u>(3,472,000)</u>	<u>7,384,000</u>	<u>(8,141,000)</u>
Change in Net Assets	7,871,000	(1,227,000)	5,208,000	274,000	6,367,000	18,493,000
Net Assets Beginning of Year	<u>220,912,000</u>	<u>20,599,000</u>	<u>170,666,000</u>	<u>170,528,000</u>	<u>106,158,000</u>	<u>688,863,000</u>
Net Assets End 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>

City of Dalton, Georgia
Municipal Golf Course Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 173,405	\$ 186,513
Interfund receivable	8,880	-
Inventory	<u>14,195</u>	<u>21,041</u>
Total Current Assets	<u>196,480</u>	<u>207,554</u>
Noncurrent Assets:		
Capital Assets:		
Land	877,709	877,709
Depreciable capital assets, net	<u>907,774</u>	<u>979,260</u>
Total Noncurrent Assets	<u>1,785,483</u>	<u>1,856,969</u>
Total Assets	<u>1,981,963</u>	<u>2,064,523</u>
Liabilities		
Current Liabilities:		
Accounts payable	675	761
Accrued expenses	50,531	26,384
Unearned revenue	5,972	9,633
Interfund payable	275,923	275,989
Compensated absences payable	<u>79,192</u>	<u>77,958</u>
Total Current Liabilities	<u>412,293</u>	<u>390,725</u>
Long-Term Liabilities:		
Compensated absences payable (net of current portion)	<u>237,575</u>	<u>233,874</u>
Total Liabilities	<u>649,868</u>	<u>624,599</u>
Net Assets		
Invested in capital assets	1,785,483	1,856,969
Unrestricted	<u>(453,388)</u>	<u>(417,045)</u>
Total Net Assets	<u>\$ 1,332,095</u>	<u>\$ 1,439,924</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for services	\$ 895,333	\$ 860,028
Merchandise sales	56,920	58,114
Tournaments	57,354	41,517
Concessions	67,331	62,071
Miscellaneous	<u>1,399</u>	<u>2,145</u>
Total Operating Revenues	<u>1,078,337</u>	<u>1,023,875</u>
Operating Expenses		
Course maintenance	695,360	609,972
General administration	424,058	396,324
Depreciation	<u>71,486</u>	<u>74,933</u>
Total Operating Expenses	<u>1,190,904</u>	<u>1,081,229</u>
Operating (Loss)	(112,567)	(57,354)
Non-Operating Revenues		
Interest	<u>4,738</u>	<u>2,302</u>
Change in Net Assets	(107,829)	(55,052)
Net Assets Beginning of Year	<u>1,439,924</u>	<u>1,494,976</u>
Net Assets End of Year	<u>\$ 1,332,095</u>	<u>\$ 1,439,924</u>

City of Dalton, Georgia
Municipal Golf Course Fund
Comparative Schedule of Expenses
For The Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Course Maintenance		
Salaries	\$ 388,237	\$ 371,782
Employee benefits	133,295	84,790
Insurance	6,272	12,078
Building maintenance	834	209
Communications and public relations	2,033	1,863
Dues and subscriptions	915	722
Equipment repair and rental	40,124	31,077
Gas and oil	17,862	15,242
Greens and tees supplies	1,216	598
Grounds maintenance	71,871	62,637
Irrigation repairs	2,710	2,485
Miscellaneous	864	453
Travel and conference	735	2,083
Utilities	28,392	23,953
Total Course Maintenance	<u>695,360</u>	<u>609,972</u>
General and Administrative		
Salaries	174,578	170,352
Employee benefits	39,584	32,800
Insurance	3,645	3,000
Communications and public relations	4,571	4,605
Concession supplies	32,587	30,471
Contract labor	9,674	949
Dues and subscriptions	1,607	3,754
Janitorial	7,291	15,615
Merchandise purchases	48,840	38,947
Office supplies	1,514	1,147
Professional service	23,769	17,223
Publicity and printing	789	1,468
Sales tax	57,726	54,129
Small equipment expense	1,035	3,943
Tournament expense	1,118	874
Travel and conference	500	2,400
Utilities	15,230	14,647
Total General and Administrative	<u>\$ 424,058</u>	<u>\$ 396,324</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, 2007

	<u>Workers Compensation</u>	<u>Health Insurance</u>	<u>Total</u>
Assets			
Current Assets:			
Cash and cash equivalents	\$ 62,481	\$ 100,131	\$ 162,612
Investments	740,607	-	740,607
Accounts receivable	-	12,438	12,438
Interfund receivables	4,494	-	4,494
Prepaid expenses	<u>91,553</u>	<u>-</u>	<u>91,553</u>
Total Current Assets	<u>899,135</u>	<u>112,569</u>	<u>1,011,704</u>
Liabilities			
Current Liabilities:			
Interfund payable	8,880	250,000	258,880
Claims payable	1,299,752	946,981	2,246,733
Unearned revenue	<u>25,196</u>	<u>-</u>	<u>25,196</u>
Total Current Liabilities	<u>1,333,828</u>	<u>1,196,981</u>	<u>2,530,809</u>
Net Assets (Deficit)			
Unrestricted (Deficit)	<u>(434,693)</u>	<u>(1,084,412)</u>	<u>(1,519,105)</u>
Total Net Assets (Deficit)	<u>\$ (434,693)</u>	<u>\$ (1,084,412)</u>	<u>\$ (1,519,105)</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, 2007

	<u>Workers Compensation</u>	<u>Health Insurance</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 582,760	\$ 6,877,254	\$ 7,460,014
Operating Expenses			
Claims	335,539	6,502,648	6,838,187
Premiums and administrative fees	317,888	526,132	844,020
Total Operating Expenses	<u>653,427</u>	<u>7,028,780</u>	<u>7,682,207</u>
Operating Income (Loss)	<u>(70,667)</u>	<u>(151,526)</u>	<u>(222,193)</u>
Non-Operating Revenues and Expenses			
Investment earnings	33,931	5,294	39,225
Total Non-Operating Revenues and Expenses	<u>33,931</u>	<u>5,294</u>	<u>39,225</u>
Change in Net Assets	(36,736)	(146,232)	(182,968)
Net Assets (Deficit) Beginning of Year, as restated	<u>(397,957)</u>	<u>(938,180)</u>	<u>(1,336,137)</u>
Net Assets (Deficit) End of Year	<u>\$ (434,693)</u>	<u>\$ (1,084,412)</u>	<u>\$ (1,519,105)</u>

City of Dalton, Georgia
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2007

	<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	\$ 612,342	\$ 6,864,816	\$ 7,477,158
Cash payments for claims and fees	<u>(752,902)</u>	<u>(6,876,685)</u>	<u>(7,629,587)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(140,560)</u>	<u>(11,869)</u>	<u>(152,429)</u>
Cash Flows from Investing Activities			
Proceeds from sale of investments	33,683	25,789	59,472
Receipts from interest on investments	<u>33,931</u>	<u>5,294</u>	<u>39,225</u>
Net Cash Provided by (Used in) Investing Activities	<u>67,614</u>	<u>31,083</u>	<u>98,697</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(72,946)	19,214	(53,732)
Cash and Cash Equivalents Beginning of Year	<u>135,427</u>	<u>80,917</u>	<u>216,344</u>
Cash and Cash Equivalents End of Year	<u>\$ 62,481</u>	<u>\$ 100,131</u>	<u>\$ 162,612</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating Income (Loss)	\$ (70,667)	\$ (151,526)	\$ (222,193)
Increase in Assets:			
Accounts receivable	-	(12,438)	(12,438)
Interfund receivable	(4,494)	-	(4,494)
Prepaid expenses	(91,553)	-	(91,553)
Increase (Decrease) in Liabilities:			
Accounts payable	(6,284)	(191,827)	(198,111)
Interfund payable	8,880	250,000	258,880
Claims payable	(1,638)	93,922	92,284
Unearned revenue	<u>25,196</u>	<u>-</u>	<u>25,196</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (140,560)</u>	<u>\$ (11,869)</u>	<u>\$ (152,429)</u>

**City of Dalton, Georgia
Workers Compensation Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 62,481	\$ 135,427
Investments	740,607	774,290
Interfund receivable	4,494	-
Prepaid expenses	91,553	-
Total Current Assets	<u>899,135</u>	<u>909,717</u>
Liabilities		
Current Liabilities:		
Accounts payable	-	6,284
Interfund payable	8,880	-
Claims payable	1,299,752	1,301,390
Unearned revenue	25,196	-
Total Current Liabilities	<u>1,333,828</u>	<u>1,307,674</u>
Net Assets (Deficit)		
Unrestricted (Deficit)	<u>(434,693)</u>	<u>(397,957)</u>
Total Net Assets (Deficit)	<u>\$ (434,693)</u>	<u>\$ (397,957)</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for services	\$ 582,760	\$ 525,331
Operating Expenses		
Claims	335,539	669,174
Premiums and administrative fees	317,888	320,228
Total Operating Expenses	653,427	989,402
Operating Income (Loss)	(70,667)	(464,071)
Non-Operating Revenues and Expenses		
Investment earnings	33,931	37,382
Total Non-Operating Revenues and Expenses	33,931	37,382
Change in Net Assets	(36,736)	(426,689)
Net Assets Beginning of Year, as restated	(397,957)	28,732
Net Assets End of Year	<u>\$ (434,693)</u>	<u>\$ (397,957)</u>

City of Dalton, Georgia
Health Insurance Fund
Comparative Statement of Net Assets
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 100,131	\$ 80,917
Investments	-	25,789
Accounts receivable	<u>12,438</u>	<u>-</u>
Total Current Assets	<u>112,569</u>	<u>106,706</u>
Liabilities		
Current Liabilities:		
Accounts payable	-	191,827
Interfund payable	250,000	-
Claims payable	<u>946,981</u>	<u>853,059</u>
Total Current Liabilities	<u>1,196,981</u>	<u>1,044,886</u>
Net Assets (Deficit)		
Unrestricted (Deficit)	<u>(1,084,412)</u>	<u>(938,180)</u>
Total Net Assets (Deficit)	<u>\$ (1,084,412)</u>	<u>\$ (938,180)</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, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating Revenues		
Charges for services	\$ 6,877,254	\$ 5,736,333
Operating Expenses		
Claims	6,502,648	5,412,281
Premiums and administrative fees	526,132	437,550
Total Operating Expenses	<u>7,028,780</u>	<u>5,849,831</u>
Operating (Loss)	<u>(151,526)</u>	<u>(113,498)</u>
Non-Operating Revenues		
Investment earnings	5,294	34,817
Total Non-Operating Revenues	<u>5,294</u>	<u>34,817</u>
Change in Net Assets	(146,232)	(78,681)
Net Assets (Deficit) Beginning of Year, as restated	<u>(938,180)</u>	<u>(859,499)</u>
Net Assets (Deficit) End of Year	<u>\$ (1,084,412)</u>	<u>\$ (938,180)</u>

City of Dalton, Georgia
Municipal Court Agency Fund
Statement of Changes in Assets and Liabilities
Fiduciary Funds
For The Years Ended December 31, 2007 and 2006

	<u>2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>2007</u>
Assets				
Cash and cash equivalents	\$ 86,111	\$ 5,056,683	\$ 4,936,025	\$ 206,769
Liabilities				
Accounts payable	55,215	855,089	910,304	-
Interfund payable	-	4,567,971	4,567,971	-
Other liabilities	<u>30,986</u>	<u>3,969,678</u>	<u>3,793,895</u>	<u>206,769</u>
Total Liabilities	<u>\$ 86,201</u>	<u>\$ 9,392,738</u>	<u>\$ 9,272,170</u>	<u>\$ 206,769</u>

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
Six 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>
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
Restricted	5,608,483	6,567,936	6,575,030	3,269,618	1,284,713	1,260,953
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>
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>
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
Restricted	377,305,000	308,691,000	256,382,000	210,062,000	158,172,000	129,344,000
Unrestricted	<u>96,067,427</u>	<u>121,735,358</u>	<u>120,945,768</u>	<u>118,139,332</u>	<u>32,833,632</u>	<u>37,235,771</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>\$ 711,346,601</u>	<u>\$ 728,580,254</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
Restricted	382,913,483	315,258,936	262,957,030	213,331,618	159,456,713	130,604,953
Unrestricted	<u>117,730,474</u>	<u>135,037,281</u>	<u>130,269,538</u>	<u>129,389,970</u>	<u>47,007,811</u>	<u>52,781,448</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>\$ 801,825,150</u>	<u>\$ 821,423,873</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
Six 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>
Expenses						
Governmental activities						
General government & administration	\$ 3,878,091	\$ 5,524,351	\$ 4,353,343	\$ 4,071,038	\$ 2,933,500	\$ 2,839,767
Public safety	11,965,195	12,234,307	12,691,382	13,077,718	13,631,626	15,145,033
Streets and sanitation	8,986,055	9,387,278	9,778,344	10,322,707	10,762,882	12,790,923
Culture and recreation	5,169,098	5,438,637	5,023,790	5,272,738	5,425,002	5,692,834
Economic development	-	-	-	-	72,898	152,264
Education	23,169,937	23,293,870	28,668,083	27,593,227	27,450,015	29,237,233
Interest on long-term debt	1,211,233	965,736	807,791	615,149	584,478	272,296
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>
Business-type activities						
Electric system	63,789,000	62,865,371	69,127,132	78,075,006	77,704,298	75,149,652
Gas system	17,036,000	21,261,143	23,490,029	26,935,417	25,565,385	23,620,508
Water system	14,743,000	16,638,348	18,261,632	17,676,876	20,238,893	21,580,197
Sewer system	17,969,000	19,520,140	18,442,853	18,927,394	19,497,405	20,367,610
Information technology system	7,884,000	10,762,684	12,264,206	15,403,179	14,261,918	16,463,005
Landfill	-	-	-	-	-	1,013,513
Trade Center	2,394,527	-	-	-	608,332	659,265
Municipal golf course	1,302,734	1,159,882	1,229,176	1,072,990	1,081,389	1,191,672
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>160,045,422</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>\$ 226,175,772</u>

(continued)

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
Six 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>
Program revenues						
Governmental activities						
Charges for services						
General government & administration	\$ 1,440,514	\$ 1,991,493	\$ 1,769,075	\$ 2,625,013	\$ 3,021,900	\$ 3,653,811
Public safety	1,601,509	2,115,085	1,951,465	1,003,610	1,117,906	1,040,320
Streets and sanitation	95,811	608,470	807,426	792,123	1,202,851	420,417
Culture and recreation	253,961	358,366	422,379	718,029	683,328	781,469
Education	-	-	122,865	122,716	122,796	97,600
Operating grants and contributions	3,965,015	6,289,541	6,867,424	6,800,635	6,122,681	3,233,969
Capital grants and contributions	168,441	-	-	-	-	1,619,714
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>
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
Gas system	20,039,000	24,248,000	24,877,000	30,728,000	26,227,000	24,155,000
Water system	12,586,000	13,271,000	15,378,000	17,150,000	19,595,000	20,438,000
Sewer system	13,573,000	14,756,000	16,523,000	19,198,000	23,385,000	23,245,000
Information technology system	4,323,000	7,479,000	8,932,000	12,014,000	11,241,000	14,530,000
Landfill	-	-	-	-	439,970	-
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
Operating grants and contributions	734,000	-	-	-	-	-
Capital grants and contributions	413,191	1,858,000	580,000	431,000	180,300	124,000
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>
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>
Net revenues (expenses)						
Governmental activities	\$ (46,854,358)	\$ (45,481,224)	\$ (49,382,099)	\$ (48,890,451)	\$ (48,588,939)	\$ (55,283,050)
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>13,014,915</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>\$ (42,268,135)</u>

(continued)

City of Dalton, Georgia
Changes in Net Assets
Six 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>
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
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
Recreation	2,625,344	2,626,197	3,109,594	3,009,682	3,054,139	3,362,499
Selective taxes	6,752,216	6,658,286	6,963,600	7,196,529	7,374,626	7,534,604
Hotel/motel taxes	787,040	697,346	714,403	706,542	742,003	771,984
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
Donations	-	-	2,071,485	352,089	107,309	2,000
Miscellaneous	1,002,309	689,676	560,596	808,255	453,877	985,769
Transfers	5,123,953	5,494,878	5,995,369	5,764,303	7,647,460	7,719,000
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>
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
Miscellaneous	1,056,000	1,796,000	1,814,000	1,265,000	1,381,000	690,000
Transfers	(5,123,953)	(6,000,000)	(5,995,369)	(5,764,303)	(7,647,460)	(7,719,000)
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>
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>
Change in net assets						
Governmental activities	\$ 1,631,792	\$ 1,958,813	\$ 6,680,453	\$ 3,857,781	\$ 5,731,070	\$ 2,351,898
Business-type activities	17,896,934	(6,351,012)	(5,115,555)	(572,115)	(9,093,633)	17,233,653
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>\$ 19,585,551</u>

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

	<u>1998</u>	<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>
General fund										
Reserved	\$14,615,147	\$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
Unreserved	<u>16,199,305</u>	<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>
Total general fund	<u>\$30,814,452</u>	<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>
Nonmajor governmental funds										
Reserved	\$ 3,553,555	\$ 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
Unreserved, reported in special revenue funds	<u>1,729,806</u>	<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>
Total nonmajor governmental funds	<u>\$ 5,283,361</u>	<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>

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

	<u>1998</u>	<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>
Revenues										
Taxes	\$ 33,446,386	\$ 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
Licenses and permits	1,453,552	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
Intergovernmental revenues	2,085,019	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
Charges for services	292,227	315,228	244,551	268,803	349,772	966,835	968,755	1,875,178	2,778,049	2,355,614
Fines and forfeitures	1,264,499	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
Special assessments	57,493	-	-	-	-	-	-	-	-	-
Investment income	1,469,106	1,191,791	1,604,489	1,728,609	1,695,094	1,340,431	309,415	368,735	521,582	686,626
Donations	33,661	22,998	42,911	33,090	-	-	2,071,485	352,089	107,309	2,000
Miscellaneous	733,207	449,252	580,504	601,540	1,002,309	689,677	560,596	808,255	453,877	985,769
Total Revenues	<u>40,835,150</u>	<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>
Expenditures										
General government	2,428,827	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
Public safety	7,588,287	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
Streets and sanitation	5,127,771	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
Culture and recreation	3,715,655	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
Economic development	-	-	-	-	-	-	-	-	86,070	142,500
Education	18,153,538	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	5,812,335	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
Debt Service:										
Principal retirement	1,556,673	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
Interest and fiscal charges	799,764	759,124	690,427	1,078,207	1,162,356	977,303	908,284	592,687	562,016	249,834
Total Expenditures	<u>45,182,850</u>	<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>
Excess of Revenues Over (Under) Expenditures	<u>(4,347,700)</u>	<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>

(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>1998</u>	<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>
Other Financing Sources (Uses)										
Proceeds from debt	\$ 3,908,914	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
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	6,510,139	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
Transfers out	(510,139)	(1,606,459)	(2,841,433)	(3,530,464)	(2,486,870)	(6,051,042)	(4,774,164)	(1,937,810)	(3,479,743)	(1,587,268)
Total other Financing Sources (Uses)	<u>9,908,914</u>	<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>
Net Change in Fund Balance	<u>\$ 5,561,214</u>	<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>
Debt Service as a % of noncapital expenditures	6.4%	5.0%	4.7%	5.1%	8.0%	8.8%	8.2%	8.1%	8.8%	2.2%

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>
1998	\$ 1,208,166,333	\$ 1,084,980,474	\$ 37,793,988	\$ 36,960,892	\$ 2,293,979,903	4.360
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

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>
1998	2.900	0.460	1.000	4.360	7.590	2.000	3.475	17.425
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

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	2007			1998		
	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.	403,382,588	1	11.2%	290,652,211	1	12.7%
Mohawk Industries, Inc.	158,673,521	2	4.4%	-	NA	NA
Beaulieu of America, Inc.	77,121,446	3	2.1%	141,159,162	2	6.2%
J & J Industries, Inc.	70,182,473	4	1.9%	58,738,469	5	2.6%
Windstream Georgia, CC (formerly Alltel)	31,117,509	5	0.9%	30,925,983	8	1.3%
CBL & Associates	25,120,045	6	0.7%	-	NA	NA
TANDUS Group (formerly Collins & Aikman)	23,139,730	7	0.6%	41,824,998	6	1.8%
Shiroki Georgia, LLC (formerly SWM Georgia, LLC)	22,608,841	8	0.6%	-	NA	NA
Lexmark Carpet Mills, Inc.	21,427,792	9	0.6%	-	NA	NA
Indian Summer Carpet Mills	16,850,798	10	0.5%	-	NA	NA
World Carpets, Inc. (purchaed by Mohawk)	-	NA	NA	92,821,143	3	4.0%
Queen Carpet Corporation (purchased by Shaw)	-	NA	NA	92,512,224	4	4.0%
Durkan Patterned Carpet, Inc. (purchased by Mohawk)	-	NA	NA	34,647,291	7	1.5%
Bretlin	-	NA	NA	21,102,764	9	0.9%
Mattel	-	NA	NA	10,247,817	10	0.4%

Source: Whitfield County Tax Commissioner

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

Fiscal Year	Taxes Levied	Collected within the Fiscal Year of the Levy			Total Collections to Date		
		Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy	
1998	\$ 27,089,059	\$ 24,409,300	90.1%	\$ 2,679,272	\$ 27,088,572	100.0%	
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%	4,007,113	29,663,355	99.8%	
2002	32,097,049	27,203,122	84.8%	4,781,174	31,984,296	99.6%	
2003	34,007,488	3,243,048	9.5%	30,592,936	33,835,984	99.5%	
2004	36,284,746	30,593,267	84.3%	5,530,118	36,123,385	99.6%	
2005	36,944,389	31,790,728	86.1%	5,272,784	37,063,512	100.3%	
2006	39,066,393	32,976,187	84.4%	5,482,840	38,459,027	98.4%	
2007	40,451,745	31,447,906	77.7%	-	31,447,906	77.7%	

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	Qualified Zone Academy Bonds	Notes Payable	Revenue Bonds				
1998	\$ 12,210,000	\$ -	\$ 3,492,142	\$ 79,975,000	\$ 95,677,142	17.6%	\$ 4,018	
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	89,935,000	-	2,877,208	164,545,000	257,357,208	39.9%	10,136	
2002	70,454,160	-	2,672,230	152,940,000	226,066,390	31.9%	8,314	
2003	58,625,000	1,605,820	2,467,012	140,810,000	203,507,832	25.2%	6,707	
2004	44,175,000	1,605,820	2,251,591	129,363,000	177,395,411	21.2%	5,739	
2005	27,470,000	1,605,820	2,025,195	115,748,000	146,849,015	16.4%	4,665	
2006	23,500,000	1,455,820	1,787,266	101,556,000	128,299,086	12.9%	3,992	
2007	34,530,000	1,305,820	1,537,215	86,635,000	124,008,035	11.5%	3,753	

Note: Details regarding the City's outstanding debt is disclosed in Note 4-H of the Notes to the Basic Financial Statements.
Note: This schedule includes amounts for other governments that have contracted with the City to make bond payments in regards to bond proceeds received from issuance of debt through the City of Dalton Building Authority. See Note 5-E of the Notes to the Basic Financial Statements for additional debt contingency information.

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>
1998	\$ 12,210,000	0.5%	\$ 513
1999	11,130,000	0.5%	453
2000	9,995,000	0.4%	396
2001	89,935,000	3.4%	3,542
2002	70,454,160	2.6%	2,591
2003	58,625,000	1.9%	1,932
2004	44,175,000	1.4%	1,429
2005	27,470,000	0.9%	873
2006	23,500,000	0.7%	731
2007	34,530,000	1.0%	1,045

- 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, 2007
(Unaudited)

Governmental Unit	Debt Outstanding	Estimated Applicable Percentage	Estimated Share of Direct and Overlapping Debt
Debt repaid with revenues other than property taxes			
Whitfield County agreement with City - 2002 Issue	\$ 1,872,500	15.2%	\$ 284,620
Dalton Public School System agreement with City - notes payable	614,886	100.0%	614,886
Dalton Public School System capital leases	4,400,156	100.0%	4,400,156
Dalton Public School System agreement with City - QZA Bonds 2003 Issue	1,305,820	100.0%	1,305,820
Dalton Public School System agreement with City - 2006 Issue and 2005 Issue	18,860,000	100.0%	18,860,000
Dalton Public School System agreement with City - 2007 Issue	11,925,000	100.0%	<u>11,925,000</u>
Total overlapping debt			37,390,482
City direct debt			<u>2,794,829</u>
Total direct and overlapping debt			<u>\$ 40,185,311</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>1998</u>	<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>
Debt limit	\$ 238,726,824	\$ 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
Total net debt applicable to limit	<u>9,590,661</u>	<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>
Legal debt margin	<u>\$ 229,136,163</u>	<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>
Total net debt applicable to limit as a % of debt limit	4.0%	3.4%	3.1%	7.8%	6.1%	3.7%	3.0%	7.8%	7.2%	9.6%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 3,610,653,927
Add: exempt real property	<u>161,443,322</u>
Total assessed value	3,772,097,249
	10.0%
Debt limit (10% of assessed value)	<u>\$ 377,209,725</u>
Debt applicable to limit	
Total bonded debt	\$ 124,008,035
Less: Utility revenue bonds	86,635,000
Amount available for repayment of general obligation bonds	<u>1,152,046</u>
Total debt applicable to limit	<u>\$ 36,220,989</u>
Legal debt margin	<u>\$ 340,988,736</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
1998	\$ 89,719,000	\$ 77,621,000	\$ 12,098,000	\$ 5,815,000	\$ 4,058,000	1.2
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

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
1998	23,810	\$ 542,106	\$ 22,768	2.1%	4,784
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

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	2007			1998		
	Employees	Rank	Percentage of Total City Employees	Employees	Rank	Percentage of Total City Employees
Shaw Industries, Inc.	6,755	1	21.0%	NA	NA	NA
Mohawk Industries, Inc.	2,846	2	8.9%	NA	NA	NA
Beaulieu of America, Inc.	2,010	3	6.3%	NA	NA	NA
Hamilton Medical Center	1,800	4	5.6%	NA	NA	NA
Dalton Public School System	900	5	2.8%	NA	NA	NA
TANDUS Group (formerly Collins & Aikman)	859	6	2.7%	NA	NA	NA
City of Dalton, Georgia	831	7	2.6%	NA	NA	NA
J & J Industries, Inc.	731	8	2.3%	NA	NA	NA
Pilgrim's Pride Corp.	515	9	1.6%	NA	NA	NA
Wal-Mart	413	10	1.3%	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.

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>1998</u>	<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>
General Government										
Administration and elected officials	NA	8	9	9	9	11	12	13	11	15
Human Resources	NA	2	2	2	2	2	3	4	4	4
City Clerk	NA	7	6	6	6	6	3	2	2	4
Finance	NA	-	-	-	-	-	5	5	5	4
Building Inspection	NA	4	3	4	4	5	5	5	5	5
Municipal Court	NA	6	8	9	9	9	5	11	9	9
Public Safety										
Police										
Officers	NA	74	79	79	86	89	84	79	92	95
Civilians	NA	10	10	11	9	10	10	20	11	11
Fire										
Firefighters and officers	NA	71	72	75	81	90	87	83	89	89
Civilians	NA	2	2	2	2	2	2	2	2	1
Streets and Sanitation										
Refuse collection	NA	32	35	33	30	33	32	32	32	32
Streets	NA	36	41	50	28	25	24	22	15	32
Other	NA	29	42	40	65	59	55	57	54	31
DWRSWMA (Landfill)	NA	38	38	38	39	44	39	43	38	38
WLSF (Dalton Utilities)	246	256	278	283	289	310	320	323	322	320
Culture and Recreation										
Recreation	NA	37	33	35	31	34	34	37	38	37
Golf Course	NA	11	11	11	10	11	11	11	11	11
Senior Center	NA	3	4	4	3	3	2	3	4	4
Trade Center	NA	19	20	19	16	19	13	15	21	18

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>1998</u>	<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>
General Government										
Building permits issued	363	335	385	296	490	360	582	505	459	424
Public Safety										
Police										
Physical arrests	3,251	3,838	3,077	3,538	3,852	3,759	4,024	3,926	4,080	8,048
Traffic citations and warnings	13,163	14,416	19,508	19,414	19,801	19,719	17,772	15,501	16,331	17,473
Fire										
Calls answered	1,081	1,195	1,167	1,206	1,201	1,228	1,396	1,439	1,608	1,460
Inspections conducted	900	923	1,013	985	1,056	1,073	897	677	478	275
Culture and Recreation										
Youth athletic enrollment	NA	NA	NA	NA	NA	NA	NA	2,420	2,306	2,571
Adult athletic enrollment	NA	NA	NA	NA	NA	NA	NA	2,534	2,510	2,380
Special events	NA	NA	NA	NA	NA	NA	NA	9,511	9,830	9,860
Tournaments	NA	NA	NA	NA	NA	NA	NA	2,355	10,856	16,664

(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>1998</u>	<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>
WLSF (Dalton Utilities)										
Electric System	13,090	13,424	14,164	14,725	15,001	15,034	15,273	15,446	15,612	15,858
Number of service connections	3,405	3,612	3,671	3,533	3,822	3,792	3,978	4,090	3,997	3,725
Daily average consumption	268	258	253	243	260	258	258	266	264	262
Maximum daily peak (MW's)										
Natural Gas System	8,757	8,757	9,095	8,948	8,810	8,365	8,659	8,532	8,374	8,255
Number of service connections	11,135	10,325	10,000	8,240	8,020	7,260	6,785	6,730	5,925	5,840
Daily average consumption	NA	NA	28,927	27,242	21,867	20,304	17,651	17,078	14,992	15,380
Maximum daily peak (Dkthms)										
Sewer system	10,261	10,261	10,689	10,948	11,321	11,356	11,610	11,930	12,185	12,490
Number of service connections	32.0	30.0	30.0	30.0	32.0	32.0	34.4	33.9	33.9	30.1
Daily average treatment	45.0	45.0	45.0	45.0	45.0	45.0	40.1	40.1	40.1	40.1
Maximum daily capacity (Mil/gallons)										
Water system	27,817	28,387	30,542	31,038	31,431	32,894	33,853	34,717	35,218	35,513
Number of service connections	42.0	37.0	36.0	36.0	38.0	38.0	37.0	38.4	37.9	32.1
Daily average consumption (Mil/gallons)	51.5	57.0	57.0	57.0	57.0	57.0	58.5	58.5	58.5	58.5
Maximum daily capacity (Mil/gallons)										
Optilink (Telecom) System	-	-	-	-	97	97	3,746	6,280	8,163	10,334
Number of service connections										

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

Function/Program	For the year ending December 31,									
	<u>1998</u>	<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>
Public Safety										
Police										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of patrol units	52	48	48	49	53	58	58	58	58	58
Fire										
Number of stations	4	4	4	4	4	5	5	5	5	5
Streets and Sanitation										
Miles of streets	172	172	172	174	174	165	167	168	169	169
Streetlights	2,401	3,871	3,902	3,925	3,960	3,960	3,960	4,002	4,052	4,420
Culture and Recreation										
Community centers	3	3	3	3	3	3	3	3	3	3
Parks	10	11	11	11	11	11	11	11	11	11
Park acreage	165	405	405	405	405	405	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	18	16	16	16	16	16	16	14	14	18
WLSF (Dalton Utilities)										
Electric System										
Miles of distribution	189.76	189.76	189.76	189.76	189.76	195.21	195.21	195.21	195.21	196.71
Number of substations	8	8	8	8	8	8	8	8	9	9
Water system										
Miles of distribution	249.00	249.00	249.00	249.00	249.00	249.00	250.50	250.50	250.50	254.93
Sewer system										
Miles of sewer	213.00	213.00	213.00	221.00	240.00	240.00	260.00	260.00	260.00	284.00
Number of treatment plants	3	4	3	3	3	3	4	4	4	4
Water system										
Miles of water mains	1,000.00	1,000.00	1,000.00	1,050.00	1,100.00	1,250.00	1,415.00	1,390.00	1,390.00	1,291.00
Number of fire hydrants	764	764	814	850	900	990	3,326	4,297	4,297	4,950
Optilink (Telecom) System										
Miles of fiber optics	-	-	-	-	230.26	230.26	230.26	241.01	320.84	570.37

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, 2007. 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, 2007, in conformity with accounting principles generally accepted in the United States of America.

Estes CPAs

Dalton, Georgia
June 27, 2008

City of Dalton, Georgia
Schedule of Projects Constructed with Special Purpose Local Option Sales Tax
For the Year Ended December 31, 2007

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
Streetscape	\$ 6,500,000	\$ 5,500,000	\$ 6,601,793	\$ 139,473	\$ 6,741,266	100%	\$ 29,159	\$ 3,813,165
Parks and Recreation Complex	<u>12,500,000</u>	<u>9,500,000</u>	<u>14,130,527</u>	<u>-</u>	<u>14,130,527</u>	100%	<u>92,336</u>	<u>11,596,666</u>
Total	<u>\$ 19,000,000</u>	<u>\$ 15,000,000</u>	<u>\$ 20,732,320</u>	<u>\$ 139,473</u>	<u>\$ 20,871,793</u>		<u>\$ 121,495</u>	<u>\$ 15,409,831</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, 2007, which collectively comprise the City of Dalton, Georgia's basic financial statements and have issued our report thereon dated June 27, 2008. We did not audit the financial statements of the Water, Light, and Sinking Fund Commission, which is both a major fund and 97%, 97%, and 99%, 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 questioned costs to be significant deficiencies in internal control over financial reporting. They include items FS07-01 through FS07-08.

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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, listed as FS07-09 and FS07-10 in the accompanying schedule of findings and questioned costs.

We noted certain matters that we reported to management of the City of Dalton, Georgia, in a separate letter dated June 27, 2008.

The City of Dalton, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 CPAs

Dalton, Georgia
June 27, 2008

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

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

Compliance

We have audited the compliance of the City of Dalton, Georgia, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City of Dalton, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Dalton, Georgia's management. Our responsibility is to express an opinion on the City of Dalton, Georgia's compliance based on our audit.

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

In our opinion, the City of Dalton, Georgia, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

The City of Dalton, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 CPAs

Dalton, Georgia
June 27, 2008

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2007

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Dalton, Georgia
2. Eight significant deficiencies were disclosed during the audit of the financial statements that are required to be reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements of the City of Dalton, Georgia were disclosed during the audit.
4. No instances were noted during the audit of internal control over major federal award programs that are required to be reported in the Report on Compliance with Requirement Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Dalton, Georgia expresses an unqualified opinion.
6. The program tested as a major program is:

 U.S. Department of Transportation
 Airport Improvement Program
 CFDA # 20.106
7. The threshold for distinguishing Type A and B programs is \$300,000.
8. The City of Dalton, Georgia was not determined to be a low-risk auditee.

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2007

Findings – Financial Statement Audit

- FS07-01** 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. The Recreation Director has agreed to allow the City Finance Director to evaluate the Recreation Commission's information processing procedures and controls. Recommendations will be made to the Recreation Commission and Director. A cost/benefit analysis of the recommendations will be evaluated and any changes will be implemented. Any changes will not be implemented before the 2009 accounting year due to limited staffing and training resources.
-
- FS07-02** 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 Questioned Costs
December 31, 2007

Findings – Financial Statement Audit (continued)

- FS07-03** 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 entry 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, periodic reconciliation and review procedures performed by Finance Department employees are in place that mitigate the risks. We will evaluate the two recommendations and determine if they will be beneficial to the City.
-
- FS07-04** Condition: Journal entries are not adequately approved.
- Criteria: Lack of supervision and approval for journal entries could allow management override of controls and financial statement error.
- Cause: Numerous and substantial journal entries are made without approval or oversight.
- Effect: Financial statement misstatement could occur and not be detected.
- Recommendation: A list of standard, recurring entries should be created and preapproved by the finance committee. Any nonstandard entries should be approved on a periodic basis. All entries should be reviewed periodically by the finance committee.
- Management Response: We concur. The finance committee will review the recommendation and develop a system of approval for journal entries initiated by the director of finance.
-
- FS07-05** Condition: Bank accounts can be opened or closed without committee or Board approval.
- Criteria: Inadequate approval and review of management activity does not provide effective oversight and control.
- Cause: Authorized individuals within City are able to open and close bank accounts as deemed necessary.
- Effect: The lack of required approval for such actions could lead to asset misappropriation.
- Recommendation: The Finance Director should obtain finance committee approval for accounts that are to be opened or closed.
- Management Response: We concur. We will include restrictions on authorized individuals and require finance committee approval for opening and closing accounts in the new investment policy which will be implemented in the coming year.

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2007

Findings – Financial Statement Audit (continued)

- FS07-06** 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 has drafted an investment policy which has been reviewed by the finance committee and is currently under revision before adoption.
- FS07-07** Condition: The City is unable to effectively verify revenue and receivables related to real property, vehicle, intangible, and mobile home taxes.
Criteria: Inability to verify, test, and/or reconcile revenue amounts could lead to material misstatements in revenue and receivable balances that is undetected by management or employees.
Cause: Another government is contracted to assess, bill, collect, and remit the above taxes. The prepared by and obtained from that government is not sufficient to verify the amounts remitted to the City are complete and accurate.
Effect: The City may be receiving a disproportionate share of revenue.
Recommendation: The finance department should perform or contract with someone to perform tests of collections, remittances, billings, and other items handled by the other government to determine the accuracy of the information.
Management Response: We concur. In accordance with the contract with the other government, we will consider performing tests of the processes and transactions performed by the contractor government as they relate to the City.
- FS07-08** 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. The Finance Department will develop policies and procedures to implement this process before the end of 2008.
- FS07-09** Condition: Departmental budgets were changed without a Council approved budget amendment.
Criteria: The level of budgetary responsibility is at the department level. Any changes in the overall budget of a department must be approved by the Council.
Cause: Management amended budgets for departments that were controlled by the same department head.
Effect: The departments affected were not in compliance with City policy on budget amendments.
Recommendation: A budget amendment should be obtained when the overall departmental budget is changed.
Management Response: We concur. All departmental level budget increases or decreases require council approval. This change was implemented January 1, 2008.

City of Dalton, Georgia
Schedule of Findings and Questioned Costs
December 31, 2007

Findings – Financial Statement Audit (continued)

FS07-10 Condition: The Golf Course Fund held cash balances that were not in compliance with cash policies.
Criteria: The City follows Georgia law as to the requirements for cash and investments. That law requires funds to be either fully covered by FDIC insurance or collateralized at 110% of their value in excess of FDIC.
Cause: The Golf Course held cash at a local bank that was in excess of FDIC limits that was not collateralized.
Effect: The lack of collateralization demonstrated noncompliance with existing laws and also made those deposits susceptible to risk of loss.
Recommendation: All cash, certificates of deposit, money markets, and like investments should be covered by FDIC and collateralized in accordance with Georgia law. This compliance should be verified periodically throughout the year.
Management Response: We concur. The Recreation Commission and accounting department of the Recreation Department provides oversight for the Golf Course and in the normal course of business opens and closes bank accounts. The management in conjunction with the Commission failed to require the proper collateralization based on incorrect information from the financial institution. Recreation management has been informed, this will be corrected within thirty days, and the collateralization of this account will be monitored through the Recreation Department accounting staff

City of Dalton, Georgia
Schedule of Expenditures of Federal Awards
December 31, 2007

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Community Development Block Grants/Entitlement Grants	14.218	\$ 243,091
U.S. DEPARTMENT OF JUSTICE Local Law Enforcement Block Grant Program	16.592	14,865
U.S. DEPARTMENT OF TRANSPORTATION Airport Improvement Program	20.106	<u>827,654</u>
Total		<u>\$ 1,085,610</u>

City of Dalton, Georgia
Notes to Schedule of Expenditures of Federal Awards
December 31, 2007

A. General

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

B. Basis of Accounting

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

C. Relationship to Federal Financial Reports

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