



DEPARTMENT OF AUDITS AND ACCOUNTS
EDUCATION AUDIT DIVISION

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Russell W. Hinton
STATE AUDITOR
(404) 656-2174

Ronald E. Watson
DIRECTOR
(404) 656-2180

October 11, 2011

Honorable John Schwenn
President
Dalton State College
650 College Drive
Dalton, Georgia 30720

Dear Dr. Schwenn:

We have completed certain audit procedures relating to the financial statements of Dalton State College as part of our agreed upon procedures engagement of the statutory basis financial statements of the State of Georgia presented in the *State of Georgia Budgetary Compliance Report* and our audit of the basic financial statements of the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report*, and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2011. In connection therewith, we have issued the enclosed Management Report containing information pertinent to the financial and compliance activities of Dalton State College, as of and for the year ended June 30, 2011.

For the year ended June 30, 2011, the State of Georgia elected to satisfy the requirements of the Single Audit Act Amendments of 1996 and Office of Management and Budget's (OMB) Circular A-133 by performing a statewide single audit. As you were earlier notified, your Institution was identified as an organizational unit of the State of Georgia reporting entity, and accordingly, your financial statements were examined to the extent considered necessary to enable us to express an opinion on the financial statements of the State of Georgia contained in the *Comprehensive Annual Financial Report (CAFR)* of the State of Georgia, and to report on compliance and internal control in the *Single Audit Report* of the State of Georgia, pursuant to Government Auditing Standards.

You are not required to submit a copy of your individual Institution report to those grantors that have provided your Institution with funding in support of your Federal awards. All report distribution requirements will be satisfied through the distribution of the *Single Audit Report* of the State of Georgia.

The State Accounting Office (SAO) will assist each of the organizational units of the State who was a recipient of Federal financial assistance in fulfilling their respective report distribution requirements, as specified by OMB Circular A-133. Upon completion of the statewide single audit, the SAO will transmit a copy of the *Single Audit Report* of the State of Georgia to each of the following governmental entities on your behalf:

Dr. Schwenn
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October 11, 2011

- (1) U. S. Bureau of the Census National Clearinghouse, and
- (2) Each organization unit of the State including each State agency, authority, commission, college, university, technical college, etc., that provided Federal financial assistance to your Institution.

In the event your Institution received Federal financial assistance from an organization (pass-through entity) other than those noted in (2) above, your Institution may have additional report distribution responsibilities as follows:

- ✓ You may need to furnish a copy of the *Single Audit Report* of the State of Georgia (which will be made available to you upon issuance at a later date) if in the Schedule of Findings, Questioned Costs and Other Items or the Summary Schedule of Prior Year Findings disclosed findings relating to the Federal awards that the pass-through entity provided to your Institution. Upon request, SAO will supply your Institution with sufficient copies of the *Single Audit Report* of the State of Georgia in order that you may distribute a report to each of the "pass-through entities". For your assistance, we have identified these pass-through entities as follows:

(1) None

- ✓ If your Institution received Federal financial assistance from pass-through entities for which the *Single Audit Report* of the State of Georgia contains no findings that related to the Federal Awards provided by the pass-through entities, it is not necessary for you to send these pass-through entities a copy of the *Single Audit Report*. You need only provide written notification to each of the pass-through entities that a single audit was performed in accordance with OMB Circular A-133 and that there were no findings associated with the Federal awards received from the pass-through entity. Those pass-through entities that will need a notification letter are identified below:

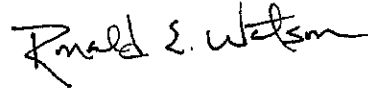
(1) Coosa Valley Regional Development Center

See Attachment "A" for an example of the notification letter to be furnished to the above pass-through entities. If you need to determine the amount of expenditures incurred by your Institution against Federal assistance programs provided by any of the above pass-through entities, you can access the Institution's "Schedule of Expenditures of Federal Awards" web application at <https://www.audits.ga.gov/auth/login.aud>. The designated contact for the Federal expenditure web application has the username and password required to access this website.

Dr. Schwenn
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Thank you for your cooperation in the above matters and should you have any questions, please contact Tim Ray, Federal Compliance Coordinator at (404) 657-5146.

Respectfully,

A handwritten signature in black ink that reads "Ronald E. Watson". The signature is written in a cursive style with a large, prominent "R" and "W".

Ronald E. Watson
Director
Education Audit Division

REW/vs
Enclosure
cc w/Attachment "A": Mr. Scott Bailey

EXAMPLE NOTIFICATION LETTER TO OTHER GRANTORS

September 1, 2011

Mr. Joe Smith
Metropolitan Atlanta Regional Development Center
1234 First Street
Atlanta, Georgia 30334

Dear Mr. Smith,

Our organization was audited for the fiscal year ended June 30, 2011 by the Georgia Department of Audits as a part of the *Single Audit Report* of the State of Georgia. The *Single Audit Report* was conducted in accordance with OMB Circular A-133. OMB Circular A-133 Section 320(e) requires that we provide written notification to pass-through entities that a single audit was conducted and the Schedule of Findings and Questioned Costs disclosed no findings relating to the grant obtained from the pass-through entity. The following are Federal awards that we expended during the fiscal year ended June 30, 2011 which were provided by your organization:

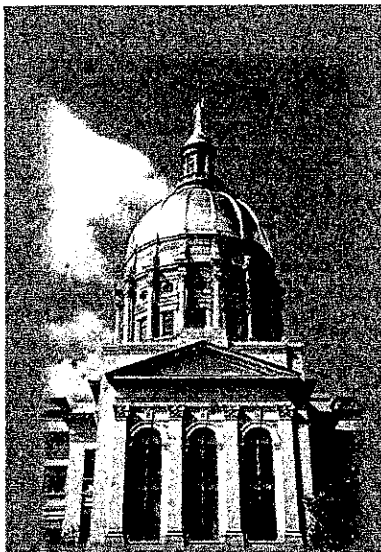
(1) Education and Human Resources (47.076)	\$123,456.78
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The Schedule of Findings and Questioned Costs disclosed no findings relating to the Federal award(s) listed above, nor did the Summary Schedule of Prior Findings report on the status of any findings relating to the Federal award(s) above.

If you have any questions, please contact Mary Doe, Director of Accounting at (404)123-4567.

Sincerely,

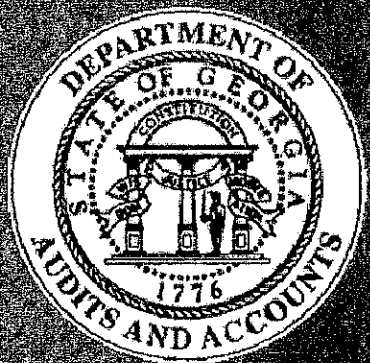
John Smith
President



**DALTON STATE
COLLEGE
DALTON, GEORGIA**

MANAGEMENT REPORT
FOR FISCAL YEAR ENDED
JUNE 30, 2011

A Member Institution of the
University System of Georgia



**Georgia Department of
Audits and Accounts**

Russell W. Hinton
State Auditor

DALTON STATE COLLEGE

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SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

SECTION I

FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 1-156
Atlanta, Georgia 30334-8400

Russell W. Hinton
STATE AUDITOR
(404) 666-2174

October 10, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly of Georgia
Members of the State Board of Regents of the
University System of Georgia
and
Honorable John Schwenn, President
Dalton State College

Ladies and Gentlemen:

As part of our audits of the basic financial statements of the University System of Georgia presented in the *Annual Financial Report* for the University System of Georgia, the basic financial statements of the State of Georgia presented in the *State of Georgia Comprehensive Annual Financial Report* and the issuance of a *State of Georgia Single Audit Report* pursuant to the Single Audit Act Amendments, as of and for the year ended June 30, 2011, we have performed certain audit procedures at Dalton State College. Accordingly, the financial statements and compliance activities of Dalton State College were examined to the extent considered necessary in order to express an opinion as to the fair presentation of the financial statements contained in the foregoing documents and to issue reports on compliance and internal control as required by the Single Audit Act Amendments of 1996.

This Management Report contains information pertinent to the financial and compliance activities of Dalton State College as of and for the year ended June 30, 2011. Information contained in this report is a by-product of our audits of the basic financial statements of the University System of Georgia and the basic financial statements of the State of Georgia and is the representation of management. Accordingly, we do not express an opinion or any other form of assurance on it. The particular information provided which includes a section on findings and other items reported in accordance with Commission on Colleges regulation 2.11.1 is enumerated in the Table of Contents.

This report is intended solely for the information and use of the management of Dalton State College, members of the Board of Regents of the University System of Georgia and the Southern Association of Colleges and Schools - Commission on Colleges and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as

SELECTED FINANCIAL INFORMATION

DALTON STATE COLLEGE
STATEMENT OF NET ASSETS - (GAAP BASIS)
JUNE 30, 2011

EXHIBIT "A"

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 2,765,108
Accounts Receivable, Net (Note 3)	
Federal Financial Assistance	980,727
Other	1,295,000
Due From Affiliated Organizations	39,769
Inventories	22,345
Prepaid Items	<u>21,084</u>
Total Current Assets	\$ 5,124,033
Noncurrent Assets	
Capital Assets, Net (Note 4)	<u>34,678,154</u>
Total Assets	\$ <u>39,802,187</u>

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 531,821
Salaries Payable	465,262
Deposits	52,910
Deferred Revenue (Note 5)	560,092
Deposits Held for Other Organizations	177,259
Lease Purchase Obligations	93,074
Compensated Absences	<u>510,495</u>
Total Current Liabilities	\$ <u>2,390,913</u>
Noncurrent Liabilities	
Lease Purchase Obligations	\$ 7,315,595
Compensated Absences	<u>163,455</u>
Total Noncurrent Liabilities	\$ <u>7,479,050</u>
Total Liabilities	\$ <u>9,869,963</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$ 27,269,485
Restricted for	
Expendable	1,961
Unrestricted	<u>2,660,778</u>
Total Net Assets	\$ <u>29,932,224</u>

DALTON STATE COLLEGE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2011

EXHIBIT "B"

OPERATING REVENUES

Student Tuition and Fees	\$	14,979,283
Less: Scholarship Allowances		-6,985,065
Grants and Contracts		
Federal		937,834
State		1,038,472
Other		955,421
Sales and Services of Educational Departments		11,389
Auxiliary Enterprises		
Residence Halls		1,114,728
Bookstore		218,743
Food Services		385,576
Parking/Transportation		875,708
Other Organizations		43,353
Other Operating Revenues		<u>62,895</u>
 Total Operating Revenues	 \$	 <u>13,638,337</u>

OPERATING EXPENSES

Salaries	\$	10,507,478
Faculty		8,803,215
Staff		5,816,112
Employee Benefits		253,331
Other Personal Services		143,001
Travel		10,279,244
Scholarships and Fellowships		1,338,820
Utilities		6,985,036
Supplies and Other Services		<u>1,994,166</u>
Depreciation		
 Total Operating Expenses	 \$	 <u>46,120,403</u>
 Operating Income (Loss)	 \$	 <u>-32,482,066</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	\$	13,082,692
Grants and Contracts		
Federal		16,269,229
Gifts		689,778
Interest and Other Investment Income		4,099
Interest Expense		-449,516
Other Nonoperating Revenues/Expenses		<u>-27,444</u>
 Net Nonoperating Revenues	 \$	 <u>29,568,838</u>
 Income (Loss) Before Other Revenues, Expenses, Gains, or Losses	 \$	 <u>-2,913,228</u>
 Capital Grants and Gifts		
State		<u>4,170,045</u>
 Increase (Decrease) in Net Assets	 \$	 <u>1,256,817</u>
 Net Assets - Beginning of Year		 <u>28,675,407</u>
 Net Assets - End of Year	 \$	 <u>29,932,224</u>

DALTON STATE COLLEGE
STATEMENT OF CASH FLOWS - (GAAP BASIS)
YEAR ENDED JUNE 30, 2011

EXHIBIT "C"

CASH FLOWS FROM OPERATING ACTIVITIES		\$ 7,974,925
Tuition and Fees		3,933,137
Grants and Contracts		11,389
Sales and Services of Educational Departments		-14,773,105
Payments to Suppliers		-19,283,370
Payments to Employees		-10,279,244
Payments for Scholarships and Fellowships		
Auxiliary Enterprise Charges:		1,115,595
Residence Halls		716,676
Bookstore		390,637
Food Services		878,245
Parking/Transportation		43,354
Other Organizations		532,614
Other Receipts (Payments)		<u>532,614</u>
Net Cash Provided (Used) by Operating Activities		<u>\$ -28,739,147</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		\$ 13,082,692
State Appropriations		14,834
Agency Funds Transactions		<u>16,963,701</u>
Gifts and Grants Received for Other than Capital Purposes		
Net Cash Flows Provided (Used) by Noncapital Financing Activities		<u>\$ 30,061,227</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		\$ 876,561
Capital Gifts and Grants Received		-1,445,094
Purchases of Capital Assets		-86,773
Principal Paid on Capital Debt and Leases		-444,856
Interest Paid on Capital Debt and Leases		<u>-444,856</u>
Net Cash Provided (Used) by Capital and Related Financing Activities		<u>\$ -1,100,162</u>
CASH FLOWS FROM INVESTING ACTIVITIES		\$ 4,099
Interest on Investments		<u>4,099</u>
Net Increase (Decrease) in Cash		<u>\$ 226,017</u>
Cash and Cash Equivalents - Beginning of Year		<u>2,539,091</u>
Cash and Cash Equivalents - End of Year		<u>\$ 2,765,108</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating Income (Loss)		<u>\$ -32,482,066</u>
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation		1,994,166
Change in Assets and Liabilities:		
Accounts Receivable		1,291,845
Inventories		309,908
Prepaid Items		-11,279
Accounts Payable		-191,182
Deferred Revenue		348,330
Other Liabilities		1,395
Compensated Absences		-264
Net Cash Provided (Used) by Operating Activities		<u>\$ -28,739,147</u>
NONCASH ACTIVITY		
Fixed Assets Acquired by Incurring Capital Lease Obligations		<u>\$ 92,845</u>
Change in Accrued Interest Payable Affecting Interest Paid		<u>\$ -4,660</u>
Gift of Capital Assets Reducing Proceeds of Capital Grants and Gifts		<u>\$ 3,293,484</u>

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

Dalton State College is one of thirty-five (35) State supported member institutions of higher education in Georgia which comprise the University System of Georgia, an organizational unit of the State of Georgia. The accompanying financial statements reflect the operations of Dalton State College as a separate reporting entity.

The Board of Regents has constitutional authority to govern, control and manage the University System of Georgia. This authority includes but is not limited to the power to designate management, the ability to significantly influence operations, the authority to control institutions' budgets, the power to determine allotments of State funds to member institutions and the authority to prescribe accounting systems and administrative policies for member institutions. Dalton State College does not have authority to retain unexpended State appropriations (surplus) for any given fiscal year. Accordingly, Dalton State College is considered an organizational unit of the Board of Regents of the University System of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational, and financial relationships with the Board of Regents as defined in Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards.

NET ASSETS

The College's net assets are classified as follows:

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

Restricted net assets - expendable: Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the Dalton State College and may be used at the discretion of the governing board to meet current expenses for those purposes, except for unexpended state appropriations (surplus) of \$6,879.99. Unexpended state appropriations must be refunded to the Board of Regents of the University System of Georgia, University System Office for remittance to the Office of State Treasurer. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

NOTE 2: DEPOSITS

DEPOSITS

The custodial credit risk for deposits is the risk that in the event of a bank failure, the Dalton State College's deposits may not be recovered. Funds belonging to the State of Georgia (and thus the college) cannot be placed in a depository paying interest longer than ten days without the depository providing a surety bond to the State. In lieu of a surety bond, the depository may pledge as collateral any one or more of the following securities as enumerated in the Official Code of Georgia Annotated Section 50-17-59:

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 2: DEPOSITS

1. Bonds, bills, notes, certificates of indebtedness, or other direct obligations of the United States or of the State of Georgia.
2. Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia.
3. Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose.
4. Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia.
5. Bonds, bills, certificates of indebtedness, notes or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest and debt obligations issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association and the Federal National Mortgage Association.
6. Guarantee or insurance of accounts provided by the Federal Deposit Insurance Corporation.

The Treasurer of the Board of Regents is responsible for all details relative to furnishing the required depository protection for all units of the University System of Georgia.

At June 30, 2011, the carrying value of deposits was \$2,779,402 and the bank balance was \$3,511,885. Of the College's deposits \$3,511,885 were collateralized with securities held by the financial institution, by its trust department or agency, but not in the College's name.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following at June 30, 2011.

Student Tuition and Fees	\$	309,444
Auxiliary Enterprises and Other Operating Activities		89,630
Federal, State and Private Funds		980,727
Georgia State Financing and Investment Commission		276,619
Due from Affiliated Organizations		39,769
Other		<u>734,482</u>
	\$	2,430,671
Less Allowance for Doubtful Accounts		<u>115,175</u>
Net Accounts Receivable	\$	<u><u>2,315,496</u></u>

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 4: CAPITAL ASSETS

Following are the changes in the College's capital assets for the year ended June 30, 2011:

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
Capital Assets, Not Being Depreciated:				
Land	\$ 1,038,065			\$ 1,038,065
Construction Work-In-Progress	914,452	\$ 231,006	\$ 914,452	231,006
Total Capital Assets, Not Being Depreciated	\$ 1,952,517	\$ 231,006	\$ 914,452	\$ 1,269,071
Capital Assets, Being Depreciated:				
Infrastructure	\$ 1,346,095			\$ 1,346,095
Building and Building Improvements	29,147,366	\$ 4,875,843		34,023,209
Facilities and Other Improvements	2,427,236			2,427,236
Equipment	4,280,964	360,009	\$ 52,785	4,588,188
Capital Leases	7,044,377	92,845		7,137,222
Library Collections	5,930,048	186,172	8,278	6,107,942
Capitalized Collections	23,669			23,669
Total Assets Being Depreciated	\$ 50,199,755	\$ 5,514,869	\$ 61,063	\$ 55,653,561
Less: Accumulated Depreciation:				
Infrastructure	\$ 1,049,576	\$ 33,187		\$ 1,082,763
Building and Building Improvements	10,432,872	929,415		11,362,287
Facilities and Other Improvements	1,037,493	74,927		1,112,420
Equipment	2,893,848	508,947	\$ 20,646	3,382,149
Capital Leases	195,677	196,870		392,547
Library Collections	4,669,770	250,820	8,278	4,912,312
Total Accumulated Depreciation	\$ 20,279,236	\$ 1,994,166	\$ 28,924	\$ 22,244,478
Total Capital Assets, Being Depreciated, Net	\$ 29,920,519	\$ 3,520,703	\$ 32,139	\$ 33,409,083
Capital Assets, Net	\$ 31,873,036	\$ 3,751,709	\$ 946,591	\$ 34,678,154

NOTE 5: DEFERRED REVENUE

Deferred revenue consisted of the following at June 30, 2011.

Other Deferred Revenue

\$ 560,092

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 6: LONG-TERM LIABILITIES

The College's Long-Term liability activity for the year ended June 30, 2011 was as follows:

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011	Current Portion
Leases					
Lease Obligations	\$ 7,397,937	\$ 97,505	\$ 86,773	\$ 7,408,669	\$ 93,074
Other Liabilities					
Compensated Absences	674,214	542,960	543,224	673,950	510,495
Total Long-Term Obligations	\$ 8,072,151	\$ 640,465	\$ 629,997	\$ 8,082,619	\$ 603,569

NOTE 7: NET ASSETS

Changes in Net Asset activity for the year ended June 30, 2011 are as follows:

	Beginning Balance July 1, 2010	Additions	Reductions	Ending Balance June 30, 2011
Invested in Capital Assets Net of Related Debt	\$ 24,475,099	\$ 3,740,977	\$ 946,591	\$ 27,269,485
Restricted Net Assets	1,961	16,269,229	16,269,229	1,961
Unrestricted Net Assets	4,198,347	26,937,946	28,475,515	2,660,778
Total Net Assets	\$ 28,675,407	\$ 46,948,152	\$ 45,691,335	\$ 29,932,224

NOTE 8: LEASE OBLIGATIONS

Dalton State College is obligated under various operating leases for the use of real property (land, buildings, and office facilities) and equipment, and also is obligated under capital leases and installment purchase agreements for the acquisition of real property and equipment.

CAPITAL LEASES

Capital leases are generally payable in installments ranging from monthly to annually and have terms expiring in various years between 2012 and 2040. Expenses for fiscal year 2011 were \$531,629 of which \$444,856 represented interest. Total principal paid on capital leases was \$86,773 for the fiscal year ended June 30, 2011. Interest rate for this project was 5.952 percent.

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 8: LEASE OBLIGATIONS

OPERATING LEASES

Dalton State College's noncancellable operating leases provide for renewal options for periods from one to three-years at their fair rental value at the time of renewal. All agreements are cancelable if the State of Georgia does not provide adequate funding, but that is considered a remote possibility. In the normal course of business, operating leases are generally renewed or replaced by other leases. Operating leases are generally payable on a monthly basis. Examples of property under operating leases are copiers, other small business equipment, and buildings.

Noncancellable operating lease rental expenses in 2011 were \$442,968 for real property and/or equipment.

FUTURE COMMITMENTS

Future commitments for capital leases (which here and on the Statement of Net Assets include other installment purchase agreements) and for noncancellable operating leases having remaining terms in excess of one year as of June 30, 2011, were as follows:

	Capital Leases		Operating Leases
Year Ending June 30:			
2012	\$ 532,673	\$	442,968
2013	533,569		
2014	534,261		
2015	534,768		
2016	535,070		
2017 - 2021	2,686,084		
2022 - 2026	2,695,725		
2027 - 2031	2,721,605		
2032 - 2036	2,746,777		
2037 - 2040	2,205,308		
Total Minimum Lease Payments	\$ 15,725,840	\$	442,968
Less: Interest	8,317,171		
Principal Outstanding	\$ 7,408,669		

NOTE 9: RETIREMENT PLANS

Dalton State College participates in various retirement plans administered by the State of Georgia under two major retirement systems: Employees' Retirement System of Georgia (ERS System) and Teachers Retirement System of Georgia. These two systems issue separate publicly available financial reports that include the applicable financial statements and required supplementary information. The reports may be obtained from the respective system offices. The significant retirement plans that Dalton State College participates in are described below. More detailed information can be found in the plan agreements and related legislation. Each plan, including benefit and contribution provisions, was established and can be amended by State law.

NOTE 9: RETIREMENT PLANS

Teachers Retirement System of Georgia

The Teachers' Retirement System of Georgia (TRS) is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

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

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

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

TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2011 were 5.53% of annual salary. Employer contributions required for fiscal year 2011 were 10.28% of annual salary as required by the June 30, 2009 actuarial valuation.

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 9: RETIREMENT PLANS

Teachers Retirement System of Georgia

The following table summarizes the Dalton State College contributions by defined benefit plan for the years ending June 30, 2011, June 2010, and June 2009 (dollars in thousands):

Fiscal Year	TRS	
	Percentage Contributed	Required Contribution
2011	100%	\$ 1,056,614
2010	100%	\$ 924,638
2009	100%	\$ 863,830

Regents Retirement Plan

Plan Description

The Regents Retirement Plan, a single-employer defined contribution plan, is an optional retirement plan that was created/established by the Georgia General Assembly in O.C.G.A. 47-21-1 et.seq. and administered by the Board of Regents of the University System of Georgia. O.C.G.A. 47-3-68(a) defines who may participate in the Regents Retirement Plan. An "eligible university system employee" is a faculty member or a principal administrator, as designated by the regulations of the Board of Regents. Under the Regents Retirement Plan, a plan participant may purchase annuity contracts from four approved vendors (AIG-VALIC, American Century, Fidelity, and TIAA-CREF) for the purpose of receiving retirement and death benefits. Benefits depend solely on amounts contributed to the plan plus investment earnings. Benefits are payable to participating employees or their beneficiaries in accordance with the terms of the annuity contracts.

Funding Policy

Dalton State College makes monthly employer contributions for the Regents Retirement Plan at rates adopted by the Teachers Retirement System of Georgia Board of Trustees in accordance with State statute and as advised by their independent actuary. For fiscal year 2011, the employer contribution was 9.24% for the participating employee's earnable compensation. Employees contribute 5% of their earnable compensation. Amounts attributable to all plan contributions are fully vested and non-forfeitable at all times.

Dalton State College and the covered employees made the required contributions of \$600,943 (9.24%) and \$325,186 (5%), respectively.

AIG-VALIC, American Century, Fidelity, and TIAA-CREF have separately issued financial reports which may be obtained through their respective corporate offices.

Georgia Defined Contribution Plan

Plan Description

Dalton State College participates in the Georgia Defined Contribution Plan (GDGP) which is a single-employer defined contribution plan established by the General Assembly of Georgia for the purpose of providing retirement coverage for State employees who are temporary, seasonal, and part-time and are not members of a public retirement or pension system. GDGP is administered by the Board of Trustees of the Employees' Retirement System of Georgia.

NOTE 9: RETIREMENT PLANS

Georgia Defined Contribution Plan

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payment will be based upon mortality tables and interest assumptions to be adopted by the Board of Trustees. If a member has less than \$3,500 credited to his/her account, the Board of Trustees has the option of requiring a lump sum distribution to the member in lieu of making periodic payments. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary. Benefit provisions are established by State statute.

Contributions

Member contributions are seven and one-half percent (7.5%) of gross salary. There are no employer contributions. Contribution rates are established by State statute. Earnings are credited to each member's account in a manner established by the Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

Total contributions made by employees during fiscal year 2011 amounted to \$60,230 which represents 7.5% of covered payroll. These contributions met the requirements of the plan.

The Georgia Defined Contribution Plan issues a financial report each fiscal year, which may be obtained from the ERS offices.

NOTE 10: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

Pursuant to the general powers conferred by the Official Code of Georgia Annotated Section 20-3-31, the Board of Regents of the University System of Georgia has established group health and life insurance programs for regular employees of the University System of Georgia. It is the policy of the Board of Regents to permit employees of the University System of Georgia eligible for retirement or that become permanently and totally disabled to continue as members of the group health and life insurance programs. The policies of the Board of Regents of the University System of Georgia define and delineate who is eligible for these post-employment health and life insurance benefits. Organizational units of the Board of Regents of the University System of Georgia pay the employer portion for group insurance for affected individuals. With regard to life insurance, the employer covers the total cost for \$25,000 of basic life insurance. If an individual elects to have supplemental, and/or, dependent life insurance coverage, such costs are borne entirely by the employee.

The Board of Regents Retiree Health Benefit Plan is a single employer defined benefit plan. Financial statements and required supplementary information for the Plan are included in the publicly available Consolidated Annual Financial Report of the University System of Georgia. The College pays the employer portion of health insurance for its eligible retirees based on rates that are established annually by the Board of Regents for the upcoming plan year. For the 2009 and 2011 plan years, the employer rate was between 70-75% of the total health insurance cost for eligible retirees and the retiree rate was between 25-30%.

DALTON STATE COLLEGE
SELECTED FINANCIAL NOTES
JUNE 30, 2011

EXHIBIT "D"

NOTE 10: POST-EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

As of June 30, 2011, there were 119 employees who had retired or were disabled that were receiving these post-employment health and life insurance benefits. For the year ended June 30, 2011, Dalton State College recognized as incurred \$545,571 of expenditures, which was net of \$255,024 of participant contributions.

NOTE 11: AFFILIATED ORGANIZATIONS

The Dalton State College Foundation is a legally separate tax exempt organization whose activities primarily support Dalton State College. This affiliated organization is considered a potential component unit of the State of Georgia in accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*. Therefore, the financial statements of this affiliated organization are not included in these financial statements. Copies of the financial statements for the affiliated organization may be obtained from Dalton State College.

SUPPLEMENTARY INFORMATION

DALTON STATE COLLEGE
 BALANCE SHEET (STATUTORY BASIS)
 BUDGET FUND
 JUNE 30, 2011

SCHEDULE "1"

ASSETS

Accounts Receivable		\$ 980,727.10
Federal Financial Assistance		1,466,944.34
Other		15,789.00
Prepaid Expenditures		14,431.83
Inventories		<u>14,431.83</u>
Total Assets		\$ <u>2,477,892.27</u>

LIABILITIES AND FUND EQUITY

Liabilities		
Cash Overdraft		\$ 353,477.80
Accrued Payroll		461,345.90
Encumbrances Payable		852,634.00
Accounts Payable		83,183.70
Deferred Revenue		<u>480,093.33</u>
Total Liabilities		\$ <u>2,230,734.73</u>
Fund Balances		
Reserved		
Department Sales and Services		\$ 138.00
Indirect Cost Recoveries		38,272.75
Technology Fees		68,731.98
Restricted/Sponsored Funds		2,336.94
Tuition Carry-Over		19,852.03
Uncollectible Accounts Receivable		94,959.19
Inventories		15,986.66
Unreserved		
Surplus		<u>6,879.99</u>
Total Fund Balances		\$ <u>247,157.54</u>
Total Liabilities and Fund Balances		\$ <u>2,477,892.27</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

DALTON STATE COLLEGE
 SUMMARY BUDGET COMPARISON AND SURPLUS ANALYSIS REPORT (STATUTORY BASIS)
 BUDGET FUND
 YEAR ENDED JUNE 30, 2011

SCHEDULE *2*

	BUDGET	ACTUAL	VARIANCE - FAVORABLE (UNFAVORABLE)
REVENUES			
State Appropriation	\$ 13,094,814.00	\$ 13,094,814.00	\$ 0.00
State General Funds	35,658,000.00	34,753,837.75	-904,162.25
Other Funds			
Total Revenues	\$ 48,752,814.00	\$ 47,848,651.75	\$ -904,162.25
CARRY-OVER FROM PRIOR YEARS			
Transfers from Reserved Fund Balance	0.00	113,946.63	113,946.63
Adjustments and Program Transfers	0.00	261,238.88	261,238.88
Total Funds Available	\$ 48,752,814.00	\$ 48,223,837.26	\$ -528,976.74
EXPENDITURES			
Teaching	\$ 48,752,814.00	\$ 47,957,945.71	\$ 794,868.29
Excess of Funds Available over Expenditures	\$ 0.00	\$ 265,891.55	\$ 265,891.55
FUND BALANCE JULY 1			
Reserved		197,927.68	
Unreserved		7,491.52	
ADJUSTMENTS			
Prior Year Payables/Expenditures		10,524.32	
Prior Year Receivables/Revenues		-108,608.49	
Unreserved Fund Balance (Surplus) Returned to Board of Regents - University System Office Year Ended June 30, 2010		-7,491.52	
Early Return of Surplus in Current Fiscal Year		-4,630.89	
Prior Year Reserved Fund Balance Included in Funds Available		-113,946.63	
FUND BALANCE JUNE 30		\$ 247,157.54	
SUMMARY OF FUND BALANCE			
Reserved			
Department Sales and Services	\$	138.00	
Indirect Cost Recoveries		38,272.75	
Technology Fees		68,731.98	
Restricted/Sponsored Funds		2,336.94	
Tuition Carry-Over		19,852.03	
Uncollectible Accounts Receivable		94,959.19	
Inventories		15,986.66	
Total Reserved	\$	240,277.55	
Unreserved			
Surplus		6,879.99	
Total Fund Balance	\$	247,157.54	

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

DALTON STATE COLLEGE
 STATEMENT OF FUNDS AVAILABLE AND EXPENDITURES COMPARED TO BUDGET BY PROGRAM AND FUNDING SOURCE
 (STATUTORY BASIS) BUDGET FUND
 YEAR ENDED JUNE 30, 2011

	<u>Original Appropriation</u>	<u>Amended Appropriation</u>	<u>Final Budget</u>	<u>Current Year Revenues</u>
Teaching				
State Appropriation				
State General Funds	\$ 13,923,098.00	\$ 13,094,814.00	\$ 13,094,814.00	\$ 13,094,814.00
Federal Funds				
American Recovery and Reinvestment Act of 2009				
Federal Stabilization Funds	188,093.00	0.00	0.00	0.00
Other Funds	<u>28,945,870.00</u>	<u>33,318,245.00</u>	<u>35,658,000.00</u>	<u>34,753,837.75</u>
Total Teaching	<u>\$ 43,057,061.00</u>	<u>\$ 46,413,059.00</u>	<u>\$ 48,752,814.00</u>	<u>\$ 47,848,651.75</u>
Total Operating Activity	<u>\$ 43,057,061.00</u>	<u>\$ 46,413,059.00</u>	<u>\$ 48,752,814.00</u>	<u>\$ 47,848,651.75</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Funds Available Compared to Budget				Expenditures Compared to Budget		Excess (Deficiency) of Funds Available Over/(Under) Expenditures
Prior Year Carry-Over	Adjustments and Program Transfers	Total Funds Available	Variance Positive (Negative)	Actual	Variance Positive (Negative)	
\$ 0.00	\$ 0.00	\$ 13,094,814.00	\$ 0.00	\$ 13,091,675.46	\$ 3,138.54	\$ 3,138.54
0.00	0.00	0.00	0.00	0.00	0.00	0.00
<u>113,946.63</u>	<u>261,238.88</u>	<u>35,129,023.26</u>	<u>-528,976.74</u>	<u>34,866,270.25</u>	<u>791,729.75</u>	<u>262,753.01</u>
\$ <u>113,946.63</u>	\$ <u>261,238.88</u>	\$ <u>48,223,837.26</u>	\$ <u>-528,976.74</u>	\$ <u>47,957,945.71</u>	\$ <u>794,868.29</u>	\$ <u>265,891.55</u>
\$ <u>113,946.63</u>	\$ <u>261,238.88</u>	\$ <u>48,223,837.26</u>	\$ <u>-528,976.74</u>	\$ <u>47,957,945.71</u>	\$ <u>794,868.29</u>	\$ <u>265,891.55</u>

DALTON STATE COLLEGE
 STATEMENT OF CHANGES TO FUND BALANCE BY PROGRAM AND FUNDING SOURCE
 (STATUTORY BASIS) BUDGET FUND
 YEAR ENDED JUNE 30, 2011

	<u>Beginning Fund Balance/(Deficit) July 1</u>	<u>Fund Balance Carried Over from Prior Period as Funds Available</u>	<u>Return of Fiscal Year 2010 Surplus</u>	<u>Prior Period Adjustments</u>
Teaching				
State Appropriation	\$ 0.00	\$ 0.00	\$ 0.00	\$ 4,630.89
State General Funds	<u>121,438.15</u>	<u>-113,946.63</u>	<u>-7,491.52</u>	<u>-102,715.06</u>
Other Funds				
Total Teaching	<u>\$ 121,438.15</u>	<u>\$ -113,946.63</u>	<u>\$ -7,491.52</u>	<u>\$ -98,084.17</u>
Total Operating Activity	<u>\$ 121,438.15</u>	<u>\$ -113,946.63</u>	<u>\$ -7,491.52</u>	<u>\$ -98,084.17</u>
Prior Year Reserves				
Not Available for Expenditure				
Inventories	17,315.23	0.00	0.00	0.00
Uncollectible Accounts Receivable	<u>66,665.82</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Budget Unit Totals	<u>\$ 205,419.20</u>	<u>\$ -113,946.63</u>	<u>\$ -7,491.52</u>	<u>\$ -98,084.17</u>

Statutory Basis financial information was prepared on a prescribed basis of accounting that demonstrates compliance with budgetary statutes and regulations of the State of Georgia, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Other Adjustments	Early Return Fiscal Year 2011 Surplus	Excess (Deficiency) of Funds Available Over/(Under) Expenditures	Ending Fund Balance/(Deficit) June 30	Analysis of Ending Fund Balance		
				Reserved	Surplus/(Deficit)	Total
\$ 1,328.57	\$ -4,630.89	\$ 3,138.54	\$ 4,467.11	\$ 0.00	\$ 4,467.11	\$ 4,467.11
<u>-28,293.37</u>	<u>0.00</u>	<u>262,753.01</u>	<u>131,744.58</u>	<u>129,331.70</u>	<u>2,412.88</u>	<u>131,744.58</u>
\$ -26,964.80	\$ -4,630.89	\$ 265,891.55	\$ 136,211.69	\$ 129,331.70	\$ 6,879.99	\$ 136,211.69
\$ -26,964.80	\$ -4,630.89	\$ 265,891.55	\$ 136,211.69	\$ 129,331.70	\$ 6,879.99	\$ 136,211.69
-1,328.57	0.00	0.00	15,986.66	15,986.66	0.00	15,986.66
<u>28,293.37</u>	<u>0.00</u>	<u>0.00</u>	<u>94,959.19</u>	<u>94,959.19</u>	<u>0.00</u>	<u>94,959.19</u>
\$ <u>0.00</u>	\$ <u>-4,630.89</u>	\$ <u>265,891.55</u>	\$ <u>247,157.54</u>	\$ <u>240,277.55</u>	\$ <u>6,879.99</u>	\$ <u>247,157.54</u>

Summary of Ending Fund Balance

Reserved			
Department Sales and Services	\$	138.00	\$ 138.00
Indirect Cost Recoveries		38,272.75	38,272.75
Technology Fees		68,731.98	68,731.98
Restricted/Sponsored Funds		2,336.94	2,336.94
Tuition Carry-over		19,852.03	19,852.03
Uncollectible Accounts Receivable		94,959.19	94,959.19
Inventories		15,986.66	15,986.66
Unreserved, Undesignated Surplus		0.00	\$ 6,879.99
Total Ending Fund Balance - June 30	\$	240,277.55	\$ 6,879.99
			\$ 247,157.54

DALTON STATE COLLEGE
RECONCILIATION OF SALARIES AND TRAVEL
YEAR ENDED JUNE 30, 2011

SCHEDULE "5"

	SALARIES	TRAVEL
Totals per Annual Supplement	\$ 19,323,382.05	\$ 143,000.71
Accruals		
June 30, 2011	465,262.41	
June 30, 2010	-431,936.76	
Compensated Absences		
June 30, 2011	626,056.84	
June 30, 2010	-626,302.22	
Adjustments		
Shared Services on Jointly Staffed Personnel		
Fort Valley State University		
Public Safety Peer Review	-241.94	
Georgia Southwestern State University		
Long, Colette	129.54	
Kennesaw State University		
King, Sylvia	-7,200.00	
University of West Georgia		
Bailey, Scott	-815.92	
Bates, James	-789.95	
Blackburn, Natalie	-14,205.81	
Deaton, Tom	-6,577.20	
Drye, Jerry Wayne	-1,300.00	
Waskey, Jack	-9,810.00	
Weitz, Seth	-3,600.00	
Unidentified Variance/Rounding	-1,358.04	
	\$ 19,310,693.00	\$ 143,000.71

SECTION II

FINDINGS, QUESTIONED COSTS AND OTHER ITEMS

DALTON STATE COLLEGE
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND OTHER ITEMS
YEAR ENDED JUNE 30, 2011

FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

OTHER ITEMS (NOTED FOR MANAGEMENT'S CONSIDERATION)

No matters were reported.