

CATOOSA COUNTY
BOARD OF EDUCATION
RINGGOLD, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2010
(Including Independent Auditor's Reports)

CATOOSA COUNTY BOARD OF EDUCATION

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 23, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Catoosa County Board of Education

INDEPENDENT AUDITOR'S COMBINED REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Ladies and Gentlemen:

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2011, on our consideration of the Catoosa County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of

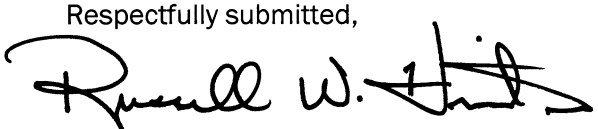
that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through ix and page 25 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures, to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Catoosa County Board of Education's financial statements as a whole. The accompanying supplementary information consists of Schedules 2 through 5, which includes the Schedule of Expenditures of Federal Awards as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2010ARL-11

CATOOSA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

INTRODUCTION

Our discussion and analysis of the Catoosa County School District's financial performance provides an overview of the School District's financial activities for the fiscal year ended June 30, 2010. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

The basic financial statements contain three components:

1) District-wide financial statements, including the Statement of Net Assets and the Statement of Activities, which provide a broad, long-term overview of the School District's overall financial status,

2) Fund financial statements, including the Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balance, which provide a greater level of detail of the School District's operations. Fund financial statements reflect the School District's significant funds: General Fund (which includes the general operating fund, special revenue funds and school activity accounts); Capital Projects Funds and Debt Service Funds. The Governmental Funds statements disclose how basic services are financed in the short-term and what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others, and

3) Notes to the financial statements.

This report presents the financial highlights for the last year and contains other supplementary information.

OVERALL ANALYSIS

The School District currently serves approximately 10,400 students with a general fund budget of approximately $103.0 million. In general, the financial operations of the School District have remained strong in spite of experiencing continuing state revenue reductions.

Financial Highlights

Key financial highlights for 2010 are as follows:

- On the District-wide financial statements:
  - Total net assets of the School District increased from $141,224,785 at June 30, 2009, to $147,468,681 at June 30, 2010, an increase of $6,243,896 or 4.42%.
  - Total revenues decreased from $110,329,130 in fiscal year 2009 to $106,413,475 in fiscal year 2010, a decrease of $3,915,655 or 3.55%.
  - Total expenses decreased from $102,447,190 in fiscal year 2009 to $101,947,039 in fiscal year 2010, a decrease of $500,151 or 0.49%.
- On the fund financial statements:
  - Ending fund balances of the School District decreased from $29,038,210 at June 30, 2009 to $28,166,566 at June 30, 2010, a decrease of $871,644, or 3.01 %.

- In the General Fund, unreserved fund balance decreased from $13,110,740 at June 30, 2009 to $12,527,198 at June 30, 2010, a decrease of $583,542 or 4.45%.

- Total General Fund actual revenues were $1,658,420, or 1.70%, less than original budgeted revenues.

- Total General Fund actual expenditures were $4,859,938, or 4.73%, less than original budgeted expenditures.

OVERVIEW OF DISTRICT-WIDE FINANCIAL STATEMENTS

The District-wide financial statements are designed to provide readers with a broad overview of the School District's finances in a manner similar to a private sector business. The Statement of Net Assets and the Statement of Activities provide information about the School District as a whole, presenting both an aggregate and long-term view of the finances. These statements include all assets and liabilities using the actual basis of accounting. This basis of accounting includes all of the current year's revenues and expenses regardless when the cash is received or paid.

The *Statement of Net Assets* presents information on all of the School District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School District is improving or diminishing. Causes of the change in net assets are the results of many factors including those not under the control of the School District, such as property tax base, facility conditions, required educational programs, student-teacher ratios and other factors.

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

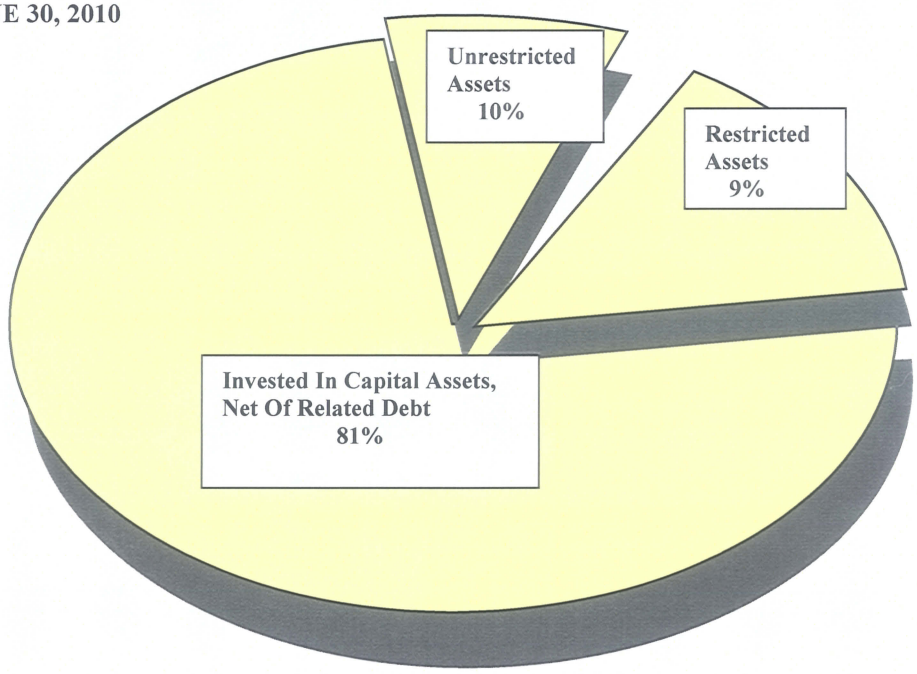
The District-wide financial statements outline functions of the School District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the School District include instruction, support services, community services, food services and interest on long-term debt.

Financial Analysis of the School District as a Whole

All of the School District's services are reported in the District-wide financial statements, including instruction, pupil services, improvement of instructional services, educational media services, general administration, business administration, school administration, pupil transportation, maintenance and operations, central support services, other support services, food services and interest on long-term debt. Property taxes and operating grants and contributions finance most of these activities. Additionally, all capital and debt financing activities are reported here.

Statement of Net Assets	GOVERNMENTAL ACTIVITIES			
	2010	2009	Change	%Change
Assets				
Current and Other Assets	$ 40,837,282	$ 41,356,439	$ -519,157	-1.26%
Capital Assets, Net	146,417,114	145,982,549	434,565	0.30%
Total Assets	$ 187,254,396	$ 187,338,988	$ -84,592	-0.05%
Liabilities				
Current and Other Liabilities	$ 12,598,364	$ 11,801,949	$ 796,415	6.75%
Long-Term Liabilities	27,187,351	34,312,254	-7,124,903	-20.76%
Total Liabilities	$ 39,785,715	$ 46,114,203	$ -6,328,488	-13.72%
Net Assets				
Invested in Capital Assets, Net of Related Debt	$ 119,229,763	$ 111,670,295	$ 7,559,468	6.77%
Restricted	13,453,636	14,559,634	-1,105,998	-7.60%
Unrestricted	14,785,282	14,994,856	-209,574	-1.40%
Total Net Assets	$ 147,468,681	$ 141,224,785	$ 6,243,896	4.42%

NET ASSETS - JUNE 30, 2010



Current Assets virtually remained the same, showing only an immaterial decrease from the prior year.

Current Liabilities increased due to a change in reporting from the prior year. In fiscal year 2010, the Board reported Claims Incurred but not Reported (IBNR) and Debt Service Interest Payable not reported in previous years.

Long-Term Liabilities are attributable to the debt associated with the current outstanding bond issue.

Statement of Activities	Governmental Activities			
	2010	2009	Change	% Change
Revenues				
Program Revenues:				
Charges for Services	$ 3,037,264	$ 3,159,875	$ -122,611	-3.88%
Operating Grants and Contributions	58,905,265	59,201,164	-295,899	-0.50%
Capital Grants and Contributions	22,038	769,898	-747,860	-97.14%
General Revenues:				
Property Taxes	25,797,215	25,796,374	841	Insignificant
Special Purpose Local Option Sales Tax For Capital Projects	8,158,612	8,284,943	-126,331	-1.52%
Other Taxes	1,403,536	1,458,742	-55,206	-3.78%
Grants and Contributions not Restricted to Specific Programs	5,348,889	7,803,004	-2,454,115	-31.45%
Unrestricted Investment Earnings	755,582	694,087	61,495	8.86%
Miscellaneous	2,985,074	3,161,043	-175,969	-5.57%
Total Revenues	$ 106,413,475	$ 110,329,130	$ -3,915,655	-3.55%
Program Expenses:				
Instruction	$ 66,706,951	$ 66,517,863	$ 189,088	0.28%
Support Services	28,382,616	28,614,238	-231,622	-0.81%
Community Services	506,707	589,514	-82,807	-14.05%
Food Services	5,275,276	5,249,877	25,399	0.48%
Interest and Fees on Long-Term Debt	1,075,489	1,475,698	-400,209	-27.12%
Total Expenses	$ 101,947,039	$ 102,447,190	$ -500,151	-0.49%
Change in Net Assets	$ 4,466,436	$ 7,881,940	$ -3,415,504	-43.33%
Net Assets - Beginning (Restated)	143,002,245	133,342,845	9,659,400	7.24%
Net Assets - Ending	$ 147,468,681	$ 141,224,785	$ 6,243,896	4.42%

OVERVIEW OF FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the School District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the District-wide financial statements. However, unlike the District-wide statements, governmental fund financial statements focus on *near-term inflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the District-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the District-wide financial statements. By doing so, readers may better understand the long-term impact of the School District's near-term financing decisions. The governmental funds *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. The majority of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year-end that are available for spending. They are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental funds financial statements provide a detailed short-term view of the School District's operations and the services it provides.

In accordance with generally accepted accounting principles, the School District maintains many individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, Capital Projects Fund and the Debt Service Fund, each of which is considered to be a significant or major fund. The School District has no nonmajor funds as described by generally accepted accounting principles.

Fiduciary Funds are used to account for those assets belonging to clubs, organizations and others. The School District acts as a trustee, or fiduciary, and as such is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. Fiduciary fund activity is excluded from the District-wide financial statements as these assets cannot be used to finance its operations.

Revenues and Other Financing Sources - Fund Financial Statements

The following schedule presents a summary of the governmental funds revenues and other financing sources for the period ended June 30, 2010, as compared to June 30, 2009. It depicts both the absolute value and percentage changes in relation to the prior year.

	FY 2010	% of Total	FY 2009	$ Change	% Change
Property Taxes	$ 26,109,456	24.61%	$ 26,483,822	$ -374,366	-1.41%
Sales Taxes	8,946,230	8.43%	8,710,010	236,220	2.71%
State Funds	49,520,946	46.69%	59,200,249	-9,679,303	-16.35%
Federal Funds	14,755,246	13.91%	8,573,817	6,181,429	72.10%
Other	6,741,383	6.36%	7,015,005	-273,622	-3.90%
Total	$ 106,073,261	100.00%	$ 109,982,903	$ -3,909,642	-3.55%

Expenditures and Other Financing Uses - Fund Financial Statements

The following schedule presents a summary of the governmental funds expenditures and other financing uses for the period ended June 30, 2010, as compared to June 30, 2009. It depicts both the absolute value and percentage changes in relation to the prior year.

	FY 2010	% of Total	FY 2009	$ Change	% Change
Current					
Instruction	$ 64,403,316	60.20%	$ 64,320,059	$ 83,257	0.13%
Support Services					
Pupil Services	4,060,659	3.80%	4,595,867	-535,208	-11.65%
Instructional Services	2,235,872	2.09%	2,152,574	83,298	3.87%
Educational Media Services	1,962,037	1.84%	1,924,762	37,275	1.94%
General Administration	1,266,162	1.18%	983,874	282,288	28.69%
School Administration	7,007,766	6.55%	6,835,047	172,719	2.53%
Business Administration	538,148	0.50%	514,804	23,344	4.53%
Maintenance and Operations	6,914,190	6.46%	7,146,492	-232,302	-3.25%
Student Transportation Service	3,424,198	3.20%	4,030,341	-606,143	-15.04%
Central Support Services	435,868	0.41%	468,085	-32,217	-6.88%
Other Support Services	564,327	0.53%	650,247	-85,920	-13.21%
Community Services Operations	506,707	0.47%	589,514	-82,807	-14.05%
Food Services Operations	5,251,279	4.91%	5,198,855	52,424	1.01%
Capital Outlay	86,561	0.08%	1,659,849	-1,573,288	-94.79%
Debt Services	8,324,350	7.78%	7,600,600	723,750	9.52%
Total	$ 106,981,440	100.00%	$ 108,670,970	$ -1,689,530	-1.55%

GENERAL FUND BUDGETARY HIGHLIGHTS

The School District's annual budget is prepared on a basis consistent with generally accepted accounting principles. The most significant budgeted fund is the General Fund. During the course of the fiscal year, the School District amends its General Fund budget as needed.

During fiscal year 2010, the General Fund had actual revenues totaling $97.4 million, which was less than the original budgeted amounts of $99.0 million by approximately $1.6 million. While Federal revenues were $2.2 million more than the original budgeted amount of $12.6 million, mostly attributable to American Recovery and Reinvestment Act of 2009 (ARRA) funds received, state revenues were $7.5 million less than anticipated in the original budget amount of $57.0 million. In addition, miscellaneous revenues from various sources not included in the original budget, primarily school activity (principal) accounts, totaled approximately $2.9 million.

General Fund original budgeted expenditures for fiscal year 2010 totaled $102.7 million. In anticipation of reduced state revenues, management assumed a proactive plan to maintain an adequate fund balance. By doing so, actual expenditures were reduced to $97.9 million, a reduction of approximately $4.8 million.

The original budget adopted by the School District included the anticipated use of $3.7 million of fund balance. During the year the budget was amended several times to provide for reduced state revenues and for the mid-term adjustment to state allotments not included in the original budget. As

actual revenues were less than original budgeted revenues by approximately $1.7 million, the $4.8 million reduction in actual expenditures from the budgeted amount resulted in a decrease of only $475,800.

Subsequent Year Budget and Rates

- The School District adopted a General Fund budget for fiscal year 2011 reflecting total resources, including appropriations, of $82.0 million and total expenditures of $88.5 million with the anticipated use of $6.5 million of fund balance.

- The fiscal year 2010 budget was based on a tax rate for maintenance and operations of schools (M&O) of 16.773 mills. In fiscal year 2011, the tax rate for M&O remained at 16.773 mills.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At fiscal year ended June 30, 2010, the School District had $146,417,114 invested in capital assets, net of accumulated depreciation, all in governmental activities. This amount represents a net increase (including additions, deletions and depreciation) of $434,565 or 0.30%, from fiscal year 2009. The assets are made up of a broad range of items including buildings, land, land improvements and equipment (transportation, maintenance and food service). The following schedule reflects a summary of these balances as compared to the prior year.

Capital Assets, Net of Depreciation
June 30

	Governmental Activities	
	FY 2010	FY 2009
Land	$ 5,659,982	$ 5,659,982
Land Improvements	1,980,939	1,927,060
Building and Improvements	134,416,215	133,757,417
Equipment	4,359,978	4,638,090
Total	$ 146,417,114	$ 145,982,549

Additional information related to the Schools District's capital assets can be found in the Notes to the Basic Financial Statements.

Long-Term Debt

The following schedule summarizes the School District's debt for the Series 2006 General Obligation Bonds:

	Debt at June 30, 2010
Bonds Payable (including unamortized Bond Premium)	$ 27,187,351

CURRENT ISSUES

Currently known facts, decisions or conditions that are expected to have a significant effect on financial positions or results of operations:

- Economic Slowdown - The Catoosa County Board of Education has maintained its economic stability through conservative budgeting and continual monitoring of expenditures. In developing the current budgets, administration addressed the need to maintain a quality education for all students while dealing with unstable State funding and declining local tax digests. In developing budgets, the Board of Education set priorities through which all decisions were to be assessed. These priorities are: (1) to minimize negative classroom impact; (2) to preserve employment; and (3) to maintain reserves adequate to meet cash flow requirements.

  Legislation over the past years has reduced revenue sources available for education. Coupled with poor economic conditions, the state has drastically reduced funding available to public schools. In the fiscal year 2010 budget, state funds provide approximately 57.6% of the local budget (a reduction of 6.32% from previous year). Most of the funding reductions have occurred due to austerity or budget cuts imposed by the State. These reductions to the amounts earned by school systems (based on a funding formula written in State law and unadjusted for inflation in recent years) have been allocated to all systems across the state to help the State provide for a balanced budget.

  Fiscal year 2010 and fiscal year 2011 reductions in state funds were offset somewhat by funds from the American Recovery and Reinvestment Act and the Federal Jobs Funding Grant. The School District implemented a critical review of required personnel and services to prioritize expenses. This strategy, coupled with long-term planning, has allowed the School District to forgo the need of a reduction in force without exhausting the operating reserve.

  Catoosa County generally collects 96.09% of the assessed taxes. This consistent collection of property taxes has assisted the local School District to meet financial obligations and the School District's ability to maintain the current millage rate of 16.773.

- Capital Improvements - In March 2011, the citizens of Catoosa County voted to continue the imposition of a 1% Special Purpose Local Option Sales Tax (ESPLOST). The funds are to be used for construction of a new school, additions and renovations to existing schools, educational technology and service the debt associated with the authorization of General Obligation Bonds up to $49,000,000. Specific capital expenditure plans are formalized in conjunction with the general obligation bond issue and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

- Natural Disaster - In April 2011, a major tornado struck the northwest part of Georgia resulting in significant damage to the town of Ringgold, Georgia and the Catoosa County School District. A high school and middle school, as well as the Administrative Offices, were directly impacted and rendered unusable for the remainder of the 2010-2011 school year. Misplaced students were transported to other facilities to complete the year. Financial operations continued uninterrupted in various facilities throughout the School District. While the impact of the disaster is still being evaluated, Administration is currently making plans to address the financial impact expected due to a decline in the local tax digest.

- Future Conditions - Despite these challenges, the Catoosa County Board of Education is financially strong and remains optimistic of its ability to maximize all of the financial resources to provide a quality education to its students.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the citizens, taxpayers, parents, students, investors and creditors with a general overview of the School District's finances. The report also demonstrates the School District's accountability for the funds it receives. Additional information can be requested by mail at the following address:

Catoosa County Board of Education
P.O. Box 130
307 Cleveland Street
Ringgold, Georgia 30736

CATOOSA COUNTY BOARD OF EDUCATION

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2010

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 30,502,861
Investments	21,500
Accounts Receivable, Net	
Taxes	2,391,827
State Government	5,684,958
Federal Government	2,065,891
Other	12,632
Inventories	157,001
Prepaid Expenditures	612
Capital Assets, Non-Depreciable	5,659,982
Capital Assets, Depreciable (Net of Accumulated Depreciation)	140,757,132
Total Assets	$ 187,254,396
LIABILITIES	
Accounts Payable	$ 9,187
Salaries and Benefits Payable	11,835,921
Interest Payable	489,583
Claims Incurred but not Reported (IBNR)	258,022
Deferred Revenue	5,651
Long-Term Liabilities	
Due Within One Year	8,124,902
Due in More Than One Year	19,062,449
Total Liabilities	$ 39,785,715
NET ASSETS	
Invested in Capital Assets - Net of Related Debt	$ 119,229,763
Restricted for:	
Continuation of Federal Programs	1,039,945
Debt Services	8,157,029
Capital Projects	4,256,662
Unrestricted	14,785,282
Total Net Assets	$ 147,468,681
Total Liabilities and Net Assets	$ 187,254,396

The notes to the basic financial statements are an integral part of this statement.

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

GOVERNMENTAL ACTIVITIES	EXPENSES	CHARGES FOR SERVICES
Instruction	$ 66,706,951	$ 390,294
Support Services		
Pupil Services	4,065,356	287,356
Improvement Of Instructional Services	2,235,872	
Educational Media Services	1,962,037	40,265
General Administration	1,064,621	
School Administration	7,009,713	157,544
Business Administration	538,148	
Maintenance And Operation Of Plant Services	6,771,492	58,427
Student Transportation Service	3,735,182	
Support Services - Central	435,868	
Other Support Services	564,327	18,578
Operations of Non-Instructional Services		
School Nutrition Program	5,275,276	1,930,650
Community Services Operations	506,707	154,150
Interest On Short-Term And Long-Term Debt and Fees	1,075,489	
Total Governmental Activities	$ 101,947,039	$ 3,037,264
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
In Lieu of Taxes		
Railroad Cars		
Sales Tax		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Intangible Recording Tax		
Real Estate		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Assets		
Net Assets - Beginning of Year (Restated)		
Net Assets - End of Year		

The notes to the basic financial statements are an integral part of this statement.

PROGRAM REVENUES		NET (EXPENSES)
OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUES AND CHANGES IN NET ASSETS
$ 44,522,632		$ -21,794,025
940,098		-2,837,902
817,149		-1,418,723
1,192,464		-729,308
1,733,611		668,990
2,490,089		-4,362,080
1,175		-536,973
2,761,709		-3,951,356
991,291		-2,743,891
1,133		-434,735
102,613		-443,136
3,349,469	$ 22,038	26,881
1,832		-350,725
		-1,075,489
$ 58,905,265	$ 22,038	$ -39,982,472
		$ 25,797,215
		823,068
		7,315
		8,158,612
		470,003
		103,150
		5,348,889
		755,582
		2,985,074
		$ 44,448,908
		$ 4,466,436
		143,002,245
		$ 147,468,681

CATOOSA COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 17,696,628	$ 4,159,621	$ 8,646,612	$ 30,502,861
Investments	21,500			21,500
Accounts Receivable, Net				
Taxes	1,532,878	858,949		2,391,827
State Government	5,684,958			5,684,958
Federal Government	2,065,891			2,065,891
Other	12,632			12,632
Inventories	157,001			157,001
Prepaid Expenditures	612			612
Total Assets	$ 27,172,100	$ 5,018,570	$ 8,646,612	$ 40,837,282
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 9,187			$ 9,187
Salaries and Benefits Payable	11,835,921			11,835,921
Deposits and Deferred Revenue	825,608			825,608
Total Liabilities	$ 12,670,716			$ 12,670,716
FUND BALANCES				
Reserved for:				
Continuation of Federal Programs	$ 1,039,945			$ 1,039,945
Debt Service			$ 8,646,612	8,646,612
Capital Projects		$ 4,256,662		4,256,662
Unreserved				
Designated for Student Activities	934,241			934,241
Undesignated Reported in:				
General Fund	12,527,198			12,527,198
Capital Projects		761,908		761,908
Total Fund Balances	$ 14,501,384	$ 5,018,570	$ 8,646,612	$ 28,166,566
Total Liabilities and Fund Balances	$ 27,172,100	$ 5,018,570	$ 8,646,612	$ 40,837,282

The notes to the basic financial statements are an integral part of this statement.

CATOOSA COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 28,166,566
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. These assets consist of:		
Land	$ 5,659,982	
Land Improvements	3,021,141	
Buildings	160,517,961	
Equipment	9,007,711	
Accumulated Depreciation	-31,789,681	
Total Capital Assets		146,417,114
Taxes not available to pay for current period expenditures are deferred in the funds.		819,957
Long-Term Liabilities, including Bonds Payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year-end consist of:		
Bonds Payable	$ -27,000,000	
Accrued Interest	-489,583	
Claims Incurred but not Reported (IBNR)	-258,022	
Unamortized Bond Premiums	-187,351	
Total Long-Term Liabilities		-27,934,956
Net Assets of Governmental Activities (Exhibit "A")		$ 147,468,681

The notes to the basic financial statements are an integral part of this statement.

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
JUNE 30, 2010

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 26,109,456			$ 26,109,456
Sales Taxes	573,153	$ 8,373,077		8,946,230
State Funds	49,520,946			49,520,946
Federal Funds	14,755,246			14,755,246
Charges for Services	3,037,264			3,037,264
Investment Earnings	514,869	70,194	$ 170,519	755,582
Miscellaneous	2,865,512	83,025		2,948,537
Total Revenues	$ 97,376,446	$ 8,526,296	$ 170,519	$ 106,073,261
EXPENDITURES				
Current				
Instruction	$ 64,403,316			$ 64,403,316
Support Services				
Pupil Services	4,052,105	$ 8,554		4,060,659
Improvement of Instructional Services	2,035,876	199,996		2,235,872
Educational Media Services	1,962,037			1,962,037
General Administration	1,005,364	260,798		1,266,162
School Administration	7,007,766			7,007,766
Business Administration	538,148			538,148
Maintenance and Operation of Plant	6,701,814	212,376		6,914,190
Student Transportation Service	3,424,198			3,424,198
Central Support Services	435,868			435,868
Other Support Services	564,327			564,327
Community Services Operations	506,707			506,707
Food Services Operation	5,251,279			5,251,279
Capital Outlay		86,561		86,561
Debt Services				
Principal			$ 7,000,000	7,000,000
Dues and Fees			600	600
Interest			1,323,750	1,323,750
Total Expenditures	$ 97,888,805	$ 768,285	$ 8,324,350	$ 106,981,440
Excess of Revenues over (under) Expenditures	$ -512,359	$ 7,758,011	$ -8,153,831	$ -908,179
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	$ 36,535			$ 36,535
Transfers In			$ 8,992,571	8,992,571
Transfers Out		$ -8,992,571		-8,992,571
Total Other Financing Sources (Uses)	$ 36,535	$ -8,992,571	$ 8,992,571	$ 36,535
Net Change in Fund Balances	$ -475,824	$ -1,234,560	$ 838,740	$ -871,644
Fund Balances - Beginning	14,977,208	6,253,130	7,807,872	29,038,210
Fund Balances - Ending	$ 14,501,384	$ 5,018,570	$ 8,646,612	$ 28,166,566

The notes to the basic financial statements are an integral part of this statement.

CATOOSA COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2010

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -871,644
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital Outlays are reported as expenditures in Governmental Funds. However, in the Statement of Activities, the cost of Capital Assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital Outlay	$ 595,859	
Depreciation Expense	-2,727,283	
Excess of Capital Outlay over Depreciation Expense		-2,131,424
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-32,350
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		303,677
Repayment of Long-Term Debt is reported as an expenditure in Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. In the current year, these amounts consist of:		
Bond Principal Payments		7,000,000
Some items 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. These activities consist of:		
Decrease in Accrued Interest Payable	$ 123,959	
Amortization of Bond Premium	124,903	
Increase in Claims and Judgments	-50,685	
Total Long-Term Debt		198,177
Change in Net Assets of Governmental Activities (Exhibit "B")		$ 4,466,436

The notes to the basic financial statements are an integral part of this statement.

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CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2010

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 144,018
LIABILITIES	
Salaries and Benefits Payable	$ 3,622
Funds Held for Others	140,396
Total Liabilities	$ 144,018

The notes to the basic financial statements are an integral part of this statement.

Note 1: DESCRIPTION OF SCHOOL DISTRICT AND REPORTING ENTITY

REPORTING ENTITY

The Catoosa County Board of Education (School District) was established under the laws of the State of Georgia and operates under the guidance of a school board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

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

District-wide Statements:
The Statement of Net Assets and the Statement of Activities display information about the financial activities of the overall School District, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's governmental activities.

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The School District reports the following major governmental funds:

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

- District-wide Capital Projects Fund accounts for financial resources including Special Purpose Local Option Sales Tax (SPLOST) and Bond Proceeds to be used for the acquisition, construction or renovation of major capital facilities.

- Debt Service Fund accounts for taxes (sales) legally restricted for the payment of general long-term principal, interest and paying agent's fees.

The School District reports the following fiduciary fund type:

- Agency funds account for assets held by the School District as an agent for various funds, governments or individuals.

BASIS OF ACCOUNTING

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

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

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

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

The State of Georgia reimburses the School District for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1 - June 30) and paid over a twelve month contract period,

generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School District recognizes the same QBE as a receivable and revenue, consistent with symmetrical recognition.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2010, the School District adopted the Governmental Accounting and Standards Board (GASB) Statement No. 51, *Accounting and Reporting for Intangible Assets*. The provisions of this Statement generally require retroactive reporting for intangible assets acquired after June 30, 1980, with the exception of those intangible assets that have indefinite useful lives and those that are considered internally generated.

In addition, the School District adopted GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The provisions of this Statement impacts disclosure regarding derivative instruments entered into by the state and local governments. Derivative disclosures, if any, will be identified in Note 3.

RESTATEMENT OF PRIOR YEAR NET ASSETS

For fiscal year 2010, the School District restated various Capital Assets due to errors and omissions. The School District increased, net of accumulated depreciation, buildings and improvements $2,598,339. The result is an increase in Net Assets at July 1, 2009, of $2,598,339.

For fiscal year 2010, the School District made a variety of prior period adjustments due to various errors or omissions, which require the restatement of the June 30, 2010, net assets in Governmental Activities. The result is a decrease in Net Assets at July 1, 2009, of $820,879. These changes are in accordance with generally accepted accounting principles.

Net assets, July 1, 2009, as previously reported	$ 141,224,785
Capital Assets	2,598,339
Claims Incurred but not Reported (IBNR)	-207,337
Bond Interest Payable	-613,542
Net assets, July 1, 2009, as restated	$ 143,002,245

CASH AND CASH EQUIVALENTS

Composition of Deposits

Cash and cash equivalents consist of cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated Section 45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations or insured chartered building and loan associations.

INVESTMENTS

Composition of Investments

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. Both participating interest-earning contracts and money market investments with a maturity at purchase greater than one year are reported at fair value. The Official Code of Georgia Annotated Section 36-83-4 authorizes the School District to invest its funds. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity. Funds may be invested in the following:

(1) Obligations issued by the State of Georgia or by other states,

(2) Obligations issued by the United States government,

(3) Obligations fully insured or guaranteed by the United States government or a United States government agency,

(4) Obligations of any corporation of the United States government,

(5) Prime bankers' acceptances,

(6) The Georgia Fund 1 administered by the State of Georgia, Office of Treasury and Fiscal Services,

(7) Repurchase agreements, and

(8) Obligations of other political subdivisions of the State of Georgia.

The School District does not have a formal policy regarding investment policies that address credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

RECEIVABLES

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

PROPERTY TAXES

The Catoosa County Board of Commissioners fixed the property tax levy for the 2009 tax digest year (calendar year) on August 4, 2009 (levy date). Taxes were due on December 20, 2009 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2009 tax digest are reported as revenue in the governmental funds for fiscal year 2010. The Catoosa County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2010, for maintenance and operations amounted to $25,279,073.

The tax millage rate levied for the 2009 tax year (calendar year) for the Catoosa County Board of Education was as follows (a mill equals $1 per thousand dollars of assessed value):

School Operations	16.773 mills

SALES TAXES

Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $8,373,077 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

INVENTORIES

Food Inventories

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

CAPITAL ASSETS

Capital assets purchased, including capital outlay costs, are recorded as expenditures in the fund financial statements at the time of purchase (including ancillary charges). On the District-wide financial statements, all purchased capital assets are valued at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. Disposals are deleted at depreciated recorded cost. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. Depreciation is computed using the straight-line method. The School District does not capitalize book collections or works of art. During the fiscal year under review, no events or changes in circumstances affecting a capital asset that may indicate impairment were known to the School District.

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

	Capitalization Policy	Estimated Useful Life
Land	All	N/A
Land Improvements	$ 10,000	20 to 80 years
Buildings and Improvements	$ 10,000	20 to 80 years
Equipment	$ 10,000	5 to 15 years
Intangible Assets	$ 100,000	10 to 20 years

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over estimated useful lives, with the exception of intangible assets which are amortized.

Amortization of intangible assets, such as water, timber, and mineral rights, easements, patents, trademarks, copyrights and internally generated software is computed using the straight-line method over the estimated useful lives of the assets, generally 10 to 20 years.

GENERAL OBLIGATION BONDS

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported during the fiscal year bonds are issued. To conform to generally accepted accounting principles, bond issuance costs should be amortized over the life of the bonds on the District-wide statements. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements.

In the fund financial statements, the School District recognizes bond premiums, as well as bond issuance costs during the fiscal year bonds are issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. General obligation bonds are direct obligations and pledge the full faith and credit of the government. The outstanding amount of these bonds is recorded in the Statement of Net Assets.

NET ASSETS

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

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

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

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

USE OF 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.

Note 3: DEPOSITS

COLLATERALIZATION OF DEPOSITS

Official Code of Georgia Annotated (O.C.G.A.) Section 45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. Section 45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall be not less than 110 percent of the daily pool balance.

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

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

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

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

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

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

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

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

CATEGORIZATION OF DEPOSITS

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a deposit policy for custodial credit risk. At June 30, 2010, the bank balances were $33,774,245. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name.

Note 4: NON-MONETARY TRANSACTIONS

The School District receives food commodities from the United States Department of Agriculture (USDA) for school breakfast and lunch programs. These commodities are recorded at their federally assigned value. **See Note 2 - Inventories**

Note 5: CAPITAL ASSETS

The following is a summary of changes in the Capital Assets during the fiscal year:

	Balances July 1, 2009 (Restated)	Increases	Decreases	Balances June 30, 2010
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 5,659,982	$ 0	$ 0	$ 5,659,982
Capital Assets, Being Depreciated:				
Buildings and Improvements	$ 160,348,014	$ 238,897	$ 68,950	$ 160,517,961
Equipment	8,772,090	235,621		9,007,711
Land Improvements	2,899,800	121,341		3,021,141
Less: Accumulated Depreciation:				
Buildings and Improvements	23,992,258	2,146,088	36,600	26,101,746
Equipment	4,134,000	513,733		4,647,733
Land Improvements	972,740	67,462		1,040,202
Total Capital Assets, Being Depreciated, Net	$ 142,920,906	$ -2,131,424	$ 32,350	$ 140,757,132
Governmental Activity Capital Assets - Net	$ 148,580,888	$ -2,131,424	$ 32,350	$ 146,417,114

Current year depreciation expense by function is as follows:

Instruction		$ 2,207,623
Support Services		
General Administration	$ 16,697	
Maintenance and Operation of Plant	46,543	
Student Transportation Services	408,862	472,102
Food Services		47,558
		$ 2,727,283

Note 6: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Transfer to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 8,992,571

Transfers are used to move sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund for principal and interest payments due February 1, 2010, and August 1, 2010, for the Series 2006 General Obligation Bonds.

Note 7: RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors or omissions; job related illness or injuries to employees; acts of God and unemployment compensation.

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

The School District has elected to self-insure for all losses related to acts of God. The School District has not experienced any losses related to this risk in the past three years.

The School District has established a limited risk management program for workers' compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $300,000 loss per occurrence, up to the statutory limit.

Changes in the workers' compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2009	$ 0	$ 312,066	$ 312,066	$ 0
2010 (restated)	$ 207,337	$ 172,329	$ 121,644	$ 258,022

The School District is self-insured with regard to unemployment compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable a loss has occurred, and the amount of that loss can be reasonably estimated.

Changes in the unemployment compensation claims liability during the last two fiscal years are as follows:

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2009	$ 0	$ 34,175	$ 34,175	$ 0
2010	$ 0	$ 16,451	$ 16,451	$ 0

The School District has purchased surety bonds to provide additional insurance coverage as follows:

Position Covered	Amount
Superintendent	$ 25,000
All Other Employees	$ 100,000

Note 8: LONG-TERM DEBT

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2006	4.00% - 4.50%	$ 27,000,000

The changes in Long-Term Debt during the fiscal year ended June 30, 2010, were as follows:

	Governmental Funds				
	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
G. O. Bonds	$ 34,000,000	$ 0	$ 7,000,000	$ 27,000,000	$ 8,000,000
Bond Premiums Amortized	312,254		124,903	187,351	124,902
	$ 34,312,254	$ 0	$ 7,124,903	$ 27,187,351	$ 8,124,902

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

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2011	$ 8,000,000	$ 1,014,500	$ 124,902
2012	9,000,000	652,000	62,449
2013	10,000,000	225,000	
Total Principal and Interest	$ 27,000,000	$ 1,891,500	$ 187,351

Note 9: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $220,751 for health insurance and retirement contributions paid on the School District's behalf by the following State Agencies.

Georgia Department of Education
Paid to the Georgia Department of Community Health
For Health Insurance of Non-Certified Personnel
In the amount of $169,394

Paid to the Teachers Retirement System of Georgia
For Teachers Retirement System (TRS) Employer's Cost
In the amount of $10,153

Office of Treasury and Fiscal Services
Paid to the Public School Employees Retirement System
For Public School Employees Retirement (PSERS) Employer's Cost
In the amount of $41,204

Note 10: SIGNIFICANT CONTINGENT LIABILITIES

Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances, if any, will be immaterial to its overall financial position.

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to be material to the basic financial statements.

Note 11: SUBSEQUENT EVENTS

In the subsequent fiscal year, voters approved the imposition of a 1% sales tax to fund the acquisition and construction of major capital facilities and retire associated debt. The voters authorized the School District to obtain advance funding through the issue of general obligation bonds up to $49,000,000.

In the subsequent year, the School District incurred significant damage from an EF4 tornado which struck the town of Ringgold, Georgia. Ringgold High School and Ringgold Middle School, as well as the Central Administrative Office Buildings, were damaged beyond use for the remainder of the 2010-2011 school year. In addition, Ringgold Elementary School received significant damage; however, not as to make the facility unusable. The intent of the School District is to repair the facilities and no permanent impairment will be reported.

Note 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL EMPLOYEES POST-EMPLOYMENT HEALTH BENEFIT FUND

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (OCGA) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board).

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

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2010:

For certificated teachers, librarians and regional educational service agencies:

July 2009	18.534%	of covered payroll for August Coverage
August 2009 - October 2009	14.492%	of covered payroll for September - November Coverage
November 2009 - June 2010	18.534%	of covered payroll for December - July Coverage

For non-certificated school personnel:

July 2009 - June 2010	$162.72	per member per month plus Department of Education contribution of $22,838,311

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

The School District's combined active and retiree contributions to the health insurance plans, which equaled the required contribution, for the current fiscal year and the preceding two fiscal years were as follows:

Fiscal Year	Percentage Contributed		Required Contribution
2010	100%	$	9,351,182
2009	100%	$	6,999,589
2008	100%	$	9,631,077

Note 13: RETIREMENT PLANS

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

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

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

Funding Policy. 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, 2010, were 5.25% of annual salary. The member contribution rate will increase to 5.53% effective July 1, 2010. Employer contributions required for fiscal year 2010 were 9.74% of annual salary as required by the June 30, 2007, actuarial valuation. The employer contribution rate will increase to 10.28% effective July 1, 2010.

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

Fiscal Year	Percentage Contributed		Required Contribution
2010	100%	$	5,391,989
2009	100%	$	5,185,416
2008	100%	$	5,121,859

CATOOSA COUNTY SCHOOLS NON-TRS EMPLOYEES' 403(B) PLAN

The Catoosa County Schools Non-TRS Employees' 403(B) Plan is an Employer Contributory Plan originally established July 1, 2006, by the Catoosa County Board of Education with Variable Annuity Life Insurance Company. The Plan was transferred to Lincoln Financial Group effective January 1, 2009. Employees eligible for this plan are those employees covered under the Public School

Retirement System (PSERS) and thus not eligible for Teachers Retirement System (TRS). The Board of Education, recognizing PSERS as a Limited Benefit Plan with a Limited Defined Contribution, desired to supplement the retirement income available for this group of employees.

The Plan is funded by member Employee Elective Deferral Contributions and Employer Discretionary Contributions. An eligible employee enters the Plan on the first day of the payroll period provided he/she agrees to defer at least $200 annually.

Employer Discretionary Contributions are contributions the Employer may make to the Plan on behalf of the employee without regard to the amount of the Employee's Elective Deferral Contribution. These contributions are made at the sole discretion of the Employer and in some years such contributions may not be made to the Plan. Employer contributions for fiscal year 2010 were 9.28% of member's annual base salary.

An employee becomes 100% vested with respect to Employer Discretionary Contributions made on his/her behalf after 5 years of service to the Catoosa County School System. Employees are always 100% vested with respect to his/her Employee Elective Deferral Contributions.

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

Fiscal Year	Percentage Contributed	Contribution
2010	9.28%	$ 323,860
2009	9.28%	$ 324,935
2008	9.28%	$ 285,342

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CATOOSA COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2010

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL
	ORIGINAL (1)	FINAL (1)	AMOUNTS
REVENUES			
Property Taxes	$ 26,329,977	$ 26,329,977	$ 26,109,456
Sales Taxes	400,000	400,000	573,153
State Funds	57,037,855	50,961,264	49,520,946
Federal Funds	12,586,634	17,474,989	14,755,246
Charges for Services	2,330,000	2,330,000	3,037,264
Investment Earnings	350,400	350,400	514,869
Miscellaneous		135,494	2,865,512
Total Revenues	$ 99,034,866	$ 97,982,124	$ 97,376,446
EXPENDITURES			
Current			
Instruction	$ 68,043,546	$ 76,298,307	$ 64,403,316
Support Services			
Pupil Services	3,083,634	3,353,219	4,052,105
Improvement of Instructional Services	2,259,047	2,778,145	2,035,876
Educational Media Services	1,824,960	1,793,251	1,962,037
General Administration	748,963	918,152	1,005,364
School Administration	7,139,939	7,012,941	7,007,766
Business Administration	693,613	684,331	538,148
Maintenance and Operation of Plant	7,529,087	7,471,144	6,701,814
Student Transportation Services	4,345,828	4,395,287	3,424,198
Central Support Services	788,357	781,291	435,868
Other Support Services	415,369	481,734	564,327
Food Services Operation	5,876,400	5,898,438	5,251,279
Community Services Operations		1,832	506,707
Total Expenditures	$ 102,748,743	$ 111,868,072	$ 97,888,805
Excess of Revenues over (under) Expenditures	$ -3,713,877	$ -13,885,948	$ -512,359
OTHER FINANCING SOURCES (USES)			
Other Financing Sources	$ 236,421	$ 241,313	$ 36,535
Other Financing Uses	-265,589	-270,481	
Total Other Financing Sources (Uses)	$ -29,168	$ -29,168	$ 36,535
Net Change in Fund Balances	$ -3,743,045	$ -13,915,116	$ -475,824
Fund Balances - Beginning	14,951,156	14,790,693	14,977,208
Fund Balances - Ending	$ 11,208,111	$ 875,577	$ 14,501,384

Notes to the Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual

(1) Original and Final Budget amounts do not include budgeted revenues or expenditures of the various principal accounts.

The accompanying schedule of revenues, expenditures and changes in fund balances budget and actual is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT		CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program		10.553	N/A	(2)	
National School Lunch Program		10.555	N/A	$ 5,016,409	(1)
Total Child Nutrition Cluster				$ 5,016,409	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
ARRA - Child Nutrition Discretionary Grants Limited Availability		10.579	N/A	22,038	
Total U. S. Department of Agriculture				$ 5,038,447	
Education, U. S. Department of					
Education of Homeless Children and Youth Cluster					
Pass-Through From Georgia Department of Education					
Education for Homeless Children and Youth		84.196	N/A	$ 31,382	
Education Technology State Grants Cluster					
Pass-Through From Georgia Department of Education					
Education Technology State Grants		84.318	N/A	$ 32,652	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States	*	84.391	N/A	$ 960,413	
ARRA Preschool Grants	*	84.392	N/A	22,626	
Grants to States	*	84.027	N/A	1,626,860	
Preschool Grants	*	84.173	N/A	56,580	
Total Special Education Cluster				$ 2,666,479	
State Fiscal Stabilization Fund Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Education State Grants	*	84.394	N/A	$ 5,658,607	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies	*	84.389	N/A	$ 670,653	
Title I Grants to Local Educational Agencies	*	84.010	N/A	1,487,821	
Total Title I, Part A Cluster				$ 2,158,474	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 100,952	
English Language Acquisition Grants		84.365	N/A	12,377	
Improving Teacher Quality State Grants		84.367	N/A	354,557	
Safe and Drug-Free Schools and Communities - State Grants		84.186	N/A	32,678	
Twenty-First Century Community Learning Centers		84.287	N/A	385,044	
Total Other Programs				$ 885,608	
Total U. S. Department of Education				$ 11,433,202	

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010

SCHEDULE "2"

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
ARRA - Child Care and Development Block Grant	93.713	N/A	$ 5,959
Other Programs			
Pass-Through From Georgia Department of Human Resources,			
Division of Mental Health, Developmental Disabilities and			
Addictive Diseases			
Block Grants for Prevention and Treatment of			
Substance Abuse	93.959	N/A	1,647
Total U. S. Department of Health and Human Services			$ 7,606
Homeland Security, U. S. Department of			
Pass-Through From Georgia Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	N/A	$ 9,176
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			$ 121,046
Total Federal Financial Assistance			$ 16,609,477

N/A = Not Available

Notes to the Schedule of Expenditures of Federal Awards

(1) Includes the Federally assigned value of donated commodities for the Food Donation Program in the amount of $329,655.

(2) Expenditures for the funds earned on the School Breakfast Program ($711,634) were not maintained separately and are included in the 2010 National School Lunch Program.

Major Programs are identified by an asterisk (*) in front of the CFDA number.

The School District did not provide Federal Assistance to any Subrecipient.

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Catoosa County Board of Education and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

See notes to the basic financial statements.

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2010

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 904,400
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	3,440,919
Kindergarten Program - Early Intervention Program	552,635
Primary Grades (1-3) Program	7,268,061
Primary Grades - Early Intervention (1-3) Program	708,205
Upper Elementary Grades (4-5) Program	3,905,705
Upper Elementary Grades - Early Intervention (4-5) Program	386,781
Middle School (6-8) Program	6,583,377
High School General Education (9-12) Program	4,755,124
Vocational Laboratory (9-12) Program	2,596,053
Students with Disabilities	9,696,908
Gifted Student - Category VI	2,570,329
Remedial Education Program	438,671
Alternative Education Program	531,616
English Speakers of Other Languages (ESOL)	111,501
Media Center Program	1,187,592
20 Days Additional Instruction	355,289
Staff and Professional Development	227,525
Indirect Cost	
Central Administration	1,574,661
School Administration	2,451,156
Facility Maintenance and Operations	2,742,634
Categorical Grants	
Pupil Transportation	
Regular	893,159
Nursing Services	176,160
Vocational Supervisors	30,409
Education Equalization Funding Grant	5,348,889
Food Services	187,332
Vocational Education	136,525
Amended Formula Adjustment	-10,901,300
Other State Programs	
Apprenticeship Program	37,051
Dual Enrollment	20,305
Georgia Special Needs Scholarship Fund	361
Health Insurance	169,394
National Teacher Certification	25,826
Preschool Handicapped Program	202,574
Residential and Reintegration State Grant	120,137
Rule 10 Special Education State Grant	33,000
Teachers' Retirement	10,153
Virtual Schools State Grant	625
Office of Treasury and Fiscal Services	
Public School Employees Retirement	41,204
	$ 49,520,946

See notes to the basic financial statements.

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2010

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	PROJECT STATUS (5)
To build, equip and furnish new schools; to make additions, modifications and renovations to existing schools; to provide computers, computer technology equipment and personalty; to acquire land and pay for site preparation and paving at new and existing schools; to pay for construction, renovation, modifications, additions and repairs of areas and structures that will be jointly used by the School District for instructional, sporting and physical activities; and to pay for the expenses incident to accomplish the foregoing purposes.	$ 46,500,000	$ 54,647,233	$ 768,285	$ 52,265,401	Ongoing
To build, equip and furnish new schools, including but not limited to a new high school and a new elementary school; to make additions, modifications and renovations to existing schools; to provide computers, equipment and personalty (including school buses); to acquire land and pay for site preparation and paving at new and existing schools; to pay for construction, renovation, modifications, additions and repairs of areas and structures that will be jointly used for instructional, sports and physical education activities; and to pay for the expenses incident to accomplish the foregoing purposes.	59,000,000	56,569,546		49,760,143	Ongoing
	$ 105,500,000	$ 111,216,779	$ 768,285	$ 102,025,544	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.

(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

(3) The voters of Catoosa County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes and/or other funds over the life of the projects.

(4) In addition to the expenditures shown above, the School District has incurred interest to provide advance funding for the above projects as follows:

Prior Years	$ 4,181,653
Current Year	1,323,750
Total	$ 5,505,403

(5) SPLOST II projects are expected to be completed no later than June 30, 2011.
SPLOST III projects are expected to be completed no later than August 1, 2012.

See notes to the basic financial statements.

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CATOOSA COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAM (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2010

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 3,877,453	$ 3,919,311	$ 76,179	$ 3,995,490
Kindergarten Program - Early Intervention Program	622,478	504,790	5,627	510,417
Primary Grades (1-3) Program	8,906,951	8,038,657	163,372	8,202,029
Primary Grades - Early Intervention (1-3) Program	800,110	861,890	5,346	867,236
Upper Elementary Grades (4-5) Program	4,456,818	4,752,335	86,073	4,838,408
Upper Elementary Grades - Early Intervention (4-5) Program	444,910	496,015	5,002	501,017
Middle School (6-8) Program	7,557,278	6,628,863	155,192	6,784,055
High School General Education (9-12) Program	6,009,020	6,660,056	240,761	6,900,817
Vocational Laboratory (9-12) Program	2,943,980	2,802,348	229,549	3,031,897
Students With Disabilities	10,960,641			
Category I		2,300,266	60,193	2,360,459
Category II		558,773	10,823	569,596
Category III		6,154,343	18,188	6,172,531
Category IV		1,068,381	9,833	1,078,214
Category V		166,819		166,819
Gifted Student - Category VI	2,835,025	1,742,607	11,237	1,753,844
Remedial Education Program	443,061	53,658		53,658
Alternative Education Program	608,772	1,000,462	70	1,000,532
English Speakers of Other Languages (ESOL)	125,715	257,248	5,657	262,905
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 50,592,212	$ 47,966,822	$ 1,083,102	$ 49,049,924
Media Center Program	1,354,294	1,711,891	122,023	1,833,914
Staff and Professional Development	260,715		84,827	84,827
TOTAL QBE FORMULA FUNDS	$ 52,207,221	$ 49,678,713	$ 1,289,952	$ 50,968,665

(1) Comprised of State Funds plus Local Five Mill Share.

(2) Allotments do not include the impact of the State amended formula adjustment.

See notes to the basic financial statements.

SECTION II

COMPLIANCE AND INTERNAL CONTROL REPORTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 23, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Catoosa County Board of Education

INDEPENDENT AUDITOR'S 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*

Ladies and Gentlemen:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Catoosa County Board of Education as of and for the year ended June 30, 2010, which collectively comprise Catoosa County Board of Education's basic financial statements and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we consider item FS-6231-10-01, described in

the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

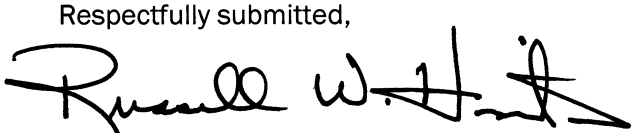
Compliance and Other Matters

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

Catoosa County Board of Education's response to the finding identified in our audit is described in the accompanying Schedule of Management's Responses. We did not audit Catoosa County Board of Education's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, members of the Catoosa County Board of Education, others within the entity, 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.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2010YB-30

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

June 23, 2011

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Catoosa County Board of Education

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ladies and Gentlemen:

Compliance

We have audited Catoosa County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010. Catoosa County Board of Education's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of Catoosa County Board of Education's management. Our responsibility is to express an opinion on Catoosa County Board of Education's compliance based on our audit.

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

In our opinion, the Catoosa County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

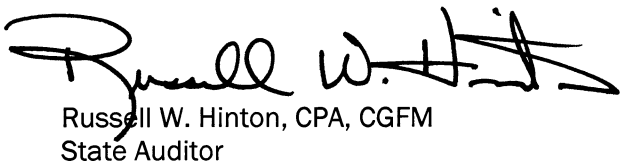
Management of Catoosa County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered Catoosa County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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, members of the Catoosa County Board of Education, others within the entity, 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.

Respectfully submitted,



Russell W. Hinton, CPA, CGFM
State Auditor

RWH:as
2010SA-10

SECTION III

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CATOOSA COUNTY BOARD OF EDUCATION
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

PRIOR YEAR FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV

FINDINGS AND QUESTIONED COSTS

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010

I SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issue:	
Governmental Activities; General Fund; Capital Projects Fund; Debt Service Fund; Aggregate Remaining Fund Information	Unqualified
Internal control over financial reporting:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	Yes
Noncompliance material to financial statements noted:	No

Federal Awards

Internal Control over major programs:	
▪ Material weakness identified?	No
▪ Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	
All major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
	Title I, Part A Cluster
	Special Education Cluster
	State Fiscal Stabilization Fund Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$498,284
Auditee qualified as low-risk auditee?	No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6231-10-01

Condition:
The accounting procedures of the School District were insufficient to provide for adequate internal controls over the school activity accounts.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Inadequate Internal Control Procedures over School Activity Accounts
Significant Deficiency
Finding Control Number: FS-6231-10-01

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that transactions are processed according to established procedures.

Questioned Cost:
N/A

Information:
Revenues/Receivables/Receipts

Deposit preparation was not separated from the record keeping and cash custody functions.

The following deficiencies were noted during our tests of transactions:

- Receipts were not deposited in a timely manner.
- Revenue was not recorded in the proper account.
- Receipts lacked documentation.
- Gate receipts were not reconciled properly.

Expenditures/Liabilities/Disbursements

The following deficiencies were noted during our tests of transactions:

- Vouchers did not have approval prior to purchase.
- Vouchers did not show evidence of receipt.
- Vouchers did not include invoices.

Cause:
These deficiencies were a result of management's failure to ensure that internal controls were established, implemented and functioning at the school level.

Effect:
Errors and/or irregularities may not be detected in a timely manner.

Recommendation:
Management should revise and monitor controls to provide reasonable assurance that transactions are processed according to established procedures.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION V

MANAGEMENT'S RESPONSES

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF MANAGEMENT'S RESPONSES
YEAR ENDED JUNE 30, 2010

Finding Control Number: FS-6231-10-01

We concur with this finding. The Board will continue to provide training to accounting personnel at the school level. In addition, Central Office monitoring of controls will continue throughout the year to provide reasonable assurance transactions are processed according to established procedures.

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Email: phogan@catoosa.k12.ga.us