

CATOOSA COUNTY
BOARD OF EDUCATION
RINGGOLD, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2012
(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

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

August 28, 2013

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, 2012, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to 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, 2012, 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013, 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.

The Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on page 25, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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. The accompanying supplementary information is the responsibility of management and was derived from and relates 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 basic 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 basic 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,



Greg S. Griffin
State Auditor

GSG:as
2012ARL-11

CATOOSA COUNTY BOARD OF EDUCATION

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 66,383,713
Investments	21,500
Accounts Receivable, Net	
Interest	46
Taxes	2,670,807
State Government	7,327,574
Federal Government	1,014,028
Other	80,736
Deferred Charges - Bond Issuance Costs	272,035
Inventories	178,178
Prepaid Items	10,500
Capital Assets, Non-Depreciable	9,871,479
Capital Assets, Depreciable (Net of Accumulated Depreciation)	162,124,089
Total Assets	$ 249,954,685
LIABILITIES	
Accounts Payable	$ 403,325
Salaries and Benefits Payable	11,755,316
Interest Payable	749,729
Claims Payable	447,292
Contracts Payable	1,667,308
Retainages Payable	302,959
Deferred Revenue	7,052
Long-Term Liabilities	
Due Within One Year	10,663,765
Due in More Than One Year	42,039,347
Total Liabilities	$ 68,036,093
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	$ 155,913,772
Restricted for	
Continuation of Federal Programs	798,483
Debt Service	10,151,329
Capital Projects	4,011,873
Unrestricted	11,043,135
Total Net Assets	$ 181,918,592
Total Liabilities and Net Assets	$ 249,954,685

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, 2012

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 65,722,683	$ 240,225
Support Services		
Pupil Services	4,138,339	206,236
Improvement of Instructional Services	2,288,559	3,488
Educational Media Services	2,044,299	30,895
General Administration	979,068	
School Administration	6,873,126	70,016
Business Administration	1,323,919	
Maintenance and Operation of Plant	11,531,405	107,950
Student Transportation Services	5,384,787	
Central Support Services	484,209	
Other Support Services	1,278,577	278,299
Operations of Non-Instructional Services		
Food Services	5,154,312	1,704,884
Community Services Operations	548,842	125,061
Interest on Short-Term and Long-Term Debt and Fees	1,020,294	
Total Governmental Activities	$ 108,772,419	$ 2,767,054
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects/Debt Services		
Other		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Items		
Insurance Proceeds on Non-Capitalized Assets		
Total General Revenues and Special Items		
Change in Net Assets		
Net Assets - Beginning of Year		
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
$ 42,180,199		$ -23,302,259
1,009,510		-2,922,593
1,068,838		-1,216,233
1,229,799		-783,605
1,472,536		493,468
2,585,760		-4,217,350
35,162		-1,288,757
3,051,702		-8,371,753
1,080,097	$ 152,439	-4,152,251
33,411		-450,798
98,606		-901,672
3,468,286		18,858
42,970		-380,811
		-1,020,294
$ 57,356,876	$ 152,439	$ -48,496,050
		$ 25,327,437
		801,217
		9,548,437
		507,827
		5,434,484
		486,865
		3,630,233
		585,651
		$ 46,322,151
		$ -2,173,899
		184,092,491
		$ 181,918,592

CATOOSA COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 15,752,862	$ 39,729,793	$ 10,901,058	$ 66,383,713
Investments	21,500			21,500
Accounts Receivable, Net				
Interest	46			46
Taxes	1,847,234	823,573		2,670,807
State Government	7,327,574			7,327,574
Federal Government	1,014,028			1,014,028
Other	72,966	7,770		80,736
Inventories	178,178			178,178
Prepaid Items	10,500			10,500
Total Assets	$ 26,224,888	$ 40,561,136	$ 10,901,058	$ 77,687,082
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 339,391	$ 63,934		$ 403,325
Salaries and Benefits Payable	11,755,316			11,755,316
Contracts Payable		1,667,308		1,667,308
Retainages Payable		302,959		302,959
Deposits and Deferred Revenue	931,601			931,601
Total Liabilities	$ 13,026,308	$ 2,034,201		$ 15,060,509
FUND BALANCES				
Nonspendable	$ 188,178			$ 188,178
Restricted	620,305	$ 38,526,935	$ 10,901,058	50,048,298
Committed	2,000,000			2,000,000
Assigned	1,099,684			1,099,684
Unassigned	9,290,413			9,290,413
Total Fund Balances	$ 13,198,580	$ 38,526,935	$ 10,901,058	$ 62,626,573
Total Liabilities and Fund Balances	$ 26,224,888	$ 40,561,136	$ 10,901,058	$ 77,687,082

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, 2012

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 62,626,573
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	$ 5,751,266	
Construction in Progress	4,120,213	
Land Improvements	172,811,343	
Buildings	11,033,762	
Equipment	5,443,234	
Accumulated Depreciation	-27,164,250	
Total Capital Assets		171,995,568
Taxes that are not available to pay for current period expenditures are deferred in the funds.		924,549
Other Long-Term Assets are not available to pay for current period expenditures and therefore, are deferred on the Statement of Net Assets.		
Deferred Charges - Capitalized Bond Issuance Costs		272,035
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	$ -50,000,000	
Accrued Interest	-749,729	
Capital Leases Payable	-2,355	
Claims Incurred but not Reported (IBNR)	-447,292	
Unamortized Bond Premiums	-2,700,757	
Total Long-Term Liabilities		-53,900,133
Net Assets of Governmental Activities (Exhibit "A")		$ 181,918,592

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
YEAR ENDED JUNE 30, 2012

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 26,201,725			$ 26,201,725
Sales Taxes	507,827	$ 9,548,437		10,056,264
State Funds	54,673,771			54,673,771
Federal Funds	8,140,693	129,335		8,270,028
Charges for Services	2,767,054			2,767,054
Investment Earnings	316,525	87,779	$ 82,561	486,865
Miscellaneous	3,376,149	254,084		3,630,233
Total Revenues	$ 95,983,744	$ 10,019,635	$ 82,561	$ 106,085,940
EXPENDITURES				
Current				
Instruction	$ 64,319,685	$ 3,299,924		$ 67,619,609
Support Services				
Pupil Services	3,912,798	225,541		4,138,339
Improvement of Instructional Services	2,289,621			2,289,621
Educational Media Services	2,044,299			2,044,299
General Administration	985,433	7,100		992,533
School Administration	6,873,126			6,873,126
Business Administration	1,240,183	355,771		1,595,954
Maintenance and Operation of Plant	6,945,598	4,796,300		11,741,898
Student Transportation Services	4,115,170	1,698,525		5,813,695
Central Support Services	484,209			484,209
Other Support Services	1,278,577			1,278,577
Community Services	548,842			548,842
Food Services Operation	5,173,710	20,710		5,194,420
Capital Outlay		30,989,642		30,989,642
Debt Services				
Principal	18,697		$ 9,000,000	9,018,697
Dues and Fees			1,350	1,350
Interest	765		1,293,441	1,294,206
Total Expenditures	$ 100,230,713	$ 41,393,513	$ 10,294,791	$ 151,919,017
Excess of Revenues over (under) Expenditures	$ -4,246,969	$ -31,373,878	$ -10,212,230	$ -45,833,077
OTHER FINANCING SOURCES (USES)				
Proceeds of Bonds		$ 38,684,384	$ 1,315,616	$ 40,000,000
Premiums on Bonds Sold		3,307,049		3,307,049
Capital Leases	$ 16,500			16,500
Transfers In			10,339,353	10,339,353
Transfers Out		-10,339,353		-10,339,353
Total Other Financing Sources (Uses)	$ 16,500	$ 31,652,080	$ 11,654,969	$ 43,323,549
SPECIAL ITEMS				
Insurance Proceeds	$ 14,507	$ 22,207,836		$ 22,222,343
Net Change in Fund Balances	$ -4,215,962	$ 22,486,038	$ 1,442,739	$ 19,712,815
Fund Balances - Beginning	17,414,542	16,040,897	9,458,319	42,913,758
Fund Balances - Ending	$ 13,198,580	$ 38,526,935	$ 10,901,058	$ 62,626,573

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, 2012

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ 19,712,815
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	$ 36,824,039	
Depreciation Expense	-3,094,929	
Excess of Capital Outlay over Depreciation Expense		33,729,110
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		-73,071
Insurance proceeds reported in the governmental funds that were reported as revenues in the Statement of Activities in the prior year.		-21,636,692
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to decrease net assets.		-59,340
Bond proceeds provide current financial resources to Governmental Funds; however, issuing debt increases Long-Term Liabilities in the Statement of Net Assets. In the current period, proceeds were received from:		
General Obligation Bonds issued, including a premium of $3,307,049		-43,307,049
Bond issuance costs, deferred gains on refundings and similar items when debt is first issued are reported as an expenditure in Governmental Funds, but are reported as deferred charges on the Statement of Net Assets and amortized over the term of the debt, using the straight-line method. The details of this difference in the current period are as follows:		
Deferral of bond issuance costs		272,035
Some of the Capital Assets acquired this year were financed with capital leases. In Governmental Funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Assets, the lease obligation is reported as a Long-Term Liability.		-16,500
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 Retirements	$ 9,000,000	
Capital Lease Payments	18,697	
Total Long-Term Debt Repayments		9,018,697
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:		
Increase in Accrued Interest Payable	$ -393,479	
Amortization of Bond Premium	668,741	
Decrease in Pollution Remediation	102,521	
Increase in Claims and Judgments	-191,687	
Total Additional Expenditures		186,096
Change in Net Assets of Governmental Activities (Exhibit "B")		$ -2,173,899

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

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 165,471
Accounts Receivable, Net	
Other	6,000
Total Assets	$ 171,471
LIABILITIES	
Salaries and Benefits Payable	$ 11,143
Funds Held for Others	160,328
Total Liabilities	$ 171,471

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. 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 and reports all financial resources not accounted for and reported in another fund.
- District-wide Capital Projects Fund accounts for and reports financial resources including Special Purpose Local Option Sales Tax (SPLOST), bond and insurance proceeds that are restricted, committed or assigned to the expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.
- Debt Service Fund accounts for and reports financial resources that are restricted, committed, or assigned including taxes (sales) legally restricted for the payment of general long-term principal and interest.

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 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 and acquisitions under capital leases are reported as other financing sources.

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

CASH 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 and equity investments 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 banker's acceptances,
6. The Georgia Fund 1 administered by the State of Georgia, Office of the State Treasurer,
7. Repurchase agreements, and
8. Obligations of other political subdivisions of the State of Georgia.

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 2011 tax digest year (calendar year) on August 31, 2011 (levy date). Taxes were due on December 20, 2011 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2011 tax digest are reported as revenue in the governmental funds for fiscal year 2012. 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, 2012, for maintenance and operations amounted to $25,400,508.

The tax millage rate levied for the 2011 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 $9,548,437 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.

PREPAID ITEMS

Payments made to vendors for services that will benefit periods subsequent to June 30, 2012, are recorded as prepaid items.

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 and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the debt for the 2011 bond issue. The issuance costs for the 2006 bond issue were reported during the fiscal year the bonds were 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 and discounts, 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.

FUND BALANCES

The School District's fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Constraints are placed on the use of resources are either (1) externally imposed conditions by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. The Board of Education is the School District's highest level of decision-making authority, and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Board. Committed fund balance also should incorporate contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – The residual classification for the General Fund. This classification represents fund balances that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

Fund Balances of the Governmental Funds at June 30, 2012, are as follows:

Nonspendable		
Inventories	$ 177,678	
Prepaid Assets	10,500	$ 188,178
Restricted		
Continuation of Federal Programs	$ 620,305	
Capital Projects	38,526,935	
Debt Service	10,901,058	50,048,298
Committed		
Local Capital Outlay Projects		2,000,000
Assigned		
School Activity Accounts		1,099,684
Unassigned		9,290,413
Fund Balance, June 30, 2012		$ 62,626,573

When multiple categories of fund balance are available for expenditure, the School District will start with the most restricted category and spend those funds first before moving down to the next category with available funds.

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: BUDGETARY DATA

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

The budgetary process begins with the School District's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of Official Code of Georgia Annotated section 20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

The Superintendent is authorized by the Board to approve adjustments of no more than 5 percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 5 percent of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See Schedule 1 – General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

NOTE 4: 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, 2012, the bank balances were $68,808,173. The bank balances were covered by Federal depository insurance or collateralized with securities held by the pledging financial institution in the School District's name.

NOTE 5: 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 6: CAPITAL ASSETS

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

	Balances July 1, 2011	Increases	Decreases	Balances June 30, 2012
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 5,751,266			$ 5,751,266
Construction in Progress	2,963,491	$ 28,206,197	$ 27,049,475	4,120,213
Total Capital Assets Not Being Depreciated	$ 8,714,757	$ 28,206,197	$ 27,049,475	$ 9,871,479
Capital Assets Being Depreciated				
Buildings and Improvements	$ 142,554,832	$ 30,256,511		$ 172,811,343
Equipment	9,476,866	2,089,553	$ 532,657	11,033,762
Land Improvements	2,121,981	3,321,253		5,443,234
Less Accumulated Depreciation for:				
Buildings and Improvements	18,709,625	2,397,735		21,107,360
Equipment	5,172,327	594,744	473,317	5,293,754
Land Improvements	660,686	102,450		763,136
Total Capital Assets, Being Depreciated, Net	$ 129,611,041	$ 32,572,388	$ 59,340	$ 162,124,089
Governmental Activity Capital Assets - Net	$ 138,325,798	$ 60,778,585	$ 27,108,815	$ 171,995,568

Current year depreciation expense by function is as follows:

Instruction		$ 2,310,839
Support Services		
Improvements of Instructional Services	$ 1,200	
General Administration	15,212	
Maintenance and Operation of Plant	237,805	
Student Transportation Services	484,561	738,778
Food Services		45,312
		$ 3,094,929

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2012, consisted of the following:

	Transfers From
Transfer to	District-wide Capital Projects
Debt Service Fund	$ 10,339,353

Transfers are used to move sales tax revenues collected by the District-wide Capital Projects Fund to the Debt Service Fund to pay principal and interest for the General Obligation Bonds as required in the bond resolution.

NOTE 8: 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, errors or omissions, job related illness or injuries to employees, and acts of God. The School District has not significantly reduced coverage for these risks.

For the 2011 fiscal year, a natural disaster claim filed by the School District exceeded commercial insurance coverage. Federal Emergency Management Agency (FEMA) funds in the amount of $129,336 have been awarded to the School District with the remainder of the loss being absorbed by the School District. Settled claims did not exceed commercial insurance for the current fiscal year, nor for fiscal year 2010.

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 that 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
2011	$ 258,022	$ 184,904	$ 187,321	$ 255,605
2012	$ 255,605	$ 471,741	$ 280,054	$ 447,292

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 that a loss has occurred, and the amount of that loss can be reasonably estimated.

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

	Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
2011	$ 0	$ 36,882	$ 36,882	$ 0
2012	$ 0	$ 4,498	$ 4,498	$ 0

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

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

NOTE 9: POLLUTION REMEDIATION OBLIGATIONS

The School District is the owner of a Bus Garage located at 56 Student Street, and is responsible for fuel cleanup related to a fuel tank leak. The School District has recorded an expense related to this pollution remediation in the amount of $95,694 on the Statement of Activities.

The School District is the owner of Central Office located at 307 Cleveland Street, and is responsible for asbestos removal. The School District has recorded an expense related to this pollution remediation in the amount of $6,827 on the Statement of Activities.

Pollution remediation liability activity in fiscal year 2012 was as follows:

	Beginning Balance July 1, 2011	Additions	Reductions	Ending Balance June 30, 2012	Current Portion
Pollution Remediation Obligations	$ 102,521	$ 0	$ 102,521	$ 0	$ 0

NOTE 10: LONG-TERM DEBT

CAPITAL LEASES

The Catoosa County Board of Education entered into various lease agreements for equipment. These lease agreements qualify as capital leases for accounting purposes, and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2006	4.00% - 4.50%	$ 10,000,000
General Government - Series 2011	2.00% - 4.00%	40,000,000
		$ 50,000,000

The changes in Long-Term Debt during the fiscal year ended June 30, 2012, were as follows:

	Governmental Funds				
	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012	Due Within One Year
G. O. Bonds	$ 19,000,000	$ 40,000,000	$ 9,000,000	$ 50,000,000	$ 10,000,000
Capital Leases	4,552	16,500	18,697	2,355	2,355
Bond Premiums Amortized	62,449	3,307,049	668,741	2,700,757	661,410
	$ 19,067,001	$ 43,323,549	$ 9,687,438	$ 52,703,112	$ 10,663,765

At June 30, 2012, payments due by fiscal year which includes principal and interest for these items are as follows:

	Capital Leases	
	Principal	Interest
Fiscal Year Ended June 30:		
2013	$ 2,355	$ 95

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
2013	$ 10,000,000	$ 1,574,350	$ 661,410
2014	7,115,000	1,242,325	661,410
2015	7,500,000	985,900	661,410
2016	7,960,000	676,700	661,410
2017	8,450,000	348,500	55,117
2018	8,975,000	89,750	
Total Principal and Interest	$ 50,000,000	$ 4,917,525	$ 2,700,757

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $7,675,150 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 Certificated Personnel
In the amount of $7,540,148

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $10,141

Office of the State Treasurer
Paid to the Public School Employees' Retirement System
For Public School Employees' Retirement (PSERS) Employer's Cost
In the amount of $124,861

NOTE 12: SPECIAL ITEMS

During the fiscal year 2011, the School District incurred significant damage from an EF-4 tornado. Several schools, administration buildings and equipment were damaged as a result of the disaster. The School District filed various insurance claims related to non-capitalized assets. Insurance proceeds in the amount of $585,651 have been recorded on the Statement of Activities for the amount of insurance proceeds received for these claims. Proceeds recorded relate to the following:

	Insurance Received/Receivable
Repairs - Disaster Related	$ 571,144
Repairs - Non Disaster Related	14,507
Total	$ 585,651

NOTE 13: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2012:

Project	Unearned Executed Contracts
LFO Science Classroom Additions	$ 2,913,854
Ringgold Middle School 8th Grade Addition	4,011,274
Ringgold High School Tennis Courts	40,324
	$ 6,965,452

The amounts described in this note are not reflected in the basic financial statements.

NOTE 14: 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 15: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL 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 Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) 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). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately 25 percent of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and

applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

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, 2012:

For certificated teachers, librarians and regional educational service agencies and certain other eligible participants:

June 2011	1.429%	of covered payroll for July coverage
July 2011	18.534%	of covered payroll for August coverage
August 2011 - March 2012	24.000%	of covered payroll for September - April coverage
April 2012 - June 2012	3.958%	of covered payroll for May - July coverage

For non-certificated school personnel:

July 2011 - August 2011	$246.20	per member per month
September 2011 - June 2012	$296.20	per member per month

No additional contribution was required by the Board for fiscal year 2012 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School 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
2012	100%	$ 10,344,218
2011	100%	$ 9,820,956
2010	100%	$ 9,351,182

NOTE 16: 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, 2012, were 5.53% of annual salary. The member contribution rate will increase to 6.00% effective July 1, 2012. Employer contributions required for fiscal year 2012 were 10.28% of annual salary as required by the June 30, 2009, actuarial valuation. The employer contribution rate will increase to 11.41% effective July 1, 2012.

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

Fiscal Year	Percentage Contributed	Required Contribution
2012	100%	$ 5,690,605
2011	100%	$ 5,692,442
2010	100%	$ 5,391,989

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM (PSERS)

Bus drivers, lunchroom personnel, and maintenance and custodial personnel are members of the Public School Employees' Retirement System of Georgia. The System is funded by contributions by the employees and by the State of Georgia. The School District makes no contribution to this plan.

DEFINED CONTRIBUTION PLAN

The Catoosa County Schools Non-TRS 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 Employees' Retirement System (PSERS) and thus not eligible for Teacher's 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 of 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 2012 were 3.00% of the 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	Required Contribution
2012	100%	$ 112,275
2011	100%	$ 110,020
2010	100%	$ 323,860

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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, 2012

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 25,064,962	$ 25,064,962	$ 26,201,725	$ 1,136,763
Sales Taxes	400,000	400,000	507,827	107,827
State Funds	53,964,968	54,854,747	54,673,771	-180,976
Federal Funds	7,579,290	9,263,254	8,140,693	-1,122,561
Charges for Services	1,930,000	1,930,000	2,767,054	837,054
Investment Earnings	349,000	349,000	316,525	-32,475
Miscellaneous			3,376,149	3,376,149
Total Revenues	$ 89,288,220	$ 91,861,963	$ 95,983,744	$ 4,121,781
EXPENDITURES				
Current				
Instruction	$ 67,016,112	$ 67,651,998	$ 64,319,685	$ 3,332,313
Support Services				
Pupil Services	3,215,784	3,519,957	3,912,798	-392,841
Improvement of Instructional Services	1,733,907	2,851,000	2,289,621	561,379
Educational Media Services	1,854,712	1,852,571	2,044,299	-191,728
General Administration	988,469	914,676	985,433	-70,757
School Administration	7,043,417	7,035,355	6,873,126	162,229
Business Administration	681,499	670,183	1,240,183	-570,000
Maintenance and Operation of Plant	8,276,988	8,289,250	6,945,598	1,343,652
Student Transportation Services	3,869,023	4,113,313	4,115,170	-1,857
Central Support Services	790,863	790,259	484,209	306,050
Other Support Services	179,057	338,439	1,278,577	-940,138
Food Services Operation	5,525,000	5,525,000	5,173,710	351,290
Community Services Operations		911	548,842	-547,931
Debt Service			19,462	-19,462
Total Expenditures	$ 101,174,831	$ 103,552,912	$ 100,230,713	$ 3,322,199
Excess of Revenues over (under) Expenditures	$ -11,886,611	$ -11,690,949	$ -4,246,969	$ 7,443,980
OTHER FINANCING SOURCES (USES)				
Other Sources	$ 261,729	$ 302,838	$ 16,500	$ -286,338
Other Uses	-290,897	-290,023		290,023
Total Other Financing Sources (Uses)	$ -29,168	$ 12,815	$ 16,500	$ 3,685
SPECIAL ITEMS				
Insurance Proceeds			$ 14,507	$ 14,507
Net Change in Fund Balances	$ -11,915,779	$ -11,678,134	$ -4,215,962	$ 7,462,172
Fund Balances - Beginning	14,305,847	17,123,033	17,414,542	291,509
Fund Balances - Ending	$ 2,390,068	$ 5,444,899	$ 13,198,580	$ 7,753,681

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

(1) Original and Final Budget amounts do not include actual revenues ($3,679,471) or expenditures ($3,659,577) 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, 2012

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	$ 5,088,690	(1)
Total Child Nutrition Cluster				$ 5,088,690	
Schools and Roads Cluster					
Pass-Through From Office of the State Treasurer					
Schools and Roads - Grants to Counties		10.666	N/A	(3)	
Other Programs					
Pass-Through From Georgia Department of Education					
Food Services					
ARRA - Child Nutrition Discretionary Grants Limited Availability		10.579	N/A	40,000	
Total U. S. Department of Agriculture				$ 5,128,690	
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	$ 52,903	
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
ARRA - Grants to States		84.391	N/A	$ 32,496	
ARRA - Preschool Grants		84.392	N/A	2,700	
Grants to States		84.027	N/A	1,969,997	
Preschool Grants		84.173	N/A	67,498	
Total Special Education Cluster				$ 2,072,691	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
ARRA - Title I Grants to Local Educational Agencies		84.389	N/A	$ 668	
Title I Grants to Local Educational Agencies		84.010	N/A	1,973,880	
Total Title I, Part A Cluster				$ 1,974,548	
Other Programs					
Pass-Through From Georgia Department of Education					
Career and Technical Education - Basic Grants to States		84.048	N/A	$ 108,619	
Education Jobs Fund		84.410	N/A	27,766	
English Language Acquisition Grants		84.365	N/A	12,995	
Improving Teacher Quality State Grants	*	84.367	N/A	323,752	
Total Other Programs				$ 473,132	
Total U. S. Department of Education				$ 4,573,274	

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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	$ 3,300
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program			$ 367,929
Homeland Security, U. S. Department of			
Pass-Through from Georgia Emergency Management Agency			
Disaster Grants - Public Assistance	97.036	N/A	$ 129,336
Total Expenditures of Federal Awards			$ 10,202,529

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 $ 213,908.
(2) Expenditures for the funds earned on the School Breakfast Program ($776,580) were not maintained separately and are included in the 2012 National School Lunch Program.
(3) Funds earned on this program, in the amount of $4, do not require reporting of expenditures.

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, 2012

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 665,349
Education, Georgia Department of	
Quality Basic Education	
Direct Instructional Cost	
Kindergarten Program	3,085,737
Kindergarten Program - Early Intervention Program	739,938
Primary Grades (1-3) Program	7,462,043
Primary Grades - Early Intervention (1-3) Program	1,360,351
Upper Elementary Grades (4-5) Program	3,900,344
Upper Elementary Grades - Early Intervention (4-5) Program	412,152
Middle School (6-8) Program	6,854,960
High School General Education (9-12) Program	5,710,542
Vocational Laboratory (9-12) Program	2,548,164
Students with Disabilities	10,701,047
Gifted Student - Category VI	2,987,076
Remedial Education Program	702,368
Alternative Education Program	551,510
English Speakers of Other Languages (ESOL)	112,865
Media Center Program	1,214,663
20 Days Additional Instruction	367,195
Staff and Professional Development	232,400
Indirect Cost	
Central Administration	1,390,168
School Administration	2,015,899
Facility Maintenance and Operations	2,758,436
Amended Formula Adjustment	-8,468,307
Categorical Grants	
Pupil Transportation	
Regular	811,945
Education Equalization Funding Grant	5,434,484
Food Services	143,256
Nursing Services	163,719
Other State Programs	
Agriculture Construction Related Equipment - State Bonds	56,250
Dual Enrollment Funding	29,956
Math and Science Supplements	14,123
Preschool Handicapped Program	239,901
Pupil Transportation - State Bonds	152,439
Teachers' Retirement	10,141
Virtual Schools Grant	850
Vocational Construction Related Equipment - State Bonds	4,120
Vocational Education	151,203
Vocational Supervisors	31,623
Office of the State Treasurer	
Public School Employees' Retirement	124,861
	$ 54,673,771

See notes to the basic financial statements.

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
SPLOST II							
To build, equip and furnish new schools; to make additions, modifications and renovations to existing schools; to provide computers, computer technology equipment and personality; 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	$ 54,685,592	$ 805,301	$ 53,880,291	$ 54,685,592	$ 0	June 30, 2012
SPLOST III							
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 personality (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	57,158,046		49,760,143		N/A	August 1, 2012
SPLOST IV							
(1) Making capital expenditures for instructional purposes, acquiring instructional and technological equipment (including but not limited to wireless electronic devices, desktop and laptop computers, smartboards, projectors, scanners, printers, and student response devices), and acquiring the wiring and other infrastructure necessary to accommodate the use of such technology equipment	23,121,409	5,698,640	3,184,354			N/A	August 12, 2014
(2) Acquiring land for constructing and equipping new schools (including a new elementary school)	14,250,000	14,250,000				N/A	August 12, 2014
(3) Making additions, expansions, modifications and renovations to existing school sites or campuses (including but not limited to classrooms, cafeterias, media centers, restrooms, band rooms and gymnasiums)	6,802,231	10,191,806	1,957,983	98,450		N/A	August 12, 2014
(4) Acquiring, constructing and equipping new roofs, a new Lakeview Fort Oglethorpe High School gymnasium and new Ringgold High School theatre	13,546,360	15,497,447	509,722	106,413		N/A	August 12, 2014

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2012

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED	ESTIMATED COMPLETION DATE
(5) Installing roofing, sprinklers, HVAC, paving, plumbing, electrical wiring and fixtures, painting, fences, alarms, telephone upgrading, equipping, lighting, and general land improvements	$ 5,150,000	$ 3,587,708	$ 162,708			N/A	August 12, 2014
(6) Acquiring, constructing and equipping facilities for student evaluation and testing, teacher training and professional learning, special education and storage	5,000,000	5,000,000			N/A	N/A	
(7) Physical education equipment purchases and maintenance	250,000	250,000			N/A	N/A	
(8) School bus purchases (mainly for replacement)	6,800,000	4,356,741	1,456,741			N/A	August 12, 2014
(9) Acquiring, constructing and equipping transportation facilities to house, drive into/under and repair school buses (including the acquisition of land, and construction of needed facilities and appurtenances therefore): and paying for the expenses incident to accomplish the foregoing purposes	4,080,000	4,080,000				N/A	August 12, 2014
	$ 184,500,000	$ 174,755,980	$ 8,076,809	$ 103,845,297	$ 54,685,592	$ 0	

(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	$ 6,520,403
Current Year	1,293,441
Total	$ 7,813,844

See notes to the basic financial statements.

CATOOSA COUNTY BOARD OF EDUCATION
GENERAL FUND - QUALITY BASIC EDUCATION PROGRAMS (QBE)
ALLOTMENTS AND EXPENDITURES - BY PROGRAM
YEAR ENDED JUNE 30, 2012

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 3,021,684	$ 3,810,371	$ 49,552	$ 3,859,923
Kindergarten Program-Early Intervention Program	724,697	349,427	8,948	358,375
Primary Grades (1-3) Program	7,310,842	10,192,070	142,428	10,334,498
Primary Grades-Early Intervention (1-3) Program	1,328,648	768,828	12,529	781,357
Upper Elementary Grades (4-5) Program	3,821,827	5,178,547	66,333	5,244,880
Upper Elementary Grades-Early Intervention (4-5) Program	403,287	438,494	6,522	445,016
Middle School (6-8) Program	6,713,255	8,079,454	92,710	8,172,164
High School General Education (9-12) Program	5,607,262	8,913,115	223,606	9,136,721
Vocational Laboratory (9-12) Program	2,521,000	2,602,234	196,470	2,798,704
Students with Disabilities	10,503,288			
Category I		2,741,675	72,738	2,814,413
Category II		792,945	11,260	804,205
Category III		7,249,973	29,416	7,279,389
Category IV		911,127	16,655	927,782
Category V		306,122		306,122
Gifted Student - Category VI	2,922,631	1,648,411	14,664	1,663,075
Remedial Education Program	687,846	39,392		39,392
Alternative Education Program	540,799	1,188,926	14	1,188,940
English Speakers of Other Languages (ESOL)	110,638	271,291	5,416	276,707
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	$ 46,217,704	$ 55,482,402	$ 949,261	$ 56,431,663
Media Center Program	1,225,221	1,753,353	182,909	1,936,262
Staff and Professional Development	270,399	33,018	43,014	76,032
TOTAL QBE FORMULA FUNDS	$ 47,713,324	$ 57,268,773	$ 1,175,184	$ 58,443,957

(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

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

August 28, 2013

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, 2012, which collectively comprise Catoosa County Board of Education's basic financial statements and have issued our report thereon dated August 28, 2013. 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

Management of Catoosa County Board of Education is responsible for establishing and maintaining effective 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-6231-12-01, 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 the response.

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,



Greg S. Griffin
State Auditor

GSG:as
2012YB-30

DEPARTMENT OF AUDITS AND ACCOUNTS

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

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

August 28, 2013

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, 2012. 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, 2012.

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,



Greg S. Griffin
State Auditor

GSG:as
2012SA-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, 2012

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, 2012

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 deficiencies 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 Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.367	Improving Teacher Quality State Grants

Dollar threshold used to distinguish between Type A and Type B programs: $307,276

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

CASH AND CASH EQUIVALENTS
REVENUES/RECEIVABLES/RECEIPTS
EXPENDITURES/LIABILITIES/DISBURSEMENTS
Noncompliance with Banking Laws
Improper Expenditure
Significant Deficiency
Finding Control Number: FS-6231-12-01

Condition:
The School District operated a banking program at the high school which was a violation of the provisions of the Official Code of Georgia Annotated (O.C.G.A.) §7-1-241 *Restrictions on Engaging in Banking Business*. Additionally, the subsequent abolishment of the bank program resulted in the School District having expenditures for noneducational purposes as required by state law.

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

Criteria:

The O.C.G.A. §7-1-241 provides, in part, as follows,..." (a) no person or corporation may lawfully engage in this state in the business of banking or receiving money for deposit or transmission or lawfully establish in this state a place of business for such purpose, except a bank, national bank, a credit union...".

The Official Code of Georgia Annotated (O.C.G.A.) §20-2-411 provides, in part, as follows, "...school funds shall be used for education purposes and may be used to pay the salaries of personnel and to pay for the utilization of school facilities, including school buses; for extracurricular and interscholastic activities, including literary events, music, and athletic programs within individual schools and between schools in the same or different school systems when such activities are sponsored by local boards of education as an integral part of the total school program, and for no other purpose...".

Questioned Cost:

N/A

Information:

During the year under review it was noted that the School District was operating a banking program at a high school. The banking program's original intent was to provide students with experience of approving lunch money loans to fellow students. Students could also open savings accounts. At some point the program began providing loans to faculty members ranging from $100 - $2,000. The program received funding from faculty, students, and outside sources by "investing" with the bank. Investments were made in either a six or twelve month certificate of deposit that earned interest between 7% - 10%. The School District's management abolished the program in June 2012 and ordered all related activities to cease immediately. The program's account ended with a $4,000 deficit. The Principal used funds from the school's operating account to cover the deficit. This expenditure was not considered to be for an educational purpose since the program operated outside its original purpose.

Cause:

The School District's management failed to properly monitor the School Activity Accounts to ensure all programs were operating in accordance with Georgia law.

Effect:

The School District was not in compliance with O.C.G.A. §7-1-241 or O.C.G.A. §20-2-411.

Recommendation:

The School District's Management should implement policies and procedures to ensure that School Activity account programs are operating in accordance with Georgia law and that management is appropriately monitoring the school activity accounts for compliance with the established policies and 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, 2012

Finding Control Number: FS-6231-12-01

The School District has implemented Financial Policies and Procedures which include internal controls, a monthly review of all school activity bank accounts and internal audits of school activity accounts. It was in the course of these established procedures, that Management became aware that the banking program was operating differently than originally intended and the banking class was no longer offered. Management immediately ended the banking program and closed the related bank account. To prevent future findings of such nature, management will continue to monitor school activity bank accounts through monthly reviews and internal audits. Management has also implemented a process which requires management approval for any bank account opened, closed or any changes related to authorization signatures of any system bank account. Management has also implemented an annual bank account disclosure requirement from all schools and departments confirming existence of any and all system related bank accounts. Management currently requires all system Administration and any system personnel involved in the financial process to attend semi-annual Finance meetings. Financial Policies and Procedures are presented at these meetings and updates to Policies and Procedures are communicated by management throughout the year. Management has also established required financial meetings and presentations for all newly hired bookkeepers within the system.

Upon notice of the banking program's activities, Management required the related bank account and programs to be closed. A process was set forth to collect any outstanding debts to reimburse the unallowable expenditure from the School's Operating Account. To prevent further findings of this nature, Management has communicated through annual Finance meetings and Financial Policies and Procedures allowable sources and uses of funds related to school activity accounts. Monthly reviews and internal audits of school activity accounts will continue.

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