

CATOOSA COUNTY
BOARD OF EDUCATION
RINGGOLD, GEORGIA

ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014
(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
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Greg S. Griffin
STATE AUDITOR
(404) 656-2174

August 28, 2015

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

Ladies and Gentlemen:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2014 the Catoosa County Board of Education adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The School District restated beginning Net Position for the cumulative effect of this accounting change. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual, as presented on pages i through viii and page 25 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Catoosa County Board of Education's basic financial statements. The accompanying supplementary information, consisting of Schedules 2 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* and is not a required part of the basic 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 basic financial statements. Such 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 basic financial statements or to the basic 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2015, 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* in considering Catoosa County Board of Education's internal control over financial reporting and compliance.

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
2014ARL-11

CATOOSA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

INTRODUCTION

The discussion and analysis of the Catoosa County Board of Education's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal years ended June 30, 2014 and June 30, 2013. The intent of this discussion and analysis is to look at the Board's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the Board's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal years 2014 and 2013 are as follows:

- On the District-wide financial statements, the assets of the Board exceeded liabilities by $187.2 million and $183.6 million, respectively, for the fiscal years ended June 30, 2014 and 2013. Of these amounts $3,458,076 and $7,080,954, respectively, for fiscal years 2014 and 2013 is unrestricted and available for spending at the Board's discretion.

- The Board had $106.4 million and $106.9 million in expenses relating to governmental activities for the fiscal years ended June 30, 2014 and June 30, 2013, respectively. Only $61.6 million and $64.3 million of the above mentioned expenses for 2014 and 2013 were offset by program specific charges for services, grants and contributions. General revenues (primarily property and sales taxes) of $48.5 million and $44.4 million, respectively, for 2014 and 2013 along with fund balance were adequate to provide for these programs.

- As stated above, general revenues accounted for $48.5 million or 44% of all revenues totaling $110.2 million for fiscal year 2014 and $44.4 million or 41% of all revenues totaling $108.6 million for fiscal year 2013. Program specific revenues in the form of charges for services, grants and contribution accounted for the rest.

- The General Fund (the primary operating fund), presented on a current financial resource basis, ended the fiscal year with a fund balance of $9.9 million, a decrease of $408,969 from the June 30, 2013 fund balance of $10.3 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts; management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two levels of statements that present different views of the Board. These include the District-wide and fund financial statements.

The District-wide financial statements include the Statement of Net Position and Statement of Activities. These statements provide information about the activities of the Board presenting both short-term and long-term information about the overall financial status.

The fund financial statements focus on individual parts, reporting the Board's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the Board acts solely as a trustee or agent for the benefit of others. The fund financial statements reflect the Board's most significant funds. For the years ending June 30, 2014 and 2013, the General Fund, the District-wide Capital Projects Fund, and the Debt Service Fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is also presented that further supplements understanding of the financial statements.

District-wide Statements

The District-wide statements report information about the Board as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Board's assets and liabilities. All of the current fiscal year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the Board's net position and how it has changed. Net position, the difference between the Board's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, are one way to measure the Board's overall financial health or position. Over time, increases or decreases in net position are an indication of whether its financial health is improving or deteriorating. Changes may be the result of many factors, including those not under the Board's control, such as the property tax base, facility conditions, required educational programs and other factors.

In the Statement of Net Position and the Statement of Activities, the Board has one distinct type of activity:

- Governmental Activities – All of the Board's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, food service, student activity accounts and various others.

Fund Financial Statements

The Board's fund financial statements provide detailed information about the most significant funds, not the Board as a whole. Some funds are required by State law and some by bond requirements. The Board's major governmental funds are the General Fund, District-wide Capital Projects Fund, and Debt Service Fund.

Governmental Funds - Most of the Board's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are reconciled to the financial statements.

Fiduciary Funds - The Board is the trustee, or fiduciary, for assets that belong to others, such as school clubs and organizations within the principals' accounts. The Board is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The Board excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE BOARD AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the Board as a whole. Table 1 provides a summary of the Board's net position for fiscal years 2014 and 2013.

Table 1
Net Position

	Governmental Activities			
	Fiscal Year 2014	Percent of Total	Fiscal Year 2013 (1)	Percent of Total
Assets				
Current Assets	$ 36,842,394	16%	$ 55,351,981	23%
Capital Assets, Net	198,151,585	84%	185,307,241	77%
Total Assets	234,993,979	100%	240,659,222	100%
Liabilities				
Current Liabilities	13,503,019	28%	14,997,414	26%
Long-Term Liabilities	34,262,937	72%	42,039,347	74%
Total Liabilities	47,765,956	100%	57,036,761	100%
Net Position				
Net Investment in Capital Assets	174,153,837	93%	166,199,317	91%
Restricted	9,616,110	5%	10,342,190	6%
Unrestricted	3,458,076	2%	7,080,954	3%
Total Net Position	$ 187,228,023	100%	$ 183,622,461	100%

(1) Fiscal year 2013 balances do not reflect the effects on the restatement of Net Position. See Note 2 in the Notes to the Basic Financial Statements for additional information.

Total net position increased by $3.8 million in fiscal year 2014. While current assets decreased due to an annual bond payment and the completion of several large construction projects, the Board maintains a very healthy current ratio (current assets divided by current liabilities) of 2.73, signaling that there should be no difficulty in paying for liabilities that will arise in the coming year.

Table 2 shows the Changes in Net Position for fiscal years ending June 30, 2014 and June 30, 2013.

Table 2
Change in Net Position

	Governmental Activities			
	Fiscal Year 2014	Percent of Total	Fiscal Year 2013	Percent of Total
Revenues				
Program Revenues:				
Charges for Services	$ 2,571,712	4%	$ 2,652,685	4%
Operating Grants and Contributions	58,755,915	95%	59,285,725	92%
Capital Grants and Contributions	287,196	1%	2,317,854	4%
Total Program Revenues	61,614,823	100%	64,256,264	100%
General Revenues:				
Property Taxes	29,163,176	60%	25,556,506	58%
Sales Taxes	9,437,189	19%	9,914,467	22%
Grants and Contributions not Restricted to Specific Programs	5,876,601	12%	5,427,133	12%
Investment Earnings	80,766	0%	233,698	1%
Miscellaneous	3,990,020	9%	3,260,854	7%
Total General Revenues	48,547,752	100%	44,392,658	100%
Total Revenues	110,162,575		108,648,922	
Program Expenses:				
Instruction	67,346,556	63%	69,581,128	65%
Support Services				
Pupil Services	4,020,813	4%	3,770,537	4%
Improvement of Instructional Services	2,406,807	2%	2,236,310	2%
Educational Media Services	1,865,198	2%	1,905,748	2%
General Administration	1,159,921	1%	1,107,785	1%
School Administration	7,027,408	7%	6,916,574	6%
Business Administration	646,672	1%	897,889	1%
Maintenance and Operation of Plant	8,381,976	8%	7,634,682	7%
Student Transportation Services	5,296,772	5%	4,637,825	4%
Central Support Services	488,273	0%	396,007	0%
Other Support Services	1,360,761	1%	1,316,983	1%
Operations of Non-Instructional Services				
Community Services	481,859	0%	574,896	1%
Food Services	5,374,805	5%	5,244,854	5%
Interest on Debt	493,778	1%	723,835	1%
Total Expenses	106,351,599	100%	106,945,053	100%
Increase in Net Position	3,810,976		1,703,869	
Beginning Net Position, Restated	183,417,047		181,918,592	
Ending Net Position	$ 187,228,023		$ 183,622,461	

During fiscal year 2014, the Board adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies the way costs associated with bond issuances should be reported. To be in compliance with this Statement, $205,414 of bond issuance costs related to the 2011 bond issue were removed from the balance sheet and reflected as a decrease to beginning net position in the current year. This is reflected in Table 2 under Beginning Net Position, Restated for fiscal year 2014. There was no restatement of net position for fiscal year 2013.

Program revenues, in the form of charges for services, operating grants and contributions and capital grants and contributions decreased $2,641,441 for governmental activities. This decrease is largely due to a decrease in capital grants received from the Georgia State Financing and Investment Commission (GSFIC) to offset certain construction projects. Program revenues were also cut by $7.8 million in Austerity Reductions in State Quality Basic Education Funding (QBE) for fiscal year 2014.

General revenues increased by $4,155,094 during fiscal year 2014, due in large part to an increase in the property tax millage rate from 16.763 to 18.713 during fiscal year 2013. Property taxes comprise the largest percentage of general revenues for the Board. Sales tax revenues decreased 5% from prior year due to the continued economic uncertainty in the area.

The Board continues efforts to reduce expenses during a time of continued revenue shortfalls at the state and local levels and increased costs for transportation and maintenance. Total expenses decreased $593,453 or 0.6%, including decreasing the costs of business administration by almost one-third. Table 3 shows the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the Board's taxpayers by each activity.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2014	Fiscal Year 2013
Instruction	$ 67,346,556	$ 69,581,128	$ 23,341,897	$ 25,057,893
Support Services:				
Pupil Services	4,020,813	3,770,537	3,007,227	2,541,033
Improvement of Instructional Services	2,406,807	2,236,310	1,078,687	969,703
Educational Media Services	1,865,198	1,905,748	613,094	508,026
General Administration	1,159,921	1,107,785	-451,329	-681,383
School Administration	7,027,408	6,916,574	4,440,225	3,744,848
Business Administration	646,672	897,889	645,228	862,314
Maintenance and Operation of Plant	8,381,976	7,634,682	5,469,327	4,388,041
Student Transportation Services	5,296,772	4,637,825	4,211,463	2,960,955
Central Support Services	488,273	396,007	481,786	363,619
Other Support Services	1,360,761	1,316,983	848,747	793,632
Operations of Non-Instructional Services:				
Community Services	481,859	574,896	340,861	395,746
Food Services	5,374,805	5,244,854	215,785	60,527
Interest on Debt	493,778	723,835	493,778	723,835
Total Expenses	$ 106,351,599	$ 106,945,053	$ 44,736,776	$ 42,688,789

Although program revenues make up a majority of the funding, the Board is still dependent upon tax revenues for governmental activities. Over 43% of instruction and support activities are supported through taxes and other general revenues, an increase of 3.6% from 2013, which further indicates a shift of responsibility from the state to local governments.

FINANCIAL ANALYSIS OF THE BOARD'S FUNDS

The Board's governmental funds are accounted for using the modified accrual basis of accounting. The governmental funds had total revenues and other financing sources of $118.7 million and total expenses and other financing uses of $135.8 million. There was a decrease in the fund balance totaling $17.1 million for the governmental funds as a whole. The $9.9 million fund balance in the General Fund reflects that the Board continues to be able to adequately meet current costs.

General Fund Budgeting Highlights

The Board's budget is prepared according to Georgia Law. The most significant budgeted fund is the General Fund, funded primarily through state revenue and local property tax revenue. During the course of fiscal years 2014 and 2013, the Board amended its general fund budget as needed.

During fiscal year 2014 the General Fund had final actual revenues totaling $100.7 million, which represented an increase from the original budgeted amount of $94.6 million by $6.1 million. This difference (final actual vs. original budget) was due to conservative estimates by the Board that were exceeded slightly in every major category.

Final actual expenditures and during fiscal year 2014 totaling $101.1 million represented an increase from the original budgeted amount of $98.8 million by $2.3 million. The increase in actual expenditures versus original budget expenditures was due primarily to higher than expected costs for food services and pupil services.

General fund expenditures exceeded revenues by $408,969 for the fiscal year 2014.

CAPITAL ASSETS

At the fiscal years ended June 30, 2014 and June 30, 2013, the School District had $198.2 million and $185.3 million, respectively, invested in a broad range of capital assets, including land, buildings and furniture and equipment for its governmental activities. The increase in net assets is mostly attributable to the completion of a $14.0 million construction project at Lakeview-Fort Oglethorpe High School. Table 4 reflects a summary of these balances net of accumulated depreciation.

Table 4
Capital Assets
(Net of Depreciation)

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
Land	$ 6,253,176	$ 5,751,266
Land Improvements	5,927,865	5,600,648
Building and Improvements	169,540,915	155,462,763
Equipment	7,126,018	5,888,749
Construction In Progress	9,303,611	12,603,815
Total	$ 198,151,585	$ 185,307,241

The construction in progress balance at June 30, 2014 consists of the following projects:

- Ringgold High School Robin L. Christian Performing Arts Theater
- Battlefield Elementary School Roof and Kitchen
- Tiger Creek Elementary School Roof
- Lakeview-Fort Oglethorpe High School Roof and Kitchen
- Lakeview Middle School Roof and Kitchen

DEBT ADMINISTRATION

The Board did not enter into any new long-term debt during fiscal year 2014. Existing long-term debt decreased $7.8 million from the prior fiscal year.

As of June 30, 2014, the Board had $32.9 million in general obligation bonds outstanding with $7.5 million due within one year. The bonds will be repaid from sales tax proceeds of a special purpose local option sales tax (SPLOST) that began July 1, 2012 and ends June 30, 2017. Table 5 summarizes long-term debt outstanding at June 30, 2014 and 2013.

Table 5
Debt at June 30

	Governmental Activities	
	Fiscal Year 2014	Fiscal Year 2013
General Obligation Bonds	$ 32,885,000	$ 40,000,000

The Board's bonds have been assigned a rating of "AA+" by Standard and Poor's based on the Board's participation in the Georgia State Intercept Program. Standard and Poor's has assigned an underlying rating (without regard to the Georgia State Intercept Program) of "AA-" to the bonds.

CURRENT ISSUES

The Board continues to face several financial challenges, including the rising costs of employee benefits, continued austerity reductions of state revenue appropriations, and little to no growth in the tax digest.

Approximately 90% of general fund expenses, the main operating fund for the Board, were related to salaries and employee benefits for the year ended June 30, 2014. More than 34% of certified personnel in the School District have 21 years or more experience resulting in salaries at the highest possible state pay level. In addition, required contributions by the Board to the retirement system and employee health insurance continue to rise. The continued pressure of increasing costs resulted in a reduction of work calendar days of five for the fiscal year.

The Board's millage rate for fiscal year 2014 was 18.713. The net digest was relatively flat during fiscal years 2014 and 2013, ending a string of several years where it decreased annually. The net digest for fiscal year 2014 was $1.497 billion, which produced approximately $1,498,000 per mill. The Board anticipates continued pressure to provide local monies to meet mandated educational requirements and operational costs.

The most significant challenge remains the continuation of austerity cuts made to the State Quality Basic Education (QBE) funding formula – cuts that began in 2003. The reduction in funds for fiscal year 2014 for Catoosa County Public Schools is $7.9 million. The cumulative effect of these reductions on the Board over the 11-year period is the loss of approximately $56.7 million. Although the budget for fiscal year 2015 shows a smaller expected austerity cut than the last several years, the Board expects significant cuts to continue into the future.

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement in fiscal year 2015 will result in a restatement of beginning net position. The School District's liability for the Net Pension Liability of the pension plan administered through the Teachers Retirement System of Georgia (TRS) is estimated to be $66.8 million at June 30, 2015.

CONTACTING THE BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the Board's finances and to show the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Blake Stansell, CPA, Finance Manager at the Catoosa County Board of Education, 307 Cleveland Street, Ringgold, Georgia 30736. You may also email your questions to bstansell@catoosa.k12.ga.us.

CATOOSA COUNTY BOARD OF EDUCATION

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2014

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Cash Equivalents	$ 26,293,034
Investments	21,500
Accounts Receivable, Net	
Interest	1,609
Taxes	2,479,000
State Government	7,039,522
Federal Government	826,941
Other	7,574
Inventories	162,714
Prepaid Items	10,500
Capital Assets, Non-Depreciable	15,556,787
Capital Assets, Depreciable (Net of Accumulated Depreciation)	182,594,798
Total Assets	234,993,979
LIABILITIES	
Accounts Payable	81,851
Salaries and Benefits Payable	11,645,424
Interest Payable	473,292
Claims Payable	742,310
Contracts Payable	93,303
Retainages Payable	455,235
Deposits and Unearned Revenues	11,604
Long-Term Liabilities	
Due Within One Year	8,161,410
Due in More Than One Year	26,101,527
Total Liabilities	47,765,956
NET POSITION	
Net Investment in Capital Assets	174,153,837
Restricted for	
Continuation of Federal Programs	575,302
Debt Service	7,930,923
Capital Projects	1,109,885
Unrestricted	3,458,076
Total Net Position	$ 187,228,023

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, 2014

	EXPENSES	CHARGES FOR SERVICES
GOVERNMENTAL ACTIVITIES		
Instruction	$ 67,346,556	$ 310,568
Support Services		
Pupil Services	4,020,813	194,941
Improvement of Instructional Services	2,406,807	3,032
Educational Media Services	1,865,198	33,376
General Administration	1,159,921	
School Administration	7,027,408	55,401
Business Administration	646,672	
Maintenance and Operation of Plant	8,381,976	58,187
Student Transportation Services	5,296,772	
Central Support Services	488,273	
Other Support Services	1,360,761	313,492
Operations of Non-Instructional Services		
Community Services	481,859	140,934
Food Services	5,374,805	1,461,781
Interest on Short-Term and Long-Term Debt	493,778	
Total Governmental Activities	$ 106,351,599	$ 2,571,712
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Total General Revenues		
Change in Net Position		
Net Position - Beginning of Year (Restated)		
Net Position - 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 POSITION
$ 43,593,516	$ 100,575	$ -23,341,897
813,650	4,995	-3,007,227
1,320,140	4,948	-1,078,687
1,199,376	19,352	-613,094
1,610,935	315	451,329
2,531,782		-4,440,225
1,444		-645,228
2,852,723	1,739	-5,469,327
930,869	154,440	-4,211,463
6,487		-481,786
198,522		-848,747
	64	-340,861
3,696,471	768	-215,785
		-493,778
$ 58,755,915	$ 287,196	-44,736,776
		28,400,318
		762,858
		8,939,795
		497,394
		5,876,601
		80,766
		3,990,020
		48,547,752
		3,810,976
		183,417,047
		$ 187,228,023

CATOOSA COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

EXHIBIT "C"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 12,762,070	$ 5,128,339	$ 8,402,625	$ 26,293,034
Investments	21,500			21,500
Accounts Receivable, Net				
Interest	19		1,590	1,609
Taxes	1,699,838	779,162		2,479,000
State Government	7,039,522			7,039,522
Federal Government	826,941			826,941
Interfund	9,263			9,263
Other	7,574			7,574
Inventories	162,714			162,714
Prepaid Items	10,500			10,500
Total Assets	$ 22,539,941	$ 5,907,501	$ 8,404,215	$ 36,851,657
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 80,528	$ 1,323		$ 81,851
Salaries and Benefits Payable	11,645,424			11,645,424
Interfund Accounts Payable		9,263		9,263
Contracts Payable		93,303		93,303
Retainages Payable		455,235		455,235
Deposits and Unearned Revenue	11,604			11,604
Total Liabilities	11,737,556	559,124		12,296,680
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Taxes	869,178			869,178
FUND BALANCES				
Nonspendable	173,214			173,214
Restricted	412,588	5,348,377	$ 8,404,215	14,165,180
Assigned	1,070,955			1,070,955
Unassigned	8,276,450			8,276,450
Total Fund Balances	9,933,207	5,348,377	8,404,215	23,685,799
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 22,539,941	$ 5,907,501	$ 8,404,215	$ 36,851,657

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 POSITION
JUNE 30, 2014

EXHIBIT "D"

Total Fund Balances - Governmental Funds (Exhibit "C")		$ 23,685,799
Amounts reported for Governmental Activities in the Statement of Net Position are different because:		
Capital Assets used in Governmental Activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:		
Land	$ 6,253,176	
Construction in Progress	9,303,611	
Land Improvements	7,072,643	
Buildings	196,635,854	
Equipment	13,280,566	
Accumulated Depreciation	-34,394,265	
Total Capital Assets		198,151,585
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		869,178
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	$ -32,885,000	
Accrued Interest Payable	-473,292	
Bond Premiums, Net of Amortization	-1,377,937	
Claims and Judgments Payable	-742,310	
Total Long-Term Liabilities		-35,478,539
Net Position of Governmental Activities (Exhibit "A")		$ 187,228,023

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, 2014

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	$ 28,831,881			$ 28,831,881
Sales Taxes	497,394	$ 8,939,795		9,437,189
State Funds	56,688,978			56,688,978
Federal Funds	8,133,974			8,133,974
Charges for Services	2,571,712			2,571,712
Investment Earnings	36,206	33,181	$ 11,379	80,766
Miscellaneous	3,948,520	41,500		3,990,020
Total Revenues	100,708,665	9,014,476	11,379	109,734,520
EXPENDITURES				
Current				
Instruction	63,970,714	410,513		64,381,227
Support Services				
Pupil Services	3,999,908			3,999,908
Improvement of Instructional Services	2,394,484			2,394,484
Educational Media Services	1,841,462			1,841,462
General Administration	1,134,739	8,254		1,142,993
School Administration	7,029,926			7,029,926
Business Administration	700,097			700,097
Maintenance and Operation of Plant	7,792,653	1,302,239		9,094,892
Student Transportation Services	4,651,832	673,003		5,324,835
Central Support Services	495,333			495,333
Other Support Services	1,360,771			1,360,771
Community Services	494,791			494,791
Food Services Operation	5,250,924	25,417		5,276,341
Capital Outlay		14,942,893		14,942,893
Debt Services				
Principal			7,115,000	7,115,000
Dues and Fees			1,500	1,500
Interest			1,242,625	1,242,625
Total Expenditures	101,117,634	17,362,319	8,359,125	126,839,078
Excess of Revenues over (under) Expenditures	-408,969	-8,347,843	-8,347,746	-17,104,558
OTHER FINANCING SOURCES (USES)				
Transfers In			8,961,536	8,961,536
Transfers Out		-8,961,536		-8,961,536
Total Other Financing Sources (Uses)		-8,961,536	8,961,536	0
Net Change in Fund Balances	-408,969	-17,309,379	613,790	-17,104,558
Fund Balances - Beginning	10,342,176	22,657,756	7,790,425	40,790,357
Fund Balances - Ending	$ 9,933,207	$ 5,348,377	$ 8,404,215	$ 23,685,799

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, 2014

EXHIBIT "F"

Total Net Change in Fund Balances - Governmental Funds (Exhibit "E")		$ -17,104,558
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	$ 16,787,062	
Depreciation Expense	-4,039,478	
Excess of Capital Outlay over Depreciation Expense		12,747,584
Capital Assets purchased with Universal Service Fund (e-rate) proceeds are not reported in Governmental Funds. However, in the Statement of Activities, the e-rate proceeds are shown as Capital Grants and Contributions.		96,760
Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		331,295
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 Position. In the current year, these amounts consist of:		
Bond Principal Retirements		7,115,000
Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds. These activities consist of:		
Decrease in Accrued Interest Payable	$ 88,937	
Amortization of Bond Premium	661,410	
Increase in Claims and Judgements	-125,452	
Total Additional Expenditures		624,895
Change in Net Position of Governmental Activities (Exhibit "B")		$ 3,810,976

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

CATOOSA COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2014

EXHIBIT "G"

	AGENCY FUNDS
ASSETS	
Cash and Cash Equivalents	$ 341,827
Accounts Receivable, Net	
Other	32,458
Total Assets	$ 374,285
LIABILITIES	
Funds Held for Others	$ 374,285

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

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

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses (expenses of the School District related to the administration and support of the School District's programs, such as office and maintenance personnel and accounting) are not allocated to programs.
- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

The School District reports the following major governmental funds:

- General Fund is the School District's primary operating fund. It accounts for 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 Education Special Purpose Local Option Sales Tax (ESPLOST) and Bond 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. The School District considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. Property taxes, sales taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

The School District funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, both restricted and unrestricted resources are 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.

RESTATEMENT OF PRIOR YEAR NET POSITION

For fiscal year 2014, the School District made a prior period adjustment due to the adoption of GASB Statement No. 65, as described in "New Accounting Pronouncements" below, which require the restatement of the June 30, 2013, net position in Governmental Activities. The result is a decrease in Net Position at July 1, 2013 of $205,414. This change is in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	$	183,622,461
Reclassification of Bond Issuance Costs		-205,414
Net Position, July 1, 2013, as restated	$	183,417,047

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2014, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement establish accounting and financial reporting standards that reclassify, as deferred outflows or inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows or inflows of resources, certain items that were previously reported as assets and liabilities. As noted above the School District restated beginning Fund Balance and/or beginning New Position for the cumulative effect of this accounting change.

FUTURE ACCOUNTING PRONOUNCEMENTS

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this Statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teachers' Retirement System (TRS), the School District's liability for the unfunded portion of the pension plan administered through TRS is estimated to be $66,819,412 at June 30, 2015.

CASH AND CASH EQUIVALENTS

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

INVESTMENTS

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

1. Obligations issued by the State of Georgia or by other states,
2. Obligations issued by the United States government,
3. Obligations fully insured or guaranteed by the United States government or a United States government agency,
4. Obligations of any corporation of the United States government,
5. Prime banker's acceptances,
6. The local government investment pool (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.

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

RECEIVABLES

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

PROPERTY TAXES

The Catoosa County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on July 31, 2013 (levy date) based on property values as of January 1, 2013. Taxes were due on December 20, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. 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, 2014, for maintenance and operations amounted to $26,644,803.

The tax millage rate levied for the 2013 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	18.713 mills

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $1,424,220 during fiscal year ended June 30, 2014.

SALES TAXES

Education Special Purpose Local Option Sales Tax, at the fund reporting level, during the year amounted to $8,939,795 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, 2014, 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.

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District did not have any items that qualified for reporting in this category for the year ended June 30, 2014.

In addition to liabilities, the statement of net position and/or the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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 are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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 Position.

NET POSITION

The School District's net position in the District-wide Statements is classified as follows:

Net investment in capital assets - 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 net investment in capital assets.

Restricted net position - This represents 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 position - Unrestricted net position represents 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, 2014, are as follows:

Nonspendable				
Inventories	$	162,714		
Prepaid Assets		10,500	$	173,214
Restricted				
Continuation of Federal Programs	$	412,588		
Capital Projects		5,348,377		
Debt Service		8,404,215		14,165,180
Assigned				
School Activity Accounts				1,070,955
Unassigned				8,276,450
Fund Balance, June 30, 2014			$	23,685,799

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 fund. 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, as well as the School District's website. 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, 2014, the School District had deposits with a carrying amount of $26,656,361, which includes $21,500 in Certificates of Deposit that are reported as Investments, and a bank balance of $29,683,976. The bank balances insured by Federal depository insurance were $1,016,889 and the bank balances collateralized with securities held by the pledging institution or by the pledging financial institution's trust department or agent in the School District's name were $28,667,087.

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, 2013	Increases	Decreases	Balances June 30, 2014
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 5,751,266	$ 501,910		$ 6,253,176
Construction Work in Progress	12,603,815	12,322,899	$ 15,623,103	9,303,611
Total Capital Assets Not Being Depreciated	18,355,081	12,824,809	15,623,103	15,556,787
Capital Assets Being Depreciated				
Buildings and Improvements	179,470,352	17,165,502		196,635,854
Equipment	11,337,898	1,982,026	39,358	13,280,566
Land Improvements	6,538,055	534,588		7,072,643
Less Accumulated Depreciation:				
Buildings and Improvements	24,007,589	3,087,350		27,094,939
Equipment	5,449,149	744,757	39,358	6,154,548
Land Improvements	937,407	207,371		1,144,778
Total Capital Assets, Being Depreciated, Net	166,952,160	15,642,638	0	182,594,798
Governmental Activity Capital Assets - Net	$ 185,307,241	$ 28,467,447	$ 15,623,103	$ 198,151,585

Current year depreciation expense by function is as follows:

Instruction		$ 2,952,180
Support Services		
Pupil Services	$ 17,510	
Improvements of Instructional Services	12,201	
General Administration	35,054	
Maintenance and Operation of Plant	193,892	
Student Transportation Services	708,941	
Community Services	7,095	974,693
Food Services		112,605
		$ 4,039,478

NOTE 7: INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2014, consisted of the following:

Transfer to	Transfers From District-wide Capital Projects
Debt Service Fund	$ 8,961,536

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.

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 $400,000 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
2013	$ 447,292	$ 541,868	$ 372,302	$ 616,858
2014	$ 616,858	$ 438,077	$ 312,625	$ 742,310

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
2013	$ 0	$ 3,463	$ 3,463	$ 0
2014	$ 0	$ 16,618	$ 16,618	$ 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 Lakeview-Fort Oglethorpe High School located at 1850 Battlefield Parkway, Fort Oglethorpe, GA, and is responsible for Asbestos identified when replacing roof. The School District has recorded a liability and expense related to this pollution remediation in the amount

of $8,500, on the Statement of Net Position and on the Statement of Activities. The estimates of the liabilities are based on a range of expected outlays, net of expected cost recoveries, if any, for the type and amount of pollution contamination detected. The estimates are reviewed and adjusted periodically for price changes, additional contamination and any other changes detected.

NOTE 10: LONG-TERM LIABILITIES

GENERAL OBLIGATION DEBT OUTSTANDING

General Obligation Bonds currently outstanding are as follows:

Purpose	Interest Rates	Amount
General Government - Series 2011	2.0% - 4.0%	$ 32,885,000

The changes in Long-Term Liabilities during the fiscal year ended June 30, 2014, were as follows:

	Governmental Activities				
	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
G.O. Bonds	$ 40,000,000	$ 0	$ 7,115,000	$ 32,885,000	$ 7,500,000
Bond Premium Amortized	2,039,347		661,410	1,377,937	661,410
	$ 42,039,347	$ 0	$ 7,776,410	$ 34,262,937	$ 8,161,410

At June 30, 2014, payments due by fiscal year which includes principal and interest for these items are as follows:

	General Obligation Debt		Unamortized
	Principal	Interest	Bond Premium
Fiscal Year Ended June 30:			
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	$ 32,885,000	$ 2,100,850	$ 1,377,937

NOTE 11: ON-BEHALF PAYMENTS

The School District has recognized revenues and costs in the amount of $5,064,511 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 $4,828,092

Paid to the Teachers' Retirement System of Georgia
For Teachers' Retirement System (TRS) Employer's Cost
In the amount of $12,214

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 $224,205

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on Schedule 3 – Schedule of State Revenue.

NOTE 12: SIGNIFICANT COMMITMENTS

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2014

Project	Unearned Executed Contracts
Ringgold High School Theater	$ 104,860
Battlefield Elementary School Roof	247,300
Battlefield Elementary School Kitchen	80,661
Tiger Creek Elementary School Roof	230,200
Heritage Middle School Band Room	56,121
Lakeview-Fort Oglethorpe High School Roof	411,785
Lakeview-Fort Oglethorpe High School Kitchen	166,538
Lakeview Middle School Kitchen	14,031
Lakeview Middle School Roof	136,593
	$ 1,448,089

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

NOTE 13: 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 14: 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, 2014:

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

July 1, 2013 - June 30, 2014	$945.00 per member per month

For non-certificated school personnel:

July 1, 2013 - June 30, 2014	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2014 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
2014	100%	$ 11,821,884
2013	100%	$ 11,065,810
2012	100%	$ 10,344,218

NOTE 15: 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, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

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

Fiscal Year	Percentage Contributed		Required Contribution
2014	100%	$	6,648,825
2013	100%	$	6,318,559
2012	100%	$	5,690,605

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 Contributions. 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 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
2014	100%	$	118,940
2013	100%	$	114,761
2012	100%	$	112,275

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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, 2014

SCHEDULE "1"

	NONAPPROPRIATED BUDGETS		ACTUAL	VARIANCE
	ORIGINAL (1)	FINAL (1)	AMOUNTS	OVER/UNDER
REVENUES				
Property Taxes	$ 28,054,092	$ 28,054,092	$ 28,831,881	$ 777,789
Sales Taxes	450,000	450,000	497,394	47,394
State Funds	56,292,918	56,604,661	56,688,978	84,317
Federal Funds	7,709,911	8,335,538	8,133,974	-201,564
Charges for Services	2,050,360	2,050,360	2,571,712	521,352
Investment Earnings	8,000	8,000	36,206	28,206
Miscellaneous			3,948,520	3,948,520
Total Revenues	94,565,281	95,502,651	100,708,665	5,206,014
EXPENDITURES				
Current				
Instruction	63,759,887	64,721,321	63,970,714	750,607
Support Services				
Pupil Services	3,310,826	3,483,366	3,999,908	-516,542
Improvement of Instructional Services	2,298,206	2,749,875	2,394,484	355,391
Educational Media Services	1,683,528	1,661,133	1,841,462	-180,329
General Administration	896,326	973,034	1,134,739	-161,705
School Administration	7,127,476	7,128,402	7,029,926	98,476
Business Administration	870,705	870,805	700,097	170,708
Maintenance and Operation of Plant	7,675,894	7,677,093	7,792,653	-115,560
Student Transportation Services	4,324,948	4,661,247	4,651,832	9,415
Central Support Services	832,071	832,171	495,333	336,838
Other Support Services	340,834	355,060	1,360,771	-1,005,711
Food Services Operation	5,691,000	5,691,000	5,250,924	440,076
Community Services Operations	964	964	494,791	-493,827
Total Expenditures	98,812,665	100,805,471	101,117,634	-312,163
Excess of Revenues over (under) Expenditures	-4,247,384	-5,302,820	-408,969	4,893,851
OTHER FINANCING SOURCES (USES)				
Other Sources	345,370	345,370		-345,370
Other Uses	-373,664	-373,664		373,664
Total Other Financing Sources (Uses)	-28,294	-28,294		28,294
Net Change in Fund Balances	-4,275,678	-5,331,114	-408,969	4,922,145
Fund Balances - Beginning	10,144,929	10,144,929	10,342,176	197,247
Fund Balances - Ending	$ 5,869,251	$ 4,813,815	$ 9,933,207	$ 5,119,392

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

(1) Original and Final Budget amounts do not include the budgeted revenues or expenditures of the various principal accounts. The actual revenues and expenditures of the various principal accounts are $3,407,037 and $3,460,924, respectively.

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, 2014

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	$ 5,110,736	(1)
Total Child Nutrition Cluster				5,110,736	
Education, U. S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
Grants to States		84.027	N/A	2,026,340	
Preschool Grants		84.173	N/A	46,200	
Total Special Education Cluster				2,072,540	
Other Programs					
Pass-Through From Georgia Department of Education					
ARRA - Race-to-the-Top Incentive Grants		84.395	N/A	15,296	
Career and Technical Education - Basic Grants to States		84.048	N/A	97,451	
Education for Homeless Children and Youth		84.196	N/A	37,116	
Improving Teacher Quality State Grants		84.367	N/A	412,399	
Title I Grants to Local Educational Agencies	*	84.010	N/A	1,876,169	
Total Other Programs				2,438,431	
Total U. S. Department of Education				4,510,971	
Defense, U. S. Department of					
Direct					
Department of the Army					
R.O.T.C. Program				136,719	
Total Expenditures of Federal Awards				$ 9,758,426	

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 $396,816.

(2) Expenditures for the funds earned on the School Breakfast Program ($822,035) were not maintained separately and are included in the 2014 National School Lunch Program.

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

The School District had no major programs as defined by the Single Audit Act of 1984.

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, 2014

SCHEDULE "3"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPE GENERAL FUND
GRANTS	
Bright From the Start:	
Georgia Department of Early Care and Learning	
Pre-Kindergarten Program	$ 784,466
Education, Georgia Department of	
Quality Basic Education (1)	
Direct Instructional Cost	
Kindergarten Program	3,135,818
Kindergarten Program - Early Intervention Program	630,361
Primary Grades (1-3) Program	6,864,690
Primary Grades - Early Intervention (1-3) Program	1,603,523
Upper Elementary Grades (4-5) Program	3,681,939
Upper Elementary Grades - Early Intervention (4-5) Program	404,128
Middle School (6-8) Program	6,390,603
High School General Education (9-12) Program	5,552,363
Vocational Laboratory (9-12) Program	2,295,256
Students with Disabilities	11,615,280
Gifted Student - Category VI	3,197,179
Remedial Education Program	1,027,858
Alternative Education Program	461,120
English Speakers of Other Languages (ESOL)	130,767
Media Center Program	1,199,376
20 Days Additional Instruction	351,006
Staff and Professional Development	242,012
Indirect Cost	
Central Administration	1,548,757
School Administration	2,505,049
Facility Maintenance and Operations	2,759,410
Mid-term Adjustment Hold-Harmless	190,123
Amended Formula Adjustment	-7,786,675
Categorical Grants	
Pupil Transportation	
Regular	808,024
Nursing Services	201,180
Education Equalization Funding Grant	5,876,601
Other State Programs	
Food Services	136,793
Math and Science Supplements	68,186
Move On When Ready	500
Preschool Handicapped Program	109,511
Pupil Transportation - State Bonds	154,440
Teachers' Retirement	12,214
Technology to Support Digital Learning Bonds	82,000
Vocational Education	220,915
Office of the State Treasurer	
Public School Employees' Retirement	224,205
Action for Healthy Kids	10,000
	$ 56,688,978

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $4,828,092 are included as part of the Quality Basic Education revenue allotments above.

See notes to the basic financial statements.

CATOOSA COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2014

SCHEDULE "4"

PROJECT	ORIGINAL ESTIMATED COST (1)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3) (4)	AMOUNT EXPENDED IN PRIOR YEARS (3) (4)	TOTAL COMPLETION COST	EXCESS PROCEEDS NOT EXPENDED (5)	ESTIMATED COMPLETION DATE (5)
ESPLOST 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 schools 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	$ 50,794,880	$ 43,614	$ 49,760,143	$ 0	N/A	December 2015
ESPLOST 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	5,067,118	410,513	4,650,265		N/A	June 2017
2) Acquiring land for constructing and equipping new schools (including a new elementary school)	14,250,000	0	0	18,934		N/A	June 2017
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	13,869,138	1,686,313	10,643,719		N/A	June 2017
4) Acquiring, constructing and equipping new roofs, a new Lakeview Fort Oglethorpe High School gymnasium and new Ringgold High School theatre	13,546,360	17,798,272	9,712,825	8,500,562		N/A	June 2017
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	3,667,416	2,380,044	554,475		N/A	June 2017
6) Acquiring, constructing and equipping facilities for student evaluation and testing, teacher training and professional learning, special education and storage	5,000,000	0	0	0		N/A	June 2017
7) Physical education equipment purchases and maintenance	250,000	0	0	0		N/A	June 2017
8) School bus purchases (mainly for replacement)	6,800,000	2,596,318	589,056	1,780,823		N/A	June 2017
9) Acquiring, constructing and equipping transportation facilities to house, drive into/under and repair school busses (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	2,674,266	2,539,954	0		N/A	June 2017
	$ 138,000,000	$ 96,467,408	$ 17,362,319	$ 75,908,921	$ 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	$ 9,388,194
Current Year	1,242,625
Total	$ 10,630,819

(5) Original published "Schedule of Approved Local Option Sales Tax Projects" indicated an estimated completion date for ESPLOST III of August 1, 2012. This date has been revised to implement future acquisitions and expenditures in support of projects listed in the ESPLOST III referendum, as approved by the voters of Catoosa County.

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, 2014

SCHEDULE "5"

DESCRIPTION	ALLOTMENTS FROM GEORGIA DEPARTMENT OF EDUCATION (1) (2)	ELIGIBLE QBE PROGRAM COSTS SALARIES	OPERATIONS	TOTAL
Direct Instructional Programs				
Kindergarten Program	$ 3,618,613	$ 3,725,871	$ 47,807	$ 3,773,678
Kindergarten Program-Early Intervention Program	751,749	294,539	11,312	305,851
Primary Grades (1-3) Program	7,862,847	9,474,991	133,761	9,608,752
Primary Grades-Early Intervention (1-3) Program	1,890,574	430,280	30,299	460,579
Upper Elementary Grades (4-5) Program	4,220,478	4,974,891	70,344	5,045,235
Upper Elementary Grades-Early Intervention (4-5) Program	490,016	183,391	5,663	189,054
Middle School (6-8) Program	7,364,864	7,982,561	162,529	8,145,090
High School General Education (9-12) Program	6,415,177	7,822,607	210,007	8,032,614
Vocational Laboratory (9-12) Program	2,666,704	2,549,519	170,310	2,719,829
Students with Disabilities	13,301,562			
Category I		3,257,365	62,282	3,319,647
Category II		447,489	17,620	465,109
Category III		7,624,678	30,422	7,655,100
Category IV		914,597	17,075	931,672
Category V		417,911		417,911
Gifted Student - Category VI	3,629,866	2,697,319	15,301	2,712,620
Remedial Education Program	1,167,310	514,075		514,075
Alternative Education Program	543,497	1,097,326	52	1,097,378
English Speakers of Other Languages (ESOL)	148,637	222,689	5,794	228,483
TOTAL DIRECT INSTRUCTIONAL PROGRAMS	54,071,894	54,632,099	990,578	55,622,677
Media Center Program	1,379,755	1,615,223	119,583	1,734,806
Staff and Professional Development	272,323	50,360	79,547	129,907
TOTAL QBE FORMULA FUNDS	$ 55,723,972	$ 56,297,682	$ 1,189,708	$ 57,487,390

(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, 2015

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, in accordance with the 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, 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, 2014, and the related notes to the financial statements, which collectively comprise Catoosa County Board of Education's basic financial statements and have issued our report thereon dated August 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Catoosa County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Catoosa County Board of Education's internal control.

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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Catoosa County Board of Education's financial statements are free from 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.*

We noted a certain matter that we have reported to management of Catoosa County Board of Education in a separate letter dated August 28, 2015.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, not to provide an opinion on the effectiveness of the Catoosa County Board of Education's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Catoosa County Board of Education's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:as
2014YB-10

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, 2015

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 FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Ladies and Gentlemen:

Report on Compliance for Each Major Federal Program

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, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Catoosa County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Catoosa County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Catoosa County Board of Education complied, in all material respects, with the types of 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, 2014.

Report on Internal Control over Compliance

Management of Catoosa County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Catoosa County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Greg S. Griffin
State Auditor

GSG:as
2014SA-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, 2014

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, 2014

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 — Unmodified

Internal control over financial reporting:
- Material weakness identified? — No
- Significant deficiency identified? — None Reported

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 — Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-143, Section 510(a)? — No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.553, 10.555	Child Nutrition Cluster
84.010	Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? — No

II FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

No matters were reported.

III FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.