



Annual Financial Report

Fiscal Year Ended June 30, 2014



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CHEROKEE COUNTY SCHOOL DISTRICT

Annual Financial Report

Fiscal Year Ended June 30, 2014

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FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Superintendent and Members of
The Cherokee County Board of Education
Canton, Georgia

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 of the Cherokee County School District (the "School District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District'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 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 Cherokee County School District, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison of the General Fund thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee County School District's basic financial statements. The combining nonmajor fund financial statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are 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 also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are 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 March 18, 2015 on our consideration of the Cherokee County School District'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 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 the Cherokee County School District's internal control over financial reporting and compliance.

Williamson and Company

Williamson and Company
Certified Public Accountants
March 18, 2015

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BASIC FINANCIAL STATEMENTS



CHEROKEE COUNTY SCHOOL DISTRICT

Statement of Net Position

June 30, 2014

Assets and Deferred Outflows of Resources**Governmental
Activities****Assets**

Cash and Cash Equivalents	\$ 15,640,569
Restricted Cash	8,669,103
Investments	75,691,846
Receivables	
Taxes	4,293,942
State Government	30,763,257
Federal Government	4,956,428
Other	715,058
Inventory	602,486
Capital Assets, Nondepreciable	70,675,137
Capital Assets, Net	500,211,390
Total Assets	<u>712,219,216</u>

Deferred Outflow of Resources

Deferred Charges	<u>4,169,771</u>
Total Deferred Outflows of Resources	<u>4,169,771</u>
Total Assets and Deferred Outflows of Resources	<u>716,388,987</u>

Liabilities

Accounts Payable	5,688,856
Salaries and Benefits Payable	25,447,390
Accrued Interest Payable	6,453,123
Retainage Payable	2,207,492
Long-term Liabilities	
Due Within One Year	19,296,192
Due in More Than One Year	404,278,026
Total Liabilities	<u>463,371,079</u>

Net Position

Net Investment In Capital Assets	149,731,062
Restricted For:	
Capital Projects	53,855,065
Debt Service	25,103,541
Unrestricted	24,328,240
Total Net Position	<u>\$ 253,017,908</u>

The accompanying notes are an integral part of this financial statement.

CHEROKEE COUNTY SCHOOL DISTRICT

Statement of Activities For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities :					
Instruction	\$ 262,200,690	\$ 11,665,861	\$ 157,130,656	\$ 2,450,336	\$ (90,953,837)
Support Services					
Pupil Services	14,823,723	-	1,439,459	-	(13,384,264)
Improvement of Instruction Services	8,267,732	-	1,990,334	-	(6,277,398)
Educational Media Services	4,732,061	-	4,318,576	-	(413,485)
General Administration	6,877,754	24,473	115,564	-	(6,737,717)
School Administration	21,252,299	-	10,813,430	-	(10,438,869)
Business Administration	2,164,378	3,159,516	130,825	-	1,125,963
Maintenance and Operations	24,799,368	-	8,482,200	-	(16,317,168)
Student Transportation Services	18,607,055	-	915,447	2,040,947	(15,650,661)
Central Support Services	3,441,305	-	3,797,446	-	356,141
Other Support Services	330,053	-	13,470	-	(316,583)
Operations of Noninstructional Services:					
Community Service Operations	1,854,573	2,865,261	-	-	1,010,688
Food Services Operations	15,600,986	6,398,837	9,309,045	454,008	560,904
Interest on Long-term Debt	13,404,956	-	-	-	(13,404,956)
Total Governmental Activities	<u>\$ 398,356,933</u>	<u>\$ 24,113,948</u>	<u>\$ 198,456,452</u>	<u>\$ 4,945,291</u>	<u>(170,841,242)</u>
General Revenues:					
Taxes:					
Property Tax, Levied for General Purposes					119,233,691
Property Tax, Levied for Debt Service					2,440,652
Educational Local Option Sales Tax					31,148,497
Grants and Contributions Not Restricted to Specific Programs					
Restricted Investment Earnings					379,995
Unrestricted Investment Earnings					14,958
Total General Revenues					<u>153,217,793</u>
Change in Net Position					(17,623,449)
Net Position - Beginning of Year					<u>270,641,357</u>
Net Position - End of Year					<u>\$ 253,017,908</u>

The accompanying notes are an integral part of these financial statements.

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CHEROKEE COUNTY SCHOOL DISTRICT

Balance Sheet Governmental Funds June 30, 2014

	General Fund	District-Wide Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	\$ 9,674,956	\$ -	\$ -	\$ 5,965,613	\$ 15,640,569
Restricted Cash	-	11,424	8,657,679	-	8,669,103
Investments	1,923,289	55,073,667	15,805,924	2,888,966	75,691,846
Receivables					
Taxes	4,213,194	-	80,748	-	4,293,942
State Government	23,111,833	4,930,052	2,721,372	-	30,763,257
Federal Government	-	-	-	4,956,428	4,956,428
Other	555,854	-	157,389	1,815	715,058
Inventory	272,721	-	-	329,765	602,486
Due From Other Funds	4,662,084	-	-	-	4,662,084
Total Assets	<u>\$ 44,413,931</u>	<u>\$ 60,015,143</u>	<u>\$ 27,423,112</u>	<u>\$ 14,142,587</u>	<u>\$ 145,994,773</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 1,631,133	\$ 3,952,586	\$ 6,525	\$ 98,612	\$ 5,688,856
Salaries and Benefits Payable	24,349,823	-	-	1,097,567	25,447,390
Retainage Payable	-	2,207,492	-	-	2,207,492
Due To Other Funds	-	-	-	4,662,084	4,662,084
Total Liabilities	<u>25,980,956</u>	<u>6,160,078</u>	<u>6,525</u>	<u>5,858,263</u>	<u>38,005,822</u>
Deferred Inflows of Resources					
Unearned Revenue	1,432,489	-	29,694	-	1,462,183
Total Deferred Inflows of Resources	<u>1,432,489</u>	<u>-</u>	<u>29,694</u>	<u>-</u>	<u>1,462,183</u>
Fund Balances					
Nonspendable					
Inventory	272,721	-	-	329,765	602,486
Restricted					
Debt Service	-	-	27,386,893	-	27,386,893
Capital Projects	-	53,855,065	-	-	53,855,065
Committed					
School Food Services	-	-	-	3,727,510	3,727,510
School Activities	-	-	-	4,227,049	4,227,049
Unassigned	16,727,765	-	-	-	16,727,765
Total Fund Balances	<u>17,000,486</u>	<u>53,855,065</u>	<u>27,386,893</u>	<u>8,284,324</u>	<u>106,526,768</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 44,413,931</u>	<u>\$ 60,015,143</u>	<u>\$ 27,423,112</u>	<u>\$ 14,142,587</u>	<u>\$ 145,994,773</u>
Total Fund Balances Governmental Funds					\$ 106,526,768
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 in the funds.					
	Cost	762,503,159			
	Less Accumulated Depreciation	(191,616,632)			570,886,527
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.					
	Property Taxes				1,462,183
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.					
	Bonds Payable	(396,530,000)			
	Bond Premium, Net of Amortization	(24,625,465)			
	Loss on Bond Refunding, Net of Amortization	4,169,771			
	Claims Payable	(894,414)			
	Accrued Interest	(6,453,123)			
	Compensated Absences	(1,524,339)			(425,857,570)
	Net Position Of Governmental Activities				<u>\$ 253,017,908</u>

The accompanying notes are an integral part of this financial statement.

CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2014

	General Fund	District Wide Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	\$ 127,801,410	\$ 604,259	\$ 33,589,148	\$ 18,507,880	\$ 180,502,697
State Funds	174,868,644	1,846,076	-	1,385,007	178,099,727
Federal Funds	1,139,708	-	-	22,582,539	23,722,247
Investment Earnings	10,547	94,975	285,019	4,411	394,952
Total Revenues	<u>303,820,309</u>	<u>2,545,310</u>	<u>33,874,167</u>	<u>42,479,837</u>	<u>382,719,623</u>
Expenditures					
Current					
Instruction	217,710,480	11,412,219	-	18,727,604	247,850,303
Support Services:					
Pupil Services	10,392,722	-	-	4,440,865	14,833,587
Improvement of Instructional Services	5,940,271	-	-	2,336,065	8,276,336
Educational Media Services	4,555,859	-	-	176,341	4,732,200
General Administration	6,087,996	-	-	217,107	6,305,103
School Administration	20,782,848	374,397	-	3,536	21,160,781
Business Administration	2,121,767	-	-	-	2,121,767
Maintenance and Operations	25,185,830	-	-	-	25,185,830
Student Transportation Services	16,156,228	-	-	301,115	16,457,343
Central Supports Services	3,442,676	-	-	-	3,442,676
Other Support Services	10,019	-	-	320,273	330,292
Community Services Operations	1,856,455	-	-	-	1,856,455
Food Services Operation	153,274	-	-	15,443,434	15,596,708
Capital Outlay	141,034	33,535,635	-	-	33,676,669
Debt Service					
Principal Retirement	-	-	16,150,000	-	16,150,000
Interest and Fees	42,054	-	15,722,772	-	15,764,826
Issuance Costs	-	338,064	-	-	338,064
Total Expenditures	<u>314,579,513</u>	<u>45,660,315</u>	<u>31,872,772</u>	<u>41,966,340</u>	<u>434,078,940</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(10,759,204)</u>	<u>(43,115,005)</u>	<u>2,001,395</u>	<u>513,497</u>	<u>(51,359,317)</u>
Other Financing Sources (Uses)					
Bond Issuance	-	81,315,000	-	-	81,315,000
Bond Premium	-	13,311,060	-	-	13,311,060
Deposit With Escrow Agent	-	(40,703,827)	-	-	(40,703,827)
Proceeds From Sale of Capital Assets	78,918	-	-	-	78,918
Transfers In	-	-	-	408,861	408,861
Transfers Out	(408,861)	-	-	-	(408,861)
Total Other Financing Sources (Uses)	<u>(329,943)</u>	<u>53,922,233</u>	<u>-</u>	<u>408,861</u>	<u>54,001,151</u>
Net Change in Fund Balances	(11,089,147)	10,807,228	2,001,395	922,358	2,641,834
Fund Balance, Beginning of Year	<u>28,089,633</u>	<u>43,047,837</u>	<u>25,385,498</u>	<u>7,361,966</u>	<u>103,884,934</u>
Fund Balance, End of Year	<u>\$ 17,000,486</u>	<u>\$ 53,855,065</u>	<u>\$ 27,386,893</u>	<u>\$ 8,284,324</u>	<u>\$ 106,526,768</u>

The accompanying notes are an integral part of this financial statement.

CHEROKEE COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds \$ 2,641,834

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense is as follows:

Capital Outlay	\$ 33,676,669	
Depreciation Expense	<u>(17,508,834)</u>	16,167,835

The net effect of various miscellaneous transactions involving capital assets during the fiscal year decreased net position. (81,471)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Property Taxes	(1,986,139)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bond Issuance	(81,315,000)	
Deposit Into Escrow	40,703,827	
Bond Premium	(13,311,060)	
Principal Payments - Bonds	<u>16,150,000</u>	(37,772,233)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Change in Compensated Absences	479,362	
Amortization of Bond Premium	1,326,202	
Amortization of Deferred Charge on Refunding	(275,508)	
Change in Claims Payable	229,429	
Change in Accrued Interest	<u>1,647,240</u>	<u>3,406,725</u>

Change in Net Position of Governmental Activities \$ (17,623,449)

The accompanying notes are an integral part of this financial statements.

CHEROKEE COUNTY SCHOOL DISTRICT

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual For the Fiscal Year Ended June 30, 2014

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	\$ 125,854,616	\$ 125,854,616	\$ 127,801,410	\$ 1,946,794
State Funds	157,721,213	157,721,213	174,868,644	17,147,431
Federal Funds	152,000	152,000	1,139,708	987,708
Investment Earnings	-	-	10,547	10,547
Total Revenues	<u>283,727,829</u>	<u>283,727,829</u>	<u>303,820,309</u>	<u>20,092,480.00</u>
Expenditures				
Instruction	198,267,240	198,267,240	217,710,480	(19,443,240)
Support Services:				
Pupil Services	9,807,125	9,807,125	10,392,722	(585,597)
Improvement of Instructional Services	4,897,123	4,897,123	5,940,271	(1,043,148)
Educational Media Services	4,589,996	4,589,996	4,555,859	34,137
General Administration	2,388,645	2,388,645	6,087,996	(3,699,351)
School Administration	20,231,795	20,231,795	20,782,848	(551,053)
Business Administration	2,128,408	2,128,408	2,121,767	6,641
Maintenance and Operations	20,309,476	20,309,476	25,185,830	(4,876,354)
Student Transportation Services	14,983,328	14,983,328	16,156,228	(1,172,900)
Central Supports Services	3,378,064	3,378,064	3,442,676	(64,612)
Other Support Services	-	-	10,019	(10,019)
Community Services Operations	-	-	1,856,455	(1,856,455)
Food Services Operation	-	-	153,274	(153,274)
Capital Outlay	275,676	275,676	141,034	134,642
Debt Service				
Interest and Fees	37,500	37,500	42,054	(4,554)
Total Expenditures	<u>281,294,376</u>	<u>281,294,376</u>	<u>314,579,513</u>	<u>(33,285,137)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,433,453</u>	<u>2,433,453</u>	<u>(10,759,204)</u>	<u>(13,192,657)</u>
Other Financing Sources				
Proceeds From Sale of Capital Assets	-	-	78,918	78,918
Transfers Out	(827,000)	(827,000)	(408,861)	418,139
Total Other Financing Sources	<u>(827,000)</u>	<u>(827,000)</u>	<u>(329,943)</u>	<u>497,057</u>
Net Change In Fund Balance	1,606,453	1,606,453	(11,089,147)	(12,695,600)
Fund Balance, Beginning of Year	<u>28,089,633</u>	<u>28,089,633</u>	<u>28,089,633</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 29,696,086</u>	<u>\$ 29,696,086</u>	<u>17,000,486</u>	<u>\$ (12,695,600)</u>

The accompanying notes are an integral part of this financial statement.

CHEROKEE COUNTY SCHOOL DISTRICT

Agency Fund

Statement of Fiduciary Assets and Liabilities

June 30, 2014

	<u>Agency Fund</u>
Assets	
Cash	<u>\$ 285,541</u>
Total Assets	<u>\$ 285,541</u>
Liabilities	
Due to Others	<u>\$ 285,541</u>
Total Liabilities	<u>\$ 285,541</u>

The accompanying notes are an integral part of this financial statement.

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CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

Note 1 – Description of School District and Reporting Entity

Reporting Entity

The Cherokee County School District (the "School District") was established under the laws of the State of Georgia and operates under the guidance of a seven member 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 the notes to the basic financial statements of the Cherokee County School District.

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. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

The School District reports the following major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for all financial resources of the School District, except those resources required to be accounted for in another fund.
- The District-wide Capital Projects Fund accounts for financial resources including Educational Special Local Option Sales Tax (ELOST), bond proceeds, and grants from the Georgia State Financing and Investment Commission that are restricted, committed, or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.
- The Debt Service Fund accounts for and reports financial resources that are restricted, including taxes (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

- Agency Fund accounts for assets of the school activity funds held by the School District in an agency capacity.

Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes are recognized as revenue in the period for which they were levied, if they are collected within sixty days of year end. All other revenues are also considered to be available when they are collectible within six months of year end, with the exception of grants and donations, which are recognized when all eligibility requirements have been met. Property taxes, sales taxes, grant revenue, 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, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured.

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Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

The State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1-June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July of the subsequent year is accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue.

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 §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 deposits) 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 §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:

- Obligations issued by the State of Georgia or by other states,
- Obligations issued by the United States Government,
- Obligations fully insured or guaranteed by the United States government or a United States government agency,
- Obligations of any corporation of the United States government,
- Prime banker's acceptances,
- The Georgia Fund 1 investment pool administered by the State of Georgia, Office of Treasury and Fiscal Services,

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June 30, 2014

- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia.

The School System does not have a formal policy regarding investments that addresses credit risks, custodial credit risks, concentration of credit risks, interest rate risks or foreign currency risks.

Receivables

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

Property Taxes

The Cherokee County Board of Commissioners adopted the property tax levy for the 2013 tax digest year on July 25, 2013 (levy date) to be paid by December 20, 2013. 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 Cherokee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.3% 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 \$98,902,508 and for school bonds amounted to \$2,058,419.

Tax millage rates levied for the 2013 tax year for the Cherokee County School District were as follows (a mil equals \$1 per thousand dollars of assessed value):

School Operations	19.45 mills
School Bonds	<u>.40 mills</u>
	<u>19.85 mills</u>

Additionally, Title Ad Valorem Tax revenues at the fund reporting level amounted to \$7,394,322.

Sales Taxes

Educational Local Option Sales Tax revenue, at the fund reporting level, during the year amounted to \$31,148,497 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 using the first-in, first-out method. 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

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recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses are recorded as the inventory items are used.

Supplies/Equipment Inventories: On the basic financial statements, inventories of stored supplies and equipment are reported at cost using the first-in, first-out method. The School District uses the consumption method to account for the inventories whereby items are recorded as an asset when purchased and expenses are recorded when the item is put into use.

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:

Description	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 10,000	20
Buildings	\$ 10,000	50
Equipment	\$ 10,000	5-10

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Deferred Outflows/Inflows of Resources

In additions 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 and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In additions to assets, 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 and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has

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only one item that qualifies for reporting in this category. Accordingly the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes levied that are not collected within 60 days of year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Compensated Absences

Members of the Teachers Retirement System of Georgia (TRS) may apply unused sick leave toward early retirement. The liability for early retirement will be borne by TRS rather than by the individual school districts. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School District's financial statements.

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 45 days. Vacation leave of 20 days is awarded on a fiscal year basis to the Superintendent and there are no limits on the amount that may be carried over.

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, and gains or losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method or 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 School District. The outstanding amount of these bonds is recorded in the Statement of Net Position.

Service Concession Arrangements

Service concession arrangements are between a government (transferor) and a third party (operator) in which all of the following criteria are met:

- The School District conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.
- The operator collects and is compensated by fees from third parties.
- The School District has the ability to modify or approve what services the operator is required to provide, to whom service are provided, and prices or rates that can be charged for those services.

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- The School District is entitled to significant residual interest in the service utility of the asset at the end of the arrangement.

At June 30, 2014, the School District was not participating in any service concession arrangements.

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

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

Fund Balances

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

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

Restricted – Constraints are placed on the use of resources and 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 (3) 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 have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

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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, the Debt Service Fund, the Capital Projects Fund, and each special revenue fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, 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.

After the Board has tentatively adopted the budget, the budget is advertised at least once in the local newspaper of general circulation. At the next regularly scheduled meeting after advertisement, the Board receives comment, makes revisions as necessary, and adopts the final budget. The approved budget is then submitted in accordance with provisions of Official Code of Georgia Annotated §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.

See page 12, General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Budgetary/GAAP Basis Reconciliation

In the General Fund, accounting principles used in developing budgets on a budgetary basis differ from those used in preparing financial statements in conformity with generally accepted accounting principles (GAAP).

The primary differences between the budget basis and GAAP basis are:

- Payments made by the State of Georgia for school district employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.
- Proceeds and repayments of tax anticipation notes are budgeted by the School District as revenues and expenditures of the General Fund. Under generally accepted accounting principles, a tax anticipation note is considered a short-term debt issuance.

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Thus, there is an accounting basis difference between the budget and actual Statement of Revenues, Expenditures and Changes in Fund Balances in the General Fund that is reconciled as follows:

Actual Revenues, GAAP Basis	\$ 303,820,309
Add TAN Proceeds	18,030,000
Less On Behalf Contributions	<u>(16,593,540)</u>
Actual Revenues, Budgetary Basis	\$ 305,256,769
Actual Expenditures, GAAP Basis	\$ 314,579,513
Add Payback of TAN Principal	18,030,000
Less On Behalf Benefits Expenditures	<u>(16,593,540)</u>
Actual Expenditures, Budgetary Basis	\$ 316,015,973
Other Financing Sources (Uses), Net GAAP Basis	\$ <u>(329,943)</u>
Other Financing Sources (Uses), Net Budgetary Basis	<u>(329,943)</u>
Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis	<u>(11,089,147)</u>
Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis	\$ <u>(11,089,147)</u>

Note 4 - Deposits and Investments

Collateralization of Deposits

Official Code of Georgia Annotated §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. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall not be less than 110 percent of the daily pool balance. As of June 30, 2014, the School District's deposits were secured by surety bond, insurance, or collateral.

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,

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- (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 formal deposit policy for managing custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of \$33,075,011, which includes \$9,234,596 in Certificates of Deposit and money market accounts that are recorded as investments, and cash deposit balance of \$23,840,415. The deposit balances insured by Federal depository insurance were \$6,388,587 and the bank balances collateralized with securities held by the pledging institution or by the pledging institution's trust department or agent in the School District's name were \$26,686,424.

The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 – Uncollateralized

Category 2 – Cash collateralized with securities held by the pledging financial institution

Category 3 – Cash collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

The School District's deposits by custodial risk category at June 30, 2014 are as follows:

<u>Credit Risk Category</u>	<u>Bank Balance</u>
1	\$ -
2	26,686,424
3	-
Total	<u>\$ 26,686,424</u>

Categorization of Investments

At June 30, 2014, the carrying value of the School District's total investments was \$75,691,846 which is materially the same as fair value. This includes \$9,234,596 invested in Certificates of Deposit and Money Market Accounts, which are collateralized in the same manner as other cash deposits.

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At June 30, 2014 the School District's investments consisted of funds invested in the Georgia Fund 1, formerly referred to as the Local Government Investment Pool, Treasury/Agency Securities held through the Securities Service Network, and Certificates of Deposits at various financial institutions within the State of Georgia. The Georgia Fund 1 is administered by the State of Georgia, Office of Treasury and Fiscal Services which are not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Georgia Fund 1 (Primary Liquidity Portfolio and Extended Asset Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at <http://www.audits.ga.gov/SGD/cafr.html>.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, \$1.00 per share. The pool is an AA+ rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 days.

The School District's investments in the Georgia Fund 1, the agency/treasury securities, and the certificates of deposit as of June 30, 2014 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
Investment Pools		
Georgia Fund 1	\$ 60,267,361	62 Days
Federal Home Loan		
Treasuries	144,317	1-5 Years
Certificates of Deposit	720,765	1-5 Years
Money Market Accounts	14,559,403	Less Than One Year
Total	<u>\$ 75,691,846</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The School District does not have a formal policy for managing interest rate risk.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the School District will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The School District does not have a formal policy for managing custodial credit risk.

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Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The School District does not have a formal policy for managing credit quality risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. Over 79% of the School District's investments are maintained by the Georgia Fund 1.

Note 5 - Nonmonetary 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.

Note 6 - Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2014:

Governmental Activities:	Balance July 1, 2013	Additions	Deletions and Transfers	Balance June 30, 2014
<i>Capital Assets Not Being Depreciated</i>				
Land and Improvements	\$ 30,574,954	\$ 12,550	\$ -	\$ 30,587,504
Construction in Progress	17,695,312	22,392,321	-	40,087,633
Total	48,270,266	22,404,871	-	70,675,137
<i>Capital Assets Being Depreciated</i>				
Buildings and Improvements	627,805,884	7,107,734	(1,533,487)	633,380,131
Equipment	38,475,120	1,563,475	(466,936)	39,571,659
Land and Improvements	16,275,643	2,600,589	-	18,876,232
Total	682,556,647	11,271,798	(2,000,423)	691,828,022
<i>Less Accumulated Depreciation For:</i>				
Buildings and Improvements	(135,368,744)	(14,052,251)	1,453,541	(147,967,454)
Equipment	(29,217,970)	(2,840,856)	465,411	(31,593,415)
Land and Improvements	(11,440,036)	(615,727)	-	(12,055,763)
Total	(176,026,750)	(17,508,834)	1,918,952	(191,616,632)
Capital Assets Being Depreciated, Net	506,529,897	(6,237,036)	(81,471)	500,211,390
Governmental Activities Capital Assets, Net	\$ 554,800,163	\$ 16,167,835	\$ (81,471)	\$ 570,886,527

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Depreciation expense by function:

Instruction	\$ 14,517,604
General Administration	571,628
School Administration	107,307
Support Services - Business	44,148
Maintenance and Operation	98,628
Student Transportation Services	2,159,387
School Nutrition Program	<u>10,132</u>
Total Depreciation	<u>\$ 17,508,834</u>

Note 7 - Interfund Assets and Liabilities

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2014, consisted of the following:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 4,662,084	\$ -
Title I Federal Fund	-	1,295,045
Title II Federal Fund	-	302,069
Title III Federal Fund	-	155,395
Special Education Federal Fund	-	2,229,699
Vocational Federal Fund	-	54,355
Headstart Federal Fund	-	44,687
Race to the Top Federal Fund	-	190,038
School Food Service Federal Fund	-	390,796
	<u>\$ 4,662,084</u>	<u>\$ 4,662,084</u>

Note 8 - Interfund Transfers

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Title I Federal Fund	\$ 96,465
General Fund	Title II Federal Fund	62,287
General Fund	Title III Federal Fund	9,381
General Fund	Special Education Federal Fund	61
General Fund	Vocational Federal Fund	79,588
General Fund	Race to the Top Federal Fund	64,289
General Fund	Pre-Kindergarten Fund	<u>96,790</u>
		<u>\$ 408,861</u>

CHEROKEE COUNTY SCHOOL DISTRICT

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Transfers are used to move funds from the General Fund to the Capital Projects fund and various nonmajor governmental funds to help fund capital projects and provide local support to federal programs.

Note 9 - 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; natural disaster, and unemployment compensation.

The School District is self-insured for workers' compensation and unemployment claims. The School District purchases commercial insurance for all other risks of loss. Settled claims have not exceeded purchased commercial insurance coverage in any of the past three years. There was no significant reduction in insurance coverage since last fiscal year.

Workers Compensation Claims

The School District is self-insured for workers' compensation claims. The School District accounts for workers' compensation claims in the General Fund. Workers' compensation claims expenditures and liability are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported and related claims administration expenses.

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

<u>Fiscal Year</u>	<u>Beginning Of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End Of Year Liability</u>
2014	\$ 1,123,843	\$ 852,292	\$ (1,081,221)	\$ 894,914
2013	1,180,433	1,555,774	(1,612,364)	1,123,843

Unemployment Claims

The School District is self-insured with regard to unemployment compensation claims. These claims are accounted for in the School District's General Fund. Unemployment compensation expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported and claims administration expenses. Changes in the unemployment compensation liability during the last two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Of Year Liability</u>	<u>Claims and Changes in Estimates</u>	<u>Claims Paid</u>	<u>End Of Year Liability</u>
2014	\$ -	\$ 147,870	\$ (147,870)	\$ -
2013	-	16,421	(16,421)	-

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

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Note 10 – Operating Leases

The Cherokee County School District has entered into various lease agreements for office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2014 amounted to \$315,417.

Future minimum lease payments for these leases are as follows:

<u>Year Ending</u>	<u>Lease Payments</u>
2015	\$ 333,054
2016	309,498
2017	309,498
2018	25,792
Total	<u>\$ 977,842</u>

Note 11 – Short-term Debt

During fiscal 2014, the School District issued tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt was to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. Short-term debt activity for the fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
Tax Anticipation Notes	\$ -	\$ 18,030,000	\$ (18,030,000)	\$ -

Note 12 - Long-Term Debt**Compensated Absences**

Compensated absences represent obligations of the School District relating to employees' rights to receive compensation for future absences based upon service already rendered. This obligation relates only to vesting accumulating leave in which payment is probable and can be reasonably estimated. Typically, the General Fund is the fund used to liquidate this long-term debt.

The School District uses the vesting method to compute compensated absences.

CHEROKEE COUNTY SCHOOL DISTRICT
Notes to the Financial Statements
June 30, 2014

General Obligation Debt Outstanding

General Obligation Bonds currently outstanding are as follows:

<u>General Obligation Bonds:</u>	<u>Balance June 30, 2014</u>
2003 Series, 2.00%-5.00%, Matures 8/1/2014	\$ 3,965,000
2006 Series, 3.50%-4.75%, Matures 8/1/2017	15,995,000
2007A Series, 3.50%-5.00%, Matures 8/1/2028	76,000,000
2007B Series, 4.00%-5.00%, Matures 8/1/2017	40,475,000
2009A Series, 4.00%-5.00%, Matures 8/1/2023	52,880,000
2009B Series, 5.87%, Matures 8/1/2028	48,375,000
2010A Series, 2.00%-4.00%, Matures 8/1/2015	1,540,000
2010B Series, 5.63%, Matures 8/1/2028	40,055,000
2012 Series, 4.00%-5.00%, Matures 8/1/2033	35,930,000
2014A Series, 5.00%, Matures 8/1/2025	46,885,000
2014B Series, 3.75%-5.00%, Matures 8/1/2031	34,430,000
Total General Obligation Bonds	<u>\$ 396,530,000</u>

The changes in general long-term debt during the year ended June 30, 2014, were as follows:

Governmental Activities:	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General Obligation Bonds	\$ 366,865,000	\$ 81,315,000	\$ (51,650,000)	\$ 396,530,000	\$ 16,230,000
Bond Premiums	14,505,760	13,311,060	(3,191,352)	24,625,468	1,541,310
Loss on Bond Refunding	(1,333,600)	(3,466,658)	275,508	(4,524,750)	(1,352,198)
Claims Payable	1,123,843	852,292	(1,081,221)	894,914	894,914
Compensated Absences	1,970,746	819,820	(1,266,227)	1,524,339	616,549
Total	<u>\$ 383,131,749</u>	<u>\$ 92,831,514</u>	<u>\$ (56,913,292)</u>	<u>\$ 419,049,971</u>	<u>\$ 17,930,575</u>

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

At June 30, 2014, principal and interest payments due by fiscal year for general obligation bonds are as follows:

Payments Due in Fiscal Year Ending June 30	Principal	Interest	Amortization of Bond Premium
2015	\$ 16,230,000	\$ 15,844,314	\$ 1,541,310
2016	17,635,000	17,528,869	1,931,970
2017	19,210,000	17,804,769	2,284,852
2018	20,900,000	16,856,032	2,262,147
2019	9,760,000	16,136,357	2,188,499
2020-2024	108,445,000	67,010,810	9,058,885
2025-2029	179,035,000	33,204,431	4,356,486
2030-2034	<u>25,315,000</u>	<u>2,967,440</u>	<u>1,001,319</u>
Total	<u>\$ 396,530,000</u>	<u>\$ 187,353,022</u>	<u>\$ 24,625,468</u>

Note 13 - On-Behalf Payments

The School District has recognized revenues and costs in the amount of \$16,593,540 for health insurance and retirement contributions paid on the School District's behalf by the following State agencies:

- The Georgia Department of Education paid to the State Health Benefit Plan \$15,861,600 for public employee health insurance coverage cost.
- Georgia Department of Education paid to the Teachers Retirement System of Georgia (TRS) employer's cost in the approximate amount of \$106,379.
- Office of Treasury and Fiscal Services paid to the Public School Employees Retirement System (PSERS) for public school employees retirement employer's cost in the approximate amount of \$625,561.

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 the Schedule of State Revenue located on page 42 of this report.

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

Note 14 – Significant Commitments

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

<u>Project</u>	<u>Unearned Executed Contracts</u>	<u>Funding Available From State</u>
Teasley Middle	\$ 1,148,468	\$ 1,148,468
ET Booth Middle	1,954,578	-
Dean Rusk Middle	36,889,020	16,495,235
Cherokee High Athletic Improvements	3,135,379	-
Total	<u>\$ 43,127,445</u>	<u>\$ 17,643,703</u>

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

Note 15 - Postemployment Benefits**Georgia School Personnel Postemployment Health Benefit Fund**

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

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

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:

Certified Employees

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

Non-Certified Employees

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 postemployment 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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 32,217,856
2013	100%	31,119,034
2012	100%	29,519,600

Note 16 - Retirement Plans

1) 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,

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

1997, all members and retired former members in TRS are eligible to participate in the SRPB-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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2014	100%	\$ 23,551,556
2013	100%	21,799,182
2012	100%	19,919,520

2) 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.

CHEROKEE COUNTY SCHOOL DISTRICT

Notes to the Financial Statements

June 30, 2014

Note 17 – Contingencies

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 18 – Subsequent Events

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 to beginning net position.

In March of 2015 the School District issued Series 2015 General Obligation Bonds in the amount of \$108,960,000 for the purpose of acquiring, constructing, and equipping existing school facilities and an administrative building, adding to renovating, repairing, improving, and equipping existing school facilities, and, acquiring system-wide technology improvements; refunding \$64,000,000 of the Series 2007A General Obligation Bonds; and the payment of capitalized interest on the bonds through August 2017.

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COMBINING STATEMENTS AND SUPPLEMENTARY SCHEDULES



CHEROKEE COUNTY SCHOOL DISTRICT

Combining Balance Sheet Nonmajor Governmental Funds June 30, 2014

	Special Revenue				
	Title I Federal Fund	Title II Federal Fund	Title III Federal Fund	Special Education Federal Fund	Vocational Education Federal Fund
Assets					
Cash	\$ -	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-	-
Receivables					
Intergovernmental	1,586,890	303,398	169,348	2,491,414	54,502
Accounts	-	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	<u>\$ 1,586,890</u>	<u>\$ 303,398</u>	<u>\$ 169,348</u>	<u>\$ 2,491,414</u>	<u>\$ 54,502</u>
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	\$ 79	\$ 1,329	\$ 8,146	\$ 23,255	\$ 147
Salaries and Benefits Payable	291,766	-	5,807	238,460	-
Due To Other Funds	1,295,045	302,069	155,395	2,229,699	54,355
Total Liabilities	<u>1,586,890</u>	<u>303,398</u>	<u>169,348</u>	<u>2,491,414</u>	<u>54,502</u>
Fund Balances					
Nonspendable					
Inventory	-	-	-	-	-
Committed					
School Food Services	-	-	-	-	-
School Activities	-	-	-	-	-
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 1,586,890</u>	<u>\$ 303,398</u>	<u>\$ 169,348</u>	<u>\$ 2,491,414</u>	<u>\$ 54,502</u>

CHEROKEE COUNTY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Governmental Funds (Continued)

June 30, 2014

Special Revenue Fund						
	Headstart Federal Fund	Race To The Top Federal Fund	Pre-K Lottery	School Activities	School Food Service	Total Nonmajor Governmental Funds
Assets						
Cash and Cash Equivalents	\$ -	\$ -	\$ 48,715	\$ 3,987,133	\$ 1,929,765	\$ 5,965,613
Investments	-	-	-	239,916	2,649,050	2,888,966
Receivables						
Intergovernmental Receivable	44,778	190,608	-	-	115,490	4,956,428
Accounts Receivable	-	-	-	-	1,815	1,815
Inventory	-	-	-	-	329,765	329,765
Total Assets	<u>\$ 44,778</u>	<u>\$ 190,608</u>	<u>\$ 48,715</u>	<u>\$ 4,227,049</u>	<u>\$ 5,025,885</u>	<u>\$ 14,142,587</u>
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	\$ 91	\$ 570	\$ 6,136	\$ -	\$ 58,859	\$ 98,612
Salaries and Benefits Payable	-	-	42,579	-	518,955	1,097,567
Due To Other Funds	44,687	190,038	-	-	390,796	4,662,084
Total Liabilities	<u>44,778</u>	<u>190,608</u>	<u>48,715</u>	<u>-</u>	<u>968,610</u>	<u>5,858,263</u>
Fund Balances						
Nonspendable						
Inventory	-	-	-	-	329,765	329,765
Committed						
School Food Services	-	-	-	-	3,727,510	3,727,510
School Activities	-	-	-	4,227,049	-	4,227,049
Total Fund Balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,227,049</u>	<u>4,057,275</u>	<u>8,284,324</u>
Total Liabilities and Fund Balances	<u>\$ 44,778</u>	<u>\$ 190,608</u>	<u>\$ 48,715</u>	<u>\$ 4,227,049</u>	<u>\$ 5,025,885</u>	<u>\$ 14,142,587</u>

CHEROKEE COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2014

	Special Revenue				
	Title I Federal Fund	Title II Federal Fund	Title III Federal Fund	Special Education Federal Fund	Vocational Education Federal Fund
Revenues					
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-	-
Federal Sources	4,214,667	763,139	396,619	7,324,687	209,040
Interest Income	-	-	-	-	-
Total Revenues	<u>4,214,667</u>	<u>763,139</u>	<u>396,619</u>	<u>7,324,687</u>	<u>209,040</u>
Expenditures					
Current					
Instruction	2,964,387	-	243,317	2,385,297	149,334
Support Services					
Pupil Services	-	-	-	4,440,865	-
Improvement of Instructional Services	797,781	816,424	151,057	131,718	57,964
Educational Media Services	176,341	-	-	-	-
General Administration	44,309	9,002	3,132	79,334	81,330
School Administration	3,536	-	-	-	-
Student Transportation Service	12,318	-	681	287,534	-
Other Support Services	312,460	-	7,813	-	-
Food Services Operation	-	-	-	-	-
Total Expenditures	<u>4,311,132</u>	<u>825,426</u>	<u>406,000</u>	<u>7,324,748</u>	<u>288,628</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(96,465)</u>	<u>(62,287)</u>	<u>(9,381)</u>	<u>(61)</u>	<u>(79,588)</u>
Other Financing Sources (Uses)					
Operating Transfers In	96,465	62,287	9,381	61	79,588
Total Other Financing Sources (Uses)	<u>96,465</u>	<u>62,287</u>	<u>9,381</u>	<u>61</u>	<u>79,588</u>
Net Change in Fund Balances	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CHEROKEE COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2014

	Special Revenue					Total Nonmajor Governmental Funds
	Headstart Federal Fund	Race To The Top Federal Fund	Pre-K Lottery	School Activities	School Food Service	
Revenues						
Local Sources	\$ -	\$ -	\$ -	\$ 12,109,043	\$ 6,398,837	\$ 18,507,880
State Sources	-	-	526,270	-	858,737	1,385,007
Federal Sources	445,149	352,741	125,455	-	8,751,042	22,582,539
Interest Income	-	-	-	-	4,411	4,411
Total Revenues	<u>445,149</u>	<u>352,741</u>	<u>651,725</u>	<u>12,109,043</u>	<u>16,013,027</u>	<u>42,479,837</u>
Expenditures						
Current:						
Instruction	445,149	38,045	745,797	11,756,278	-	18,727,604
Support Services						
Pupil Services	-	-	-	-	-	4,440,865
Improvement of Instructional Services	-	378,985	2,136	-	-	2,336,065
Educational Media Services	-	-	-	-	-	176,341
General Administration	-	-	-	-	-	217,107
School Administration	-	-	-	-	-	3,536
Student Transportation Service	-	-	582	-	-	301,115
Other Support Services	-	-	-	-	-	320,273
Food Services Operation	-	-	-	-	15,443,434	15,443,434
Total Expenditures	<u>445,149</u>	<u>417,030</u>	<u>748,515</u>	<u>11,756,278</u>	<u>15,443,434</u>	<u>41,966,340</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>(64,289)</u>	<u>(96,790)</u>	<u>352,765</u>	<u>569,593</u>	<u>513,497</u>
Other Financing Sources (Uses)						
Operating Transfers In	-	64,289	96,790	-	-	408,861
Total Other Financing Sources (Uses)	<u>-</u>	<u>64,289</u>	<u>96,790</u>	<u>-</u>	<u>-</u>	<u>408,861</u>
Net Change in Fund Balances	-	-	-	352,765	569,593	922,358
Fund Balance - Beginning of Year	-	-	-	3,874,284	3,487,682	7,361,966
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,227,049</u>	<u>\$ 4,057,275</u>	<u>8,284,324</u>

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of State Revenue
For the Fiscal Year Ended June 30, 2014

<u>Agency/Funding</u>	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General Fund</u>	<u>Other Funds</u>	
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ -	\$ 526,270	\$ 526,270
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	11,581,965	-	11,581,965
Kindergarten Program - Early Intervention Program	698,036	-	698,036
Primary Grades (1-3) Program	29,532,565	-	29,532,565
Primary Grades - Early Intervention (1-3) Program	1,858,321	-	1,858,321
Upper Elementary Grades (4-5) Program	14,007,598	-	14,007,598
Upper Elementary Grades - Early Intervention (4-5) Program	869,294	-	869,294
Middle School (6-8) Program	21,796,667	-	21,796,667
High School General Education (9-12) Program	22,064,777	-	22,064,777
Vocational Laboratory (9-12) Program	3,096,609	-	3,096,609
Students with Disabilities			
Category I	1,830,160	-	1,830,160
Category II	728,755	-	728,755
Category III	13,535,275	-	13,535,275
Category IV	9,922,502	-	9,922,502
Category V	2,030,715	-	2,030,715
Gifted Student - Category VI	14,055,049	-	14,055,049
Remedial Education Program	991,227	-	991,227
Alternative Education Program	1,577,080	-	1,577,080
English Speakers of Other Languages (ESOL)	2,517,598	-	2,517,598
Special Education - Itinerant Program	57,453	-	57,453
Special Education - Supplemental Speech	37,390	-	37,390
Media Center Program	4,112,799	-	4,112,799
20 Days Additional Instruction	1,202,806	-	1,202,806
Staff and Professional Development	838,164	-	838,164
Indirect Cost			
Central Administration	3,676,699	-	3,676,699
School Administration	8,951,069	-	8,951,069
Facility Maintenance and Operations	7,803,793	-	7,803,793
Amended Formula Adjustment	(24,846,679)	-	(24,846,679)
Categorical Grants			
Pupil Transportation	2,040,947	-	2,040,947
Food Services	-	454,008	454,008
Nursing Services	757,491	-	757,491
State Health Reimbursement	15,456,871	404,729	15,861,600
Other State Programs			
Agriculture Extended Year and Day Grants	13,206	-	13,206
CTAE Grants	52,983	-	52,983
Move on When Ready	5,900	-	5,900
Math and Science Supplements	225,892	-	225,892
Preschool Handicapped Program	694,357	-	694,357
Technology to Support Digital Learning	82,000	-	82,000
Teachers' Retirement	106,379	-	106,379
Vocational Construction Related Equipment - State Bonds	266,104	-	266,104
Other Grants	13,266	-	13,266
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	1,846,076	1,846,076
Office of the State Treasurer			
Public School Employees Retirement	625,561	-	625,561
Total State Revenues	\$ 174,868,644	\$ 3,231,083	\$ 178,099,727

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Quality Basic Education Program (QBE)
Allotments and Expenditures by Program
For the Fiscal Year Ended June 30, 2014

Description	Allotments From Georgia Department of Education ⁽¹⁾⁽²⁾	Salaries	Operations	Total
Kindergarten	\$ 16,573,180	\$ 14,004,576	\$ 383,341	\$ 14,387,917
Kindergarten Early Intervention	911,377	562,504	-	562,504
Primary Grades 1-3	40,935,587	29,776,863	589,221	30,366,084
Primary Grades 1-3 Early Intervention	2,642,519	1,996,013	-	1,996,013
Upper Elementary Grades 4-5	19,918,696	17,482,652	523,890	18,006,542
Upper Elementary 4-5 Early Intervention	1,236,130	1,436,017	-	1,436,017
Middle School 6-8	30,994,691	29,202,873	784,550	29,987,423
High School Grades 9-12	31,375,941	30,712,943	1,064,559	31,777,502
Vocational Laboratory 9-12	4,403,353	3,604,542	263,187	3,867,729
Students With Disabilities	39,979,625	35,236,202	4,846,198	40,082,400
Gifted Program	20,024,605	7,859,764	166,215	8,025,979
Remedial Education Program	1,409,517	842,816	343,324	1,186,140
Alternative Education Program	2,239,981	2,230,331	875,150	3,105,481
English Speakers of Other Languages (ESOL)	3,582,619	1,876,786	758,147	2,634,933
Total Direct Instructional Funds	216,227,821	176,824,882	10,597,782	187,422,664
 Media Center Program	 5,848,369	 2,665,734	 1,587,615	 4,253,349
Staff and Professional Development	1,169,372	232,531	297,554	530,085
 Total QBE Formula Funds	 \$ 223,245,562	 \$ 179,723,147	 \$ 12,482,951	 \$ 192,206,098

(1) Comprised of State funds plus local 5 mil share.

(2) Allotments do not include the impact of the State austerity reduction.

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Educational
Local Option Sales Tax Proceeds
For the Fiscal Year Ended June 30, 2014

2012 SPLOST

Project	Original Estimated Cost ⁽¹⁾	Current Estimated Costs ⁽²⁾	Amount Expended In Prior Year ⁽³⁾	Amount Expended In Current Years ⁽³⁾	Total	Project Status
Payment of a portion of the principal and interest on the Series 2003, Series 2006, Series 2007, Series 2009, Series 2010, and Series 2011 General Obligation Bonds along with acquisition, construction, equipping, adding to, renovating, improving school facilities; acquiring, installing, and equipping portable classrooms; acquiring, installing, and implementing system-wide technology improvements; acquiring school buses; acquiring any property useful or desirable both real and personal	\$ 170,000,000	\$ 170,000,000	\$ 10,900,630	\$ 45,322,251	\$ 56,222,881	Ongoing
Totals	\$ 170,000,000	\$ 170,000,000	\$ 10,900,630	\$ 45,322,251	\$ 56,222,881	

(1) The School District's original cost estimate as specified in the resolution calling for the imposition of the Educational 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 Cherokee 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.

Collections on the 2012 SLOST began January 2013. The tax will expire in December 2017.

This schedule is prepared on the modified accrual basis of accounting.

COMPLIANCE SECTION



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**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**

To the Superintendent and Members of
The Cherokee County Board of Education
Canton, Georgia

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 Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated March 18, 2015

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District'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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District'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 the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Williamson and Company

Williamson and Company
Certified Public Accountants
March 18, 2015

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

To the Superintendent and Members of
The Cherokee County Board of Education
Canton, Georgia

Report on Compliance for Each Major Federal Program

We have audited the Cherokee County School District's (the "School District") 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 the School District's major federal programs for the year ended June 30, 2014. The School District'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 the Cherokee County School District'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 School District'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 the School District's compliance.

Opinion on Each Major Program

In our opinion, the School District 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.

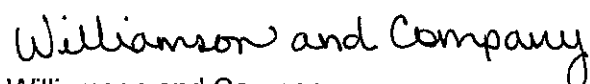
Report on Internal Control Over Compliance

Management of the School District 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 the School District'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 School District'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.


Williamson and Company
Certified Public Accountants
March 18, 2015

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

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	\$ 1,365,282
National School Lunch Program	10.555	N/A	7,333,000 (1)
After School Snack Program	10.555	N/A	52,760
Total Child Nutrition Cluster			\$ 8,751,042
Total U. S. Department of Agriculture			\$ 8,751,042
Education, U.S. Department of Special Education Cluster Pass-Through From Georgia Department of Education Special Education			
Special Education Flow Through	* 84.027	N/A	\$ 7,027,415
Special Education Preschool	* 84.173	N/A	297,272
Total Special Education Cluster			\$ 7,324,687
Title I, Part A Cluster Pass-Through From Georgia Department of Education Title I - Improving Academic Achievement	* 84.010	N/A	\$ 4,214,667
Total Title I, Part A Cluster			\$ 4,214,667
Other Programs Pass-Through From Georgia Department of Education			
Career and Technical Education - Program Improvement	84.048	N/A	\$ 183,160
Career and Technical Education - Basic Grants to States	84.048	N/A	25,880
Title III, Part A Limited English Proficient	84.365	N/A	265,333
Title III, Part A Immigrant	84.365	N/A	131,287
Title II, Improving Teacher Quality State Grants	* 84.367	N/A	758,239
Title II, Advance Placement	* 84.367	N/A	4,900
Race to the Top - ARRA	* 84.395	N/A	352,741
Total U. S. Department of Education			\$ 1,721,540
Health and Human Services, U.S. Department of Pass-through From Ninth District Opportunity, Inc. Georgia Prekindergarten Transition Program	93.575	N/A	\$ 125,455
Headstart	93.600	N/A	445,149
Total U.S. Department of Health and Human Services			\$ 570,604
Defense, U. S. Department of Direct Department of the Air Force R.O.T.C. Program	12.000	N/A	\$ 368,939
Total Federal Financial Assistance			\$ 22,951,479

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 \$1,247,831.

N/A - Not Applicable

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

The School District did not provide federal assistance to any subrecipient.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cherokee County School District 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.

Total federal revenues presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds on page 10 differ from total federal expenditures presented in this schedule due to federal payments received in lieu of property taxes and federal reimbursements that were not associated with a specific federal program. Those amounts totaled \$770,768.

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified not considered to be material weaknesses. _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness (es) identified? _____ Yes X No

Significant deficiency(ies) identified not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I, Part A Cluster
84.027, 84.173	Special Education Cluster
84.367	Improving Teacher Quality State Grants
84.395	Race to the Top, Recovery Act

Dollar threshold used to distinguish between Type A and Type B programs: \$ 688,544

Auditee qualified as low-risk auditee? _____ Yes X No

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

Section II - Financial Statement Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

None Noted

Section IV - Status of Prior Year Findings and Questioned Costs

None Noted