

Cherokee County School District

Canton, Georgia

Annual Financial Report

Fiscal Year Ended June 30, 2017

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CHEROKEE COUNTY SCHOOL DISTRICT
Annual Financial Report
Fiscal Year Ended June 30, 2017

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FINANCIAL SECTION

Cherokee County
School District

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P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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, 2017, 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.

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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, 2017, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-12 and 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Accounting principles generally accepted in the United States of America require that the Schedules of Proportionate Share of Net Pension Liability, the Schedules of Contributions, and the Notes to the Required Supplementary Information on pages 52-57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee County School District's basic financial statements. The Schedule of Expenditures of Educational Local Option Sales Tax Proceeds, as required by the Official Code of Georgia §48-8-121 and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Educational Local Option Sales Tax Proceeds 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 Schedule of Expenditures of Educational Local Option Sales Tax Proceeds 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 February 12, 2018 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
Certified Public Accountants
February 12, 2018

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Introduction

The discussion and analysis of the Cherokee County School District's (the "School District") financial performance provides an overview of the School District's financial activities for the fiscal years ended June 30, 2017 and June 30, 2016. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- Total revenue increased from $425.7 million in 2016 to $441.4 million in 2017, an increase of $15.7 million. The revenue increase was primarily from higher property and sales taxes.

- Total expenses increased from $411.9 million in 2016 to $463.2 million in 2017, an increase of $51.3 million. The increased expense was largely due to higher instructional salaries.

- Total net position decreased from negative $32.7 million in 2016 to negative $54.6 million in 2017, a decrease of $21.9 million, primarily due to an increase in the net pension liability.

Overview of the Financial Statements

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

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

The fund financial statements focus on individual parts, reporting the School District's operation in more detail. The Governmental Funds statements disclose how basic services are financed in the short-term as well as what remains for future spending. The Fiduciary Funds statements provide information about the financial relationships in which the School District acts solely as a trustee or agent for the benefit of others.

The fund financial statements reflect the School District's most significant funds. For the years ending June 30, 2017 and 2016, the General Fund, the District Wide Capital Projects Fund, and the Debt Service Fund represent the most significant funds.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of

required supplementary information that further explains and supports the financial statements. Additionally, other supplementary information (not required) is presented that further supplements understanding of the financial statements.

Government-Wide Statements

The Government-wide financial statements provide readers with a broad overview of the School District's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the School District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School District is improving or deteriorating.

The Statement of Activities presents information showing how the School District's net position changed during the most recent fiscal year. Changes in net position appear as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses appear in this statement for some items that will result in future fiscal period's cash flows (e.g., uncollected taxes and earned but unused vacation leave).

The Statement of Net Position and the Statement of Activities reflect the School District's governmental activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. School District funds are made up of the following categories: governmental funds and fiduciary funds.

Governmental Funds

Most of the School District's activities are reported in governmental funds. The governmental fund statements focus on how money flows in and out of those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using the modified accrual basis of accounting which measures cash and all other financial assets that can readily be converted to cash. These statements also provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The School District maintains numerous governmental funds with the majority of activities occurring in the General Fund. The differences between governmental activities (reported in Statement of Net Position and Statement of Activities) and governmental funds are reconciled in the financial statements.

Fiduciary Funds

The School District is the trustee, or fiduciary, for assets that belong to others. The School District's fiduciary funds include the clubs and organizations within the Student Activity Fund. The School District is responsible for ensuring that the assets in this fund are used exclusively for their intended purposes for the benefit of those to whom the assets belong. The School District excludes this fund from the district wide financial statements because it cannot use the assets to finance its operations.

Financial Analysis of the School District as a Whole

Recall that the Statement of Net Position provided the perspective of the School District as a whole. The table below provides a summary of the School District's net position for fiscal year 2017 and 2016.

Net Position

	Governmental Activities		Change
	Fiscal Year 2017	Fiscal Year 2016	2016-2017
Assets			
Current and Other Assets	$ 150,047,934	$ 149,849,796	0.1%
Capital Assets, Net	589,362,549	589,903,951	-0.1%
Total Assets	**$ 739,410,483**	**$ 739,753,747**	**0.0%**
Deferred Outflows of Resources	$ 111,728,512	$ 46,357,953	141.0%
Liabilities			
Current Liabilities	$ 50,482,203	$ 41,842,324	20.6%
Long-Term Liabilities	852,412,596	748,624,248	13.9%
Total Liabilities	**$ 902,894,799**	**$ 790,466,572**	**14.2%**
Deferred Inflows of Resources	$ 2,832,881	$ 28,394,330	-90.0%
Net Position			
Net Investment in Capital Assets	$ 144,651,983	$ 135,165,188	7.0%
Restricted	52,384,239	58,795,136	-10.9%
Unrestricted	(251,624,907)	(226,709,526)	11.0%
Total Net Position	**$ (54,588,685)**	**$ (32,749,202)**	**-66.7%**

Governmental accounting standards require the School District to report its proportional liability of state administered pension plans in which the School District participates for the benefit of its employees. Deferred Outflows of Resources reflected an increase of 141.0% and Deferred Inflows of Resources decreased 90.0%, due to this reporting. Additionally, the increase in Long-Term Liabilities of 14.2% is primarily due to the increase in the Net Pension Liability of $105.8 million for the year ended June 30, 2017. Although the resulting decrease in net position of 66.7% causes a deficit balance in unrestricted net position, it should not be considered a financial weakness as the pension costs are spread out over multiple years well into the future.

The table below shows the Changes in Net Position for fiscal years ending June 30, 2017 and June 30, 2016.

Changes in Net Position

	Governmental Activities		Change
	Fiscal Year 2017	**Fiscal Year 2016**	**2016-2017**
Revenues			
Program Revenues			
Charges for Services	$ 20,556,631	$ 19,272,840	6.7%
Operating grants and Contributions	221,016,968	213,577,923	3.5%
Capital Grants and Contributions	2,079,785	8,650,087	-76.0%
General Revenues			
Taxes	$ 192,685,171	$ 178,747,085	7.8%
Other	5,021,207	5,403,842	-7.1%
Total Revenues	**$ 441,359,762**	**$ 425,651,777**	**3.7%**
Expenses			
Instruction	$ 304,154,371	$ 268,277,389	13.4%
Pupil and Instructional Services	35,113,913	30,537,893	15.0%
School and Administrative Services	30,852,605	27,718,672	11.3%
Student Transportation	22,969,715	18,706,517	22.8%
Maintenance and Operations	25,171,126	24,048,694	4.7%
Support Services	4,287,159	4,518,476	-5.1%
Food Nutrition Program	16,377,079	16,221,840	1.0%
Community Service Operations	2,001,908	1,974,761	1.4%
Interest on Long-term Debt	22,271,369	19,922,135	11.8%
Total Expenses	**$ 463,199,245**	**$ 411,926,377**	**12.4%**
Increase (Dec) in Net Position	**$ (21,839,483)**	**$ 13,725,400**	**-259.1%**
Beginning Net Position	**(32,749,202)**	**(46,474,602)**	**-29.5%**
Ending Net Position	**$ (54,588,685)**	**$ (32,749,202)**	**-66.7%**

Revenues

In 2017, the School District's total revenues increased 3.7%, or $15.7 million, over the prior year due primarily to an increase in state and federal funding and increased tax revenue.

- Operating Grants and Contributions increased 3.5%, or $7.4 million, over the prior year due to an increase in state instructional program revenue.
- Capital Grants and Contributions decreased 76.0%, or $6.6 million, over the prior year due to a decrease in reimbursements received from the Georgia State Financing and Investment Commission to offset certain construction projects.
- General Revenues - Taxes increased 7.8%, or $13.9 million, over the prior year due to a 7.6% increase in real property tax values and a 3.1% increase in sales taxes within the School District's county during the year ended June 30, 2017.

Expenses

In 2017, the School District's total expenses increased 12.4%, or $51.3 million, over the prior year due primarily to an increase in instructional and school administrative salaries.

- Instruction expenses increased 13.4%, or $35.9 million, primarily in teacher salaries and benefits due to the addition of 50 teachers to address student population growth and reduce class size, a 17.8% increase in Teacher Retirement System employer contributions, and providing a longevity step raise and a 1.0% cost of living raise for all eligible employees for the year ended June 30, 2017.
- Student Transportation expenses increased 22.8%, or $4.3 million, primarily in bus driver salaries and benefits due to adding 14 new bus drivers and two new bus attendants to address continued increases in student ridership, improve efficiency and reduce ride time for students, and due to the increase of $100 per month, per participating non-certified employee, in CCSD's employer contributions to the State Health Benefit Plan for the year ended June 30, 2017.
- Pupil and Instructional Services expenses increased 15.0%, or $4.6 million, due to an increase in other administrative personnel salaries and benefits for the year ended June 30, 2017.

Cost of Services

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Instruction	$ 304,154,371	$ 268,277,389	$ 108,880,361	$ 74,207,788
Support Services				
Pupil Services	18,457,952	15,585,477	17,660,466	14,808,896
Improvement of Instruction Services	12,314,950	10,728,571	10,956,642	9,396,887
Educational Media Services	4,341,011	4,223,845	18,802	(112,801)
General Administration	4,639,969	4,417,958	4,584,319	4,348,813
School Administration	22,616,547	20,992,806	14,396,082	12,866,916
Business Administration	3,596,089	2,307,908	3,440,258	2,128,974
Maintenance and Operations	25,171,126	24,048,694	14,729,594	13,636,348
Student Tranportation Services	22,969,715	18,706,517	20,889,930	16,666,174
Central Support Services	4,228,809	4,192,381	229,419	225,730
Other Support Services	58,350	326,095	58,350	325,896
Operations and Noninstructional Services				
Community Service Operations	2,001,908	1,974,761	2,001,908	1,974,761
Food Service Operations	16,377,079	16,221,840	(571,636)	29,010
Interest on Long-term Debt	22,271,369	19,922,135	22,271,369	19,922,135
Total	**$ 463,199,245**	**$ 411,926,377**	**$ 219,545,864**	**$ 170,425,527**

The Cost of Services table above shows, for governmental activities, the total cost of services and the net cost of services. Net cost of services can be defined as the total cost less fees generated by the activities and intergovernmental revenue provided for specific programs. The net cost reflects the financial burden on the School District's taxpayers by each activity (47.4% overall for the year ended June 30, 2017).

Financial Analysis of the School District's Funds

The School District ended fiscal year 2017 with a positive fund balance in its governmental funds. The combined balance of all governmental funds, at $108.7 million, was 3.6% lower than 2016's ending balance of $112.8 million. The General Fund's fund balance increased by $2.3 million, or 4.2%. This level achieves the Board Policy goal of the School District achieving and maintaining an unassigned fund balance in the General Fund at fiscal year-end of not less than 12.0-15.0% of prior year general fund budgeted expenditures. Capital Projects fund decreased its fund balance by $7.7 million, a decrease of 43.8%, as bond proceeds were utilized to pay ongoing capital expenditures. Debt Service increased its fund balance by $1.3 million, an increase of 3.3%.

General Fund Budgeting Highlights

The most significant fund for the School District is the General Fund, funded primarily through state revenue and local property tax revenue. The State of Georgia is required to maintain a balanced budget (a constitutional requirement in Georgia), as are all state-funded school districts.

For the General Fund, actual revenues of $401.3 million were 101.8% of the final budgeted amount of $394.0 million. The final actual expenditures of $399.1 million were 101.8% of the final budgeted amount of $392.2 million. Although the School District's final budget for the General Fund was balanced, the actual results for the fiscal year show that expenditures were under revenues by $2.2 million.

General Fund Balance

The General Fund is the operating fund of the School District. Revenue from state and federal sources accounted for 55.7% of the School District's revenue. The other 44.3% is from local sources, primarily ad valorem taxes. In fiscal year 2017, state and federal funding increased by $7.8 million. This is a result of a state "austerity" cut restoration and increased instructional funding due to student enrollment growth. Local revenues increased by $14.0 million. This is a result of 7.64% growth in the property tax digest over prior year. The School District's maintenance and operation millage is 19.45 mils.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2017 and June 30, 2016, the School District had $589.4 million and $589.9 million, respectively, invested in a broad range of capital assets, including land, buildings and furniture and equipment for its governmental activities. For the first time in several years, the School District saw asset depreciation exceed the acquisition of new assets. The following table summarizes and compares the capital assets for 2017 and 2016, breaking down the asset balances, by class, net of accumulated depreciation.

Capital Assets
(Net of Accumulated Depreciation)

	Governmental Activities	
	Fiscal Year 2017	**Fiscal Year 2016**
Land	$ 31,226,934	$ 30,670,124
Construction in Progress	15,267,328	3,552,653
Building and Improvements	523,704,088	537,387,839
Land Improvements	10,111,456	9,387,249
Equipment	9,052,743	8,906,086
Total	$ 589,362,549	$ 589,903,951

Additional information on the School District's capital assets can be found in Note 6 on page 34 of this report.

Long-Term Obligations

The School District issued $18.2 million in General Obligation Bonds during the year ended June 30, 2017. As of June 30, 2017, the School District had $405.4 million in general obligation and qualified school construction bonds outstanding with $21.6 million due within one year. On November 8, 2016, the citizens of Cherokee County approved a referendum to collect a one cent Education Special Purpose Local Option Sales Tax (Ed SPLOST) for five years beginning January 1, 2018 and ending December 31, 2022. The bonds will be repaid from sales tax proceeds of this continuing Ed SPLOST and the current Ed SPLOST that began January 1, 2013 and ends December 31, 2017. The table below summarizes and compares the School District's liabilities for 2017 and 2016.

Long-term Liabilities at June 30

	Governmental Activities	
	Fiscal Year 2017	**Fiscal Year 2016**
Bonds Payable	$ 404,395,000	$ 405,430,000
Bond Premium	48,463,109	49,308,763
Compensated Absences	1,465,733	1,568,422
Workers Compensation Claims Payable	610,163	678,677
Net Pension Liability	397,478,591	291,638,386
Total	$ 852,412,596	$ 748,624,248

At June 30, 2017, the School District's assigned bond ratings were Aa2 (upgraded from Aa3 during fiscal year 2017) and AA- Positive (upgraded from AA- Stable during fiscal year 2017) as determined by Moody's Investor Services, Inc. and Standard and Poor's Rating Services, respectively.

Additional information on the School District's long-term obligations can be found in Note 8 on pages 35-37 of this report.

Factors Affecting the School District's Future

The fiscal year 2018 budget was presented to the public and tentatively adopted by the Board of Education on May 18, 2017 with the final adoption on June 15, 2017. The budget represents an investment plan for the School District, its students, employees, and the communities as a whole. The budget is tied directly to the strategic vision and direction of the Board of Education.

The budget for the General Fund for fiscal year 2018 is $431.9 million, representing an increase of 5.0% from the fiscal year 2017 General Fund budget. State revenue budget included the continuation of state revenue cuts made to the Quality Basic Education (QBE) funding formula – cuts that began in fiscal year 2003. The "temporary QBE reduction" for the School District in fiscal year 2017 is $4.0 million. The projected reduction for fiscal year 2018 is $4.0 million. The cumulative effect of these reductions on the School District over the 15-year period is a loss of approximately $209.2 million. The persistent state cuts present a formidable challenge in meeting the needs of Cherokee's growing school district, not only for fiscal years 2017 and 2018, but for future years as well.

The fiscal year 2018 millage rate to support the School District's operating budget is 18.95 mils. An additional .5 mils was passed by the Board for bond debt service. Therefore the total millage rate remains unchanged from the previous year's rate of 19.45 mils. Also, positively impacting revenue estimates is projected growth in the local property tax digest. The value of the ad valorem tax digest increased by 4.4% in fiscal year 2016 and 7.6% in fiscal year 2017. The tax digest is projected to increase by 6.5% in fiscal year 2018. This indicates that existing property values have stabilized and new construction is being added to the digest.

The School District plans capital improvements as future capital needs arise due to increased student population, facility repair, and maintenance needs. Specific capital expenditure plans are formalized in conjunction with individual general obligation bond issues, collections from Education Special Purpose Local Options Sales Tax (Ed SPLOST), and anticipated annual receipts of capital outlay funds from the State of Georgia Department of Education. The School District regularly monitors anticipated capital outlay needs.

Contacting the School District's Division of Financial Management

This financial report is designed to provide a general overview of the Cherokee County School District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Division of Financial Management, Cherokee County School District, P.O. Box 769, Canton, Georgia, 30169.

BASIC FINANCIAL STATEMENTS

Cherokee County
School District

CHEROKEE COUNTY SCHOOL DISTRICT

Statement of Net Position

June 30, 2017

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 92,419,014
Investments	14,796,102
Receivables	
Taxes	7,484,433
State Government	28,585,154
Federal Government	5,617,990
Other	347,995
Inventory	797,246
Capital Assets, Nondepreciable	46,494,262
Capital Assets, Net	542,868,287
Total Assets	739,410,483
Deferred Outflow of Resources	
Pension Contributions	103,580,969
Deferred Charges	8,147,543
Total Deferred Outflows of Resources	111,728,512
Total Assets and Deferred Outflows of Resources	851,138,995
Liabilities	
Accounts Payable	6,514,238
Salaries and Benefits Payable	33,305,499
Accrued Interest Payable	9,862,466
Retainage Payable	800,000
Net Pension Liability	397,478,591
Long-term Liabilities	
Due Within One Year	29,623,695
Due in More Than One Year	425,310,310
Total Liabilities	902,894,799
Deferred Inflows of Resources	
Related to Pension Plan	2,832,881
Total Deferred Inflows of Resources	2,832,881
Total Liabilities and Deferred Inflows of Resources	905,727,680
Net Position	
Net Investment In Capital Assets	144,651,983
Restricted For:	
Capital Projects	9,935,806
Debt Service	42,448,433
Unrestricted	(251,624,907)
Total Net Position	$ (54,588,685)

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, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities :					
Instruction	$ 304,154,371	$ 13,209,819	$ 182,064,193	$ -	$ (108,880,359)
Support Services					
Pupil Services	18,457,952	-	797,486	-	(17,660,466)
Improvement of Instruction Services	12,314,950	-	1,358,309	-	(10,956,641)
Educational Media Services	4,341,011	-	4,322,209	-	(18,802)
General Administration	4,639,969	55,650	-	-	(4,584,319)
School Administration	22,616,547	-	8,220,465	-	(14,396,082)
Business Administration	3,596,089	155,831	-	-	(3,440,258)
Maintenance and Operations	25,171,126	-	10,441,532	-	(14,729,594)
Student Transportation Services	22,969,715	-	-	2,079,785	(20,889,930)
Central Support Services	4,228,809	-	3,999,390	-	(229,419)
Other Support Services	58,350	-	-	-	(58,350)
Operations of Noninstructional Services:					
Community Service Operations	2,001,908	-	-	-	(2,001,908)
Food Services Operations	16,377,079	7,135,331	9,813,384	-	571,636
Interest on Long-term Debt	22,271,369	-	-	-	(22,271,369)
Total Governmental Activities	$ 463,199,245	$ 20,556,631	$ 221,016,968	$ 2,079,785	(219,545,861)

General Revenues:	
Taxes:	
Property Tax, Levied for General Purposes	156,267,252
Property Tax, Levied for Debt Service	288,004
Educational Local Option Sales Tax	36,129,915
Grants and Contributions Not Restricted to Specific Programs	4,153,299
Restricted Investment Earnings	623,996
Unrestricted Investment Earnings	183,067
Gain on Disposal of Capital Assets	60,845
Total General Revenues	197,706,378
Change in Net Position	(21,839,483)
Net Position - Beginning of Year	(32,749,202)
Net Position - End of Year	$ (54,588,685)

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

CHEROKEE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 52,376,214	$ 14,946,118	$ 25,096,682	$ 92,419,014
Investments	537,516	-	14,258,586	14,796,102
Receivables				
Taxes	4,388,633	-	3,095,800	7,484,433
State Government	28,585,154	-	-	28,585,154
Federal Government	5,617,990	-	-	5,617,990
Other	347,995	-	-	347,995
Inventory	797,246	-	-	797,246
Total Assets	$ 92,650,748	$ 14,946,118	$ 42,451,068	$ 150,047,934
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 2,303,926	$ 4,210,312	$ -	$ 6,514,238
Salaries and Benefits Payable	33,305,499	-	-	33,305,499
Retainage Payable	-	800,000	-	800,000
Total Liabilities	35,609,425	5,010,312	-	40,619,737
Deferred Inflows of Resources				
Unearned Revenue	715,973	-	2,635	718,608
Total Deferred Inflows of Resources	715,973	-	2,635	718,608
Fund Balances				
Nonspendable				
Inventory	797,246	-	-	797,246
Restricted				
Debt Service	-	-	42,448,433	42,448,433
Capital Projects	-	9,935,806	-	9,935,806
Committed				
School Food Services	4,474,017	-	-	4,474,017
School Activities	4,774,286	-	-	4,774,286
Unassigned	46,279,801	-	-	46,279,801
Total Fund Balances	56,325,350	9,935,806	42,448,433	108,709,589
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 92,650,748	$ 14,946,118	$ 42,451,068	$ 150,047,934

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

CHEROKEE COUNTY SCHOOL DISTRICT

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2017

Total Fund Balances Governmental Funds		$ 108,709,589
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	824,231,549	
Less Accumulated Depreciation	(234,869,000)	589,362,549
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		718,608
Deferred Ouflows and Inflows of Resources related to bond refundings and pensions are applicable to futurer periods and, therefore, are not reported in the governmental funds.		
Loss on Bond Refundings	8,147,543	
Pension Contributions	103,580,969	
Changes in Value of Plan	(2,832,881)	108,895,631
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable	(404,395,000)	
Bond Premium, Net of Amortization	(48,463,109)	
Claims Payable	(610,163)	
Net Pension Liability	(397,478,591)	
Accrued Interest	(9,862,466)	
Compensated Absences	(1,465,733)	(862,275,062)
Net Position Of Governmental Activities		$ (54,588,685)

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, 2017

	General Fund	District Wide Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Local Sources	$ 177,772,083	$ 198,003	$ 36,417,919	$ 214,388,005
State Funds	199,131,369	-	-	199,131,369
Federal Funds	24,215,467	-	-	24,215,467
Miscellaneous	-	-	2,948,053	2,948,053
Investment Earnings	183,067	55,005	568,992	807,064
Total Revenues	401,301,986	253,008	39,934,964	441,489,958
Expenditures				
Current				
Instruction	268,997,668	10,383,038	-	279,380,706
Support Services:				
Pupil Services	17,874,635	-	-	17,874,635
Improvement of Instructional Services	11,957,788	-	-	11,957,788
Educational Media Services	4,192,494	-	-	4,192,494
General Administration	3,844,437	-	-	3,844,437
School Administration	22,387,656	-	-	22,387,656
Business Administration	2,716,300	-	-	2,716,300
Maintenance and Operations	24,881,022	-	-	24,881,022
Student Transportation Services	19,769,585	1,610,636	-	21,380,221
Central Supports Services	4,139,123	-	-	4,139,123
Community Services Operations	2,001,908	-	-	2,001,908
Food Services Operation	16,263,629	-	-	16,263,629
Capital Outlay	-	17,862,414	-	17,862,414
Debt Service				
Principal Retirement	-	-	19,210,000	19,210,000
Interest and Fees	37,936	-	19,399,302	19,437,238
Issuance Costs	-	325,591	-	325,591
Total Expenditures	399,064,181	30,181,679	38,609,302	467,855,162
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,237,805	(29,928,671)	1,325,662	(26,365,204)
Other Financing Sources (Uses)				
Bond Issuance	-	18,175,000	-	18,175,000
Bond Premium	-	4,023,835	-	4,023,835
Proceeds From Sale of Capital Assets	63,330	-	-	63,330
Transfers In	-	-	13,421	13,421
Transfers Out	-	(13,421)	-	(13,421)
Total Other Financing Sources (Uses)	63,330	22,185,414	13,421	22,262,165
Net Change in Fund Balances	2,301,135	(7,743,257)	1,339,083	(4,103,039)
Fund Balance, Beginning of Year	54,024,215	17,679,063	41,109,350	112,812,628
Fund Balance, End of Year	$ 56,325,350	$ 9,935,806	$ 42,448,433	$ 108,709,589

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, 2017

Net Change in Fund Balances - Total Governmental Funds		$ (4,103,039)
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	17,862,414	
Depreciation Expense	(18,401,331)	(538,917)
The net effect of various miscellaneous transactions involving capital assets during the fiscal year decreased net position.		(2,485)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		(191,042)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Change in Deferred Outflows	68,600,930	
Change in Deferred Inflows	25,561,449	
Change in Net Pension Liability	(105,840,205)	(11,677,826)
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	(18,175,000)	
Bond Premium	(4,023,835)	
Principal Payments - Bonds	19,210,000	(2,988,835)
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.		
Amortization of Bond Premium	4,869,489	
Amortization of Deferred Charge on Refunding	(3,230,371)	
Change in Claims Payable	68,514	
Change in Compensated Absences	102,689	
Change in Accrued Interest	(4,147,660)	(2,337,339)
Change in Net Position of Governmental Activities		$ (21,839,483)

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, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	$ 175,981,819	$ 175,981,819	$ 177,772,083	$ 1,790,264
State Funds	208,522,711	208,522,711	199,131,369	(9,391,342)
Federal Funds	9,522,747	9,522,747	24,215,467	14,692,720
Investment Earnings	-	-	183,067	183,067
Total Revenues	394,027,277	394,027,277	401,301,986	7,274,709
Expenditures				
Instruction	251,976,148	251,976,148	268,997,668	(17,021,520)
Support Services:				
Pupil Services	14,251,442	14,251,442	17,874,635	(3,623,193)
Improvement of Instructional Services	11,224,635	11,224,635	11,957,788	(733,153)
Educational Media Services	4,595,516	4,595,516	4,192,494	403,022
General Administration	2,879,010	2,879,010	3,844,437	(965,427)
School Administration	22,285,070	22,285,070	22,387,656	(102,586)
Business Administration	2,532,012	2,532,012	2,716,300	(184,288)
Maintenance and Operations	23,474,842	23,474,842	24,881,022	(1,406,180)
Student Transportation Services	17,024,533	17,024,533	19,769,585	(2,745,052)
Central Support Services	4,526,730	4,526,730	4,139,123	387,607
Community Services Operations	1,188,889	1,188,889	2,001,908	(813,019)
Food Services Operation	17,480,418	17,480,418	16,263,629	1,216,789
Capital Outlay	691,355	691,355	-	691,355
Debt Service				
Principal Retirement	18,000,000	18,000,000	-	18,000,000
Interest and Fees	44,750	44,750	37,936	6,814
Total Expenditures	392,175,350	392,175,350	399,064,181	(6,888,831)
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,851,927	1,851,927	2,237,805	385,878
Other Financing Sources				
Proceeds From Sale of Capital Assets	-	-	63,330	63,330
Total Other Financing Sources	-	-	63,330	63,330
Net Change In Fund Balance	1,851,927	1,851,927	2,301,135	449,208
Fund Balance, Beginning of Year	54,024,215	54,024,215	54,024,215	-
Fund Balance, End of Year	$ 55,876,142	$ 55,876,142	56,325,350	$ 449,208

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

CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2017

	Agency Fund
Assets	
Cash	$ 437,803
Total Assets	$ 437,803
Liabilities	
Due to Others	$ 437,803
Total Liabilities	$ 437,803

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

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Note 1 – Description of School District and Reporting Entity

Reporting Entity

The Cherokee County School District (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 School District 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

The accompanying financial statements of the School District have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the School District's accounting policies are described below:

Basis of Presentation

The School District's basic financial statements are collectively comprised of the District-wide financial statements, fund financial statements, and notes to the basic financial statements. The District-wide statements focus on the School District as a whole, while the fund financial statements focus on major funds. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the information's usefulness.

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 Net Position presents the School District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories as follows:

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by 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.

2. **Restricted net position** consists of resources for which the School District is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties or imposed by law through constitutional provisions or enabling legislation.

3. **Unrestricted net position** consists of resources not meeting the definition of the two preceding categories. Unrestricted net positon often has constraints on resources imposed by management which can be removed or modified.

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

- The General Fund is the School District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

- The Capital Projects Fund accounts for and reports 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, committed, or assigned 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 a purely custodial capacity (assets equal liabilities) and do not involve measurement of operations.

Basis of Accounting

The basis of accounting determines when transactions are reported on the financial statements. The District-wide 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 after 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 satisfied. Property taxes, sales taxes, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

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

New Accounting Pronouncement

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organization Are Component Units. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2017, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73. This statement addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School District's financial statements.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) 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 (O.C.G.A.) §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

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. 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.

Investments made by the School District in nonparticipating interest-earning contracts (such as certificates of deposit) and repurchase agreements are reported at cost. Participating interest-earning contracts and money market investments with a maturity at purchase of one year or less are reported at amortized cost. All other investments are reported at fair value.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

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.

Due to other funds and due from other funds consist of activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year.

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 (calculated on 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 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.

Prepaid Items

Payments made to vendors for services that will benefit future accounting periods are recorded as prepaid items, in both the District-wide and governmental fund financial statements.

Capital Assets

On the District-wide financial statements, capital assets are recorded 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. 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. The School District does not capitalize book collections or works of art.

Capital acquisition and construction are recorded as expenditures in the governmental fund financial statements at the time of purchase (including ancillary charges), and the related assets are reported as capital assets in the governmental activities column in the District-wide financial statements.

Depreciation is computed using the straight-line method for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

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 Years
Buildings	$ 10,000	20-50 Years
Equipment	$ 10,000	5-10 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position 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.

In addition to liabilities, the statement of financial position will 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.

Compensated Absences

Compensated absences payable consists of vacation leave employees earned based on services already rendered.

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. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the District-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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.

Long-term Liabilities and Bond Discounts/Premiums

In the School District's District-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds

using the effective interest method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

In the governmental fund financial statements, the School District recognizes the proceeds of debt and premiums as other financing sources of the current period. Bond issuance costs are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the respective plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Fund Balances

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

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 – consists of resources that can be used only for specific purposes pursuant to constraints either (1) externally imposed by creditors, grantors, contributors, or laws and regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

Committed – consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board 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 – consists of resources 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 or (2) the budget or finance committee, or the Superintendent, or designee, to assign amounts to be used for specific purposes.

Unassigned – consists of resources within the general fund not meeting the definition of any aforementioned category. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

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.

It is the goal of the School District to achieve and maintain a committed, assigned, and unassigned fund balance in the General Fund at fiscal year-end of not less than 12% of prior year General Fund budgeted expenditures, not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with O.C.G.A. § 20-2-167(a)5. If the unassigned fund balance at fiscal year-end falls below the goal, the School District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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.

Property Taxes

The Cherokee County Board of Commissioners adopted the property tax levy for the 2016 tax digest year on July 21, 2016 (levy date) to be paid by December 20, 2016. Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. The Cherokee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.0% 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, 2017, for maintenance and operations amounted to $131,486,991 and for school bonds amounted to $27,645.

Tax millage rates levied for the 2016 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 mils

Additionally, Title Ad Valorem Tax revenues at the fund reporting level amounted to $12,553,665 during fiscal year ended June 30, 2017.

Sales Taxes

Educational Special Purpose Local Option Sales Tax revenue, at the fund reporting level, during the year amounted to $ 36,129,915 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.

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, and the Capital Projects 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 not 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.

The Superintendent is authorized by the Board to approve adjustments of less than five percent of the amount budgeted for expenditures in any budget function for any fund. The Superintendent will report to the Board concerning such adjustments not later than the next regular meeting of the Board. If at any time during the budget year expenditure of funds in any budget function for any fund is anticipated to be five percent or more of the amount budgeted for that function in the Board approved budget, the Superintendent is directed to request a budget amendment by the Board to authorize the additional anticipated expenditures.

See 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.

Note 4 – Deposits, Cash Equivalents and Investments

Collateralization of Deposits

O.C.G.A. §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, 2017, 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,

(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, 2017, the School District had deposits with a carrying amount of $31,845,540, which includes $537,516 in Certificates of Deposit that are recorded as investments. Bank balances at June 30, 2017 were $34,382,538. The bank balances insured by Federal depository insurance were $7,462,558 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 $26,919,980.

Categorization of Cash Equivalents

The School District reported cash equivalents of $61,110,990 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not 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, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2017, was 56 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is 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 the State Treasurer for the Georgia Fund 1, 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 www.audits.ga.gov/SGD/CAFR.html.

Categorization of Investments

At June 30, 2017, the School District had the following investments:

Investment Type	Fair Value	Maturity
Certificates of Deposit	$ 537,516	1-5 Years
Repurchase Agreements	14,258,586	Less Than One Year
Total	$ 14,796,102	

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.

At June 30, 2017, $14,796,102 of the School District's applicable investments were insured or registered, with securities held by the entity or its agent, in the School District's name.

Credit Quality Risk

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those prescribed by O.C.G.A. §36-83-4. The School District does not have a formal policy for managing credit quality risk.

The investments subject to credit quality risk are reflected below:

Investment Type	Fair Value	Unrated
Repurchase Agreements	$ 14,258,586	$ 14,258,586
Total	$ 14,258,586	$ 14,258,586

Note 5 – Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2017 consisted of the following:

Transfer From	Transfer To	Amount
Capital Projects Fund	Debt Service	$ 13,421

Transfers were moved from the Capital Projects Fund to the Debt Service Fund for prior period capital project expenditures.

Note 6 - Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2017:

Governmental Activities:	Balance July 1, 2016	Additions	Deletions and Transfers	Balance June 30, 2017
Capital Assets Not Being Depreciated				
Land	$ 30,670,124	$ 557,697	$ (887)	$ 31,226,934
Construction in Progress	3,552,653	11,714,675	-	15,267,328
Total	34,222,777	12,272,372	(887)	46,494,262
Capital Assets Being Depreciated				
Buildings and Improvements	709,502,399	1,444,029	-	710,946,428
Equipment	40,640,979	2,725,353	(346,307)	43,020,025
Land Improvements	22,350,174	1,420,660	-	23,770,834
Total	772,493,552	5,590,042	(346,307)	777,737,287
Less Accumulated Depreciation For:				
Buildings and Improvements	(172,114,560)	(15,127,780)	-	(187,242,340)
Equipment	(31,734,893)	(2,577,098)	344,709	(33,967,282)
Land Improvements	(12,962,925)	(696,453)	-	(13,659,378)
Total	(216,812,378)	(18,401,331)	344,709	(234,869,000)
Capital Assets Being Depreciated, Net	555,681,174	(12,811,289)	(1,598)	542,868,287
Governmental Activities Capital Assets, Net	$ 589,903,951	$ (538,917)	$ (2,485)	$ 589,362,549

Depreciation expense by function:

Instruction	$ 15,720,380
General Administration	791,489
School Administration	171,349
Support Services - Business	44,148
Maintenance and Operation	211,358
Student Transportation Services	1,424,443
School Nutrition Program	38,164
Total Depreciation	$ 18,401,331

Note 7 – Short-term Debt

During fiscal 2017, the School District issued a tax anticipation note 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% 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:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ -	$ 15,500,000	$ (15,500,000)	$ -

Note 8 - Long-Term Liabilities

The changes in long-term liabilities during the fiscal year for governmental activities were as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 365,375,000	$ 18,175,000	$ (19,210,000)	$ 364,340,000	$ 21,575,000
Qual School Const Bonds	40,055,000	-	-	40,055,000	-
Bond Premiums	49,308,763	4,023,835	(4,869,489)	48,463,109	6,528,098
Claims Payable	678,677	534,892	(603,406)	610,163	610,163
Compensated Absences	1,568,422	807,745	(910,434)	1,465,733	910,434
Total	$ 456,985,862	$ 23,541,472	$ (25,593,329)	$ 454,934,005	$ 29,623,695

General Obligation Debt Outstanding

The School District's bonded debt consists of various issues of general obligation bonds that are generally callable with interest payable semiannually. Bond proceeds primarily pay for acquiring or constructing capital facilities. Bonds have also been issued to advance-refund previously issued bonds. The School District repays general obligation bonds from voter-approved property taxes and sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School District.

During fiscal year 2017, the Cherokee County Board of Education issued $18,175,000 in General Obligation Bonds to finance the costs of completing the acquisition, construction, and equipping of a new administrative building, adding to, renovating, repairing, improving and equipping existing school facilities, and acquiring system-wide technology improvements and school buses.

Voters have authorized $6,500,000 in general obligation debt for capital outlay projects and the costs of issuing and paying capitalized interest, which was not issued as of June 30, 2017.

General Obligation Bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2006 Series	4.00-4.75%	3/1/2006	8/1/2017	$ 31,725,000	$ 4,640,000
2007A Series	4.25-5.00%	3/15/2007	8/1/2017	125,000,000	3,000,000
2007B Series	5.00%	3/15/2007	8/1/2017	41,915,000	13,260,000
2009A Series	4.00-5.00%	6/18/2009	8/1/2019	52,880,000	8,000,000
2009B Series	5.87%	6/18/2009	8/1/2019	48,375,000	48,375,000
2012 Series	4.00-5.00%	11/1/2012	8/1/2033	35,930,000	35,930,000
2014A Series	5.00%	2/6/2014	8/1/2033	46,885,000	46,885,000
2014B Series	3.75-5.00%	2/6/2014	8/1/2025	34,430,000	34,430,000
2015 Series	4.00-5.00%	2/15/2015	2/1/2033	108,960,000	108,960,000
2016 Series	5.00%	5/19/2016	8/1/2023	42,685,000	42,685,000
2017 Series	3.00-5.00%	5/9/2017	2/1/2033	18,175,000	18,175,000
Total General Obligation Bonds				$ 586,960,000	$ 364,340,000

At June 30, 2017, 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
2018	$ 21,575,000	$ 17,622,105	$ 6,528,098
2019	9,420,000	17,148,900	6,455,440
2020	16,110,000	16,502,100	5,988,931
2021	21,270,000	15,627,575	5,513,751
2022	25,100,000	14,525,700	4,863,564
2023-2027	171,320,000	50,436,428	14,897,518
2028-2032	82,225,000	12,696,779	3,996,112
2033-2034	17,320,000	807,788	219,695
Total	$ 364,340,000	$ 145,367,375	$ 48,463,109

Qualified School Construction Bonds (QSCB)

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy, the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2017 was $2,022,269, which funded all but $231,225 of interest expense due on the QSCB.

Debt currently outstanding under Qualified School Construction Bonds is as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2010B Series	5.63%	11/11/2010	8/1/2028	$ 40,055,000	$ 40,055,000

The following is a schedule of total Qualified School Construction Bond payments:

Fiscal Year Ended June 30:	Principal	Interest
2018	$ -	$ 2,253,494
2019	-	2,253,494
2020	-	2,253,494
2021	-	2,253,494
2022	-	2,253,494
2023 - 2027	-	11,256,921
2028 - 2031	40,055,000	2,325,226
Total	$ 40,055,000	$ 24,849,617

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.

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; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District is self-insured for workers' compensation, unemployment claims, and dental 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.

Workers Compensation Claims

The School District has established a limited risk management program for workers' compensation claims. The School District accounts for claims within the General Fund with expenses/expenditures and liability being reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. An excess coverage insurance policy covers individual claims in excess of $400,000 loss per occurrence, up to the statutory limit.

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

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2017	$ 678,677	534,892	(603,406)	$ 610,163
2016	625,292	1,384,383	(1,330,998)	678,677

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

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2017	$ -	$ -	$ -	$ -
2016	-	14,607	(14,607)	-

Dental Claims

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

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

Fiscal Year	Beginning Of Year Liability	Changes in Estimates	Claims Paid	End Of Year Liability
2017	$ 71,047	$ 2,704,964	$ (2,740,562)	$ 35,449
2016	80,068	2,501,322	(2,510,343)	71,047

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

Superintendent	$ 100,000
Assistant Superintendent of Financial Management	100,000
School Principals	10,000

Note 10 – Significant Commitments

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2017, together with funding available:

Project	Unearned Executed Contracts (1)	Payments Through June 30, 2017 (2)	Funding Available From State (1)
Educational Services Center	$ 298,902	$ 15,701,098	$ -

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

(2) Payments include contracts and retainages payable at year end.

Note 11 – Operating Leases

The Cherokee County School District has entered into various lease agreements as lessee for office equipment. These leases are considered for accounting purposes to be operating leases. Rental expenditures under the terms of the operating leases totaled $309,498 for the year ended June 30, 2017. The following future minimum lease payments were required under operating leases at June 30, 2017.

Year Ending	Lease Payments
2018	$ 25,792

Note 12 – 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. Any disallowances resulting from the grantor audit may become a liability of the School District. However, 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 have a material adverse effect on the financial condition of the School District.

Note 13 - Postemployment Benefits

Georgia School Personnel Postemployment Health Benefit Fund

Plan Description. The Georgia School Personnel Post-Employment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit post-employment healthcare plan that covers eligible former employees of public school systems, libraries and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Benefit Plan administered by the Department of Community Health. The Official Code of Georgia Annotated (O.C.G.A.) assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits for retirees, to the Board of Community Health (Board). Additional information about the School OPEB Fund is disclosed in the State of Georgia Comprehensive Annual Financial Report. This report can be obtained from the Georgia Department of Audits and Accounts at http://www.audits.ga.gov/SGD/cafr.html.

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.

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, 2017:

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

July 1, 2016 – June 30, 2017	$945.00 per member per month

For non-certificated school personnel:

July 1, 2016 – December 31, 2016	$746.20 per member per month
January 1, 2017 – June 30, 2017	$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	$ 40,368,297
2016	100%	36,947,175
2015	100%	33,900,291

Note 14 - Retirement Plans

The School District participates in various retirement plans administered by the State of Georgia, as further explained below:

1) Teachers Retirement System of Georgia (TRS)

Plan Description: All teachers of the School District as defined in O.C.G.A §47-3-60 and certain other support personnel as defined by §47-3-63 are provided a pension through the Teachers Retirement System of Georgia (TRS). TRS, a cost-sharing multiple- employer defined benefit pension plan, is administered by the TRS Board of Trustees (TRS Board). Title 47 of the *O.C.G.A.* assigns the authority to establish and amend the benefit provisions to the State Legislature. The Teachers Retirement System of Georgia issues a publicly available separate financial audit report that can be obtained at www.trsga.com/publications.

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee 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. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2017. The School District's contractually required contribution rate for the year ended June 30, 2017 was 14.27% (excluding payroll attributable to those personnel funded on behalf of the School District by the State). For the current fiscal year, employer contributions to the pension plan were $32,062,007 and $125,518 from the School District and the State, respectively.

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

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	$ 32,062,007
2016	100%	30,323,698
2015	100%	26,600,262

2) Employees' Retirement System

Plan description: The Employees' Retirement System of Georgia (ERS) is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans

are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions: Member contributions under the old plan are 4% of annual compensation, up to $4,200, plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School District's contractually required contribution rate, actuarially determined annually, for the year ended June 30, 2017 was 24.69% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were $16,882 for the current fiscal year.

3) Public School Employees Retirement System (PSERS)

Plan description: PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. PSERS issues a publicly available financial report that can be obtained at www.ers.ga.gov/formspubs/formspubs.

Benefits provided: A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS may make periodic cost-of-living adjustments to the monthly benefits. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

Contributions: The general assembly makes an annual appropriation to cover the employer contribution to PSERS on behalf of local school employees (bus drivers, cafeteria workers, and maintenance staff). The annual employer contribution required by statute is actuarially determined and paid directly to PSERS by the State Treasurer in accordance with O.C.G.A. §47-4-29(a) and 60(b). Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $ 487,744.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2017, the School District reported a liability of $397,478,591 for its proportionate share of the net pension liability for TRS ($397,351,768) and ERS ($126,823).

The TRS net pension liability reflected a reduction for support provided to the School District by the State of Georgia for certain public school support personnel. The amount recognized by the School District as its proportionate share of the net pension liability, the related State of Georgia support, and the total portion of the net pension liability that was associated with the School District were as follows:

School District's Proportionate Share of the Net Pension Liability	$ 397,478,591
State of Georgia's Proportionate Share of the Net Pension Liability Associated with the School District	5,456,056
Total	$ 402,934,647

The net pension liability for TRS and ERS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2016.

At June 30, 2016, the School District's TRS proportion was 1.925983%, which was an increase of 0.010335% from its proportion measured as of June 30, 2015. At June 30, 2016, the School District's ERS proportion was 0.002681%, which was an increase of 0.002681% from its proportion measured as of June 30, 2015.

At June 30, 2017, the School District did not have a PSERS liability for a proportionate share of the net pension liability because of a Special Funding Situation with the State of Georgia, which is responsible for the net pension liability of the plan. The amount of the State's proportionate share of the net pension liability associated with the School District is $3,719,948.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard

roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2016.

For the year ended June 30, 2017, the School District recognized pension expense of $43,660,108 for TRS, $62,244 for ERS and $609,839 for PSERS and revenue of $126,973 for TRS and $609,839 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2017, the School District reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 5,919,470	$ 1,964,907	$ -	$ 293
Changes of assumptions	10,298,809	-	1,074	-
Net difference between projected and actual earnings on pension plan investments	50,266,635	-	12,894	-
Changes in proportion and differences between District contributions and proportionate share of contributions	4,936,885	867,681	66,313	-
District contributions subsequent to the measurement date	32,062,007	-	16,882	-
Total	$ 103,483,806	$ 2,832,588	$ 97,163	$ 293

The School District contributions subsequent to the measurement date of $32,062,007 for TRS and $16,882 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	8,719,063	52,361
2019	8,719,044	16,366
2020	30,142,829	6,952
2021	20,169,840	4,309
2022	838,435	-
Thereafter	-	-

***Actuarial assumptions*:** The total pension liability as of June 30, 2016 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	2.75%
Salary Increases	3.25% - 9.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System

Inflation	2.75%
Salary Increases	3.25% - 7.00%, average, including inflation
Investment Rate of Return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees' Retirement System

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

The long-term expected rate of return on TRS, ERS and PSERS pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed Income	30.00%	(0.50)%
Domestic Large Stocks	37.20%	9.00%
Domestic Mid Stocks	3.40%	12.00%
Domestic Small Stocks	1.40%	13.50%
International Developed Market Stocks	17.80%	8.00%
International Emerging Market Stocks	5.20%	12.00%
Alternative	5.00%	10.50%
Total	100.00%	

* Rates shown are net of the 2.75% assumed rate of inflation

Discount rate: The discount rate used to measure the total TRS, ERS and PSERS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the TRS, ERS and PSERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Cherokee County School District's proportionate share of the net pension liability to changes in the discount rate: The following presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Teachers Retirement System:	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
School District's Proportionate Share of the Net Pension Liability	$ 618,482,928	$ 397,351,768	$ 215,286,707

Employees' Retirement System:	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
School District's Proportionate Share of the Net Pension Liability	$ 171,868	$ 126,823	$ 88,435

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued TRS, ERS and PSERS financial report which is publically available at trsga.com/publications and ers.ga.gov/formspubs/formspubs.html.

Payables to the pension plan: At June 30, 2017, the School District reported a payable in the amount of $3,776,200 to the TRS plan for the employee and employer contributions attributable to June of 2017.

4) Defined Contribution Plan

In August 2001, Cherokee County Board of Education adopted the CCSD 403(b) pension plan for the group of employees covered under the Public School Employees' Retirement System (PSERS). Recognizing that PSERS was a limited defined contribution and defined benefit plan which did not provide for an adequate retirement for this group of employees, it was the Board's desire to supplement the retirement savings of this group.

The Board selected VALIC as the provider of the CCSD 403(b) plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to $.50 for each $1.00 of employee contributions up to four percent of the employee's regular earnings.

An employee becomes vested in employer contributions in accordance with the following schedule:

0-35 months of service:	0%
36-47 months of service:	50%
48-59 months of service:	75%
60+ months of service:	100%

Employees who have already completed five years of service at the time of enrollment are immediately vested upon enrollment. Employees at all times are 100% vested in employee contributions.

Funds accumulated through employer contributions are only available to the employee upon termination of employment or by achieving normal retirement age as determined by the Internal Revenue Service. If an employee terminates employment prior to achieving vested status, funds contributed by CCSD on behalf of the non-vested employee are credited back to the Board.

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

Fiscal Year	Percentage Contributed	Required Contribution
2017	100%	$ 176,384
2016	100%	142,208
2015	100%	109,560

Note 15: Prior Year Defeasement of Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2017, $144,380,000 of bonds outstanding are considered defeased.

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REQUIRED SUPPLEMENTARY INFORMATION

Cherokee County
School District

CHEROKEE COUNTY SCHOOL DISTRICT

Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Teacher Retirement System of Georgia
For Years Ended June 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	1.930000%	$ 397,351,768	$ 1,736,108	$ 399,087,876	$ 221,443,384	179.44%	76.06%
2016	1.915648%	291,638,386	1,357,677	292,996,063	212,135,952	137.48%	81.44%
2015	1.881812%	237,742,125	1,057,565	238,799,690	203,096,846	117.06%	84.03%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CHEROKEE COUNTY SCHOOL DISTRICT

Required Supplementary Information

Schedule of Contributions Teacher Retirement System of Georgia

For the Fiscal Years Ended June 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2017	$ 32,062,007	$ 32,062,007	$ -	$ 221,443,384	14.48%
2016	30,323,698	30,323,698	-	212,135,952	14.29%
2015	26,600,262	26,600,262	-	203,096,846	13.10%
2014	23,551,556	23,551,556	-	192,776,926	12.22%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CHEROKEE COUNTY SCHOOL DISTRICT

Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Employees' Retirement System of Georgia
For the Fiscal Years Ended June 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proprotionate share of the net pension liaibility associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	$ 126,823	$ -	$ 126,823	$ 68,045	186.38%	72.34%
2016	0.00%	-	-	-	-	0.00%	0.00%
2015	0.00%	-	-	-	-	0.00%	0.00%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CHEROKEE COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of Contributions - Employees' Retirement System of Georgia
For the Fiscal Years Ended June 30

Year Ended	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	School District's covered-employee payroll	Contribution as a percentage of covered-employee payroll
2017	$ 16,882	$ 16,882	$ -	$ 68,045	24.81%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CHEROKEE COUNTY SCHOOL DISTRICT

Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Public Schools Employee Retirement System of Georgia
For the Fiscal Years Ended June 30

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proprotionate share of the net pension liaibility associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2017	0.00%	$ -	$ 3,719,948	$ 3,719,948	$ 10,091,040	N/A	81.00%
2016	0.00%	-	2,375,349	2,375,349	8,638,876	N/A	87.00%
2015	0.00%	-	1,997,884	1,997,884	8,399,160	N/A	88.29%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Teachers Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the District. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal, and salary increases. The expectation of retired life mortality was changed to RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries projection scale BB (set forward one year for males).

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2016 reported in that schedule:

Employees Retirement System

Changes of assumptions: On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal, and salary increases.

Public School Employees Retirement System

Changes of assumptions: In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1995 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disablity and mortality were adjusted to more closely reflect actual experience.

On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, and withdrawal. The expectation of retired life mortality was changed to RP-2000 Blue Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females).

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OTHER SUPPLEMENTARY INFORMATION



CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Educational Local Option Sales Tax Proceeds
For the Fiscal Year Ended June 30, 2017

PROJECT	ORIGINAL ESTIMATED COST [1]	CURRENT ESTIMATED COSTS [2]	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL EXPENDED	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	$ 29,856,088	$ 138,466,074	$ 168,322,162	Ongoing
Totals	$ 170,000,000	$ 170,000,000	$ 29,856,088	$ 138,466,074	$ 168,322,162	

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

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

(3) The voters of 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 SPLOST 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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P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

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, 2017, 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 February 12, 2018.

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.

MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS AND GEORGIA SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

Compliance and Other Matters

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

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
February 12, 2018

CHEROKEE COUNTY SCHOOL DISTRICT

Financial Statement Findings and Responses of
Status of Prior Year Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2017

Section I - Financial Statement Findings and Responses

None Noted

Section II - Status of Prior Year Findings and Questioned Costs

None Noted

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

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	16165GA324N1099	$ 1,590,881	
National School Lunch Program	10.555	16165GA324N1099	7,671,742	(1)
After School Snack Program	10.555	16165GA324N1099	100,182	
Total Child Nutrition Cluster			$ 9,362,805	
Total U. S. Department of Agriculture			$ 9,362,805	
Education, U.S. Department of				
Special Education Cluster				
Pass-Through From Georgia Department of Education				
Special Education				
High Cost Fund Pool	84.027	H027A150073	$ 68,107	
Special Education Flow Through	84.027		6,502,544	
Special Education Preschool	84.173	H173A150081	194,495	
Total Special Education Cluster			$ 6,765,146	
Title I, Part A Cluster				
Pass-Through From Georgia Department of Education				
Title I - Improving Academic Achievement	84.010	S010A150010	$ 4,823,301	
Total Title I, Part A Cluster			$ 4,823,301	
Other Programs				
Pass-Through From Georgia Department of Education				
Career and Technical Education - Program Improvement	84.048	V048A150010	$ 212,797	
Career and Technical Education - Basic Grants to States	84.048		25,516	
Arts in Education - Model Development and Dissemination Grants Program	84.351		462,106	
Title III, Part A Limited English Proficient	84.365	S365A150010	297,309	
Title III, Part A Immigrant	84.365		20,075	
Title III, Part A ELA Unaccompanied Children and Youth Grant	84.365			
Title II, Improving Teacher Quality State Grants	84.367		551,342	
Title II, Advance Placement	84.367		5,900	
Race to the Top - ARRA	84.395	S412A130039	10,484	
Total Other Programs			1,585,529	
Total U. S. Department of Education			$ 13,173,976	
Health and Human Services, U.S. Department of				
Pass-through From Ninth District Opportunity, Inc.				
Georgia Prekindergarten Transition Program	93.575		$ 112,940	
Pass-through From Bright From the Start:				
Georgia Department of Early Care and Learning				
Child Care and Development Block Grant	93.600		369,961	
Total U.S. Department of Health and Human Services			$ 482,901	
Defense, U. S. Department of				
Direct				
Department of the Air Force				
R.O.T.C. Program	12.000		$ 391,582	
Total U.S. Department of Defense			391,582	
Total Federal Financial Assistance			$ 23,411,264	

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 $1,281,133

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Cherokee County School District (School District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the School District.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Total federal revenues presented in the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds on page 18 differ from the total federal expenditures presented in this schedule due to federal payments received that were not associated with a specific federal program. Those differences totaled $804,203.

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



Cherokee County
School District

Single Audit Report

In Accordance With Uniform Guidance

Fiscal Year Ended June 30, 2017

CHEROKEE COUNTY SCHOOL DISTRICT

Single Audit Reporting Package

Year Ended June 30, 2017

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P.O. BOX 473
CARTERSVILLE, GA 30120
(770) 382-3361
FAX (770) 386-8382
WWW.WCPAS.COM

WILLIAMSON & CO., CPA's
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2017. 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 federal statutes, regulations, and terms and conditions of its federal awards 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Cherokee County School District's basic financial statements. We issued our report thereon dated February 12, 2018, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Williamson and Company

Williamson and Company
Certified Public Accountants
May 21, 2018

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017

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	16165GA324N1099	$ 1,590,881
National School Lunch Program	10.555	16165GA324N1099	7,671,742
After School Snack	10.555	16165GA324N1099	100,182
Total Child Nutrition Cluster			9,362,805
Total U. S. Department of Agriculture			9,362,805
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Capacity Building Grant	84.027	H027A150073	68,107
Flow Through	84.027		6,502,544
Preschool Grants	84.173	H173A150081	194,495
Total Special Education Cluster			6,765,146
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	S412A130039	10,484
Career and Technical Education - Program Improvement	84.048	V048A150010	212,797
Career and Technical Education - Basic Grants to States	84.048		25,516
Arts in Education - Model Development and Dissemination Grants Program	84.351		462,106
Title III, Part A Limited English Proficient	84.365	S365A150010	297,309
Title III, Part A Immigrant	84.365		20,075
Title II, Improving Teacher Quality State Grants	84.367		551,342
Title II, Advance Placement	84.367		5,900
Title I Grants to Local Educational Agencies	84.010	S010A150010	4,823,301
Total Other Programs			6,408,830
Total U. S. Department of Education			13,173,976
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.600		369,961
Pass-Through from Ninth District Opportunity, Inc.:			
Georgia Prekindergarten Transition Program	93.575		112,940
Total Child Care and Development Fund Cluster			482,901
Total U. S. Department of Health and Human Services			482,901
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.000		391,582
Total U. S. Department of Defense			391,582
Total Expenditures of Federal Awards			$ 23,411,264

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Cherokee County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The School District did not utilize the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

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

(1) Includes the federally assigned value of donated commodities for the Food Donation Program in the amount of $1,281,133

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issue:

Independent Auditor Report on Financial Statements	Unmodified

Internal control over financial reporting:

Material weakness identified?	No
Significant deficiencies identified?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weakness identified?	No
Significant deficiencies identified?	None Reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.616(A)? No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173	Special Education Cluster
10.553, 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $ 750,000

Auditee qualified as low-risk auditee? No

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2017

Section II - Financial Statement Findings and Questioned Costs

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year Findings and Questioned Costs

None Noted