

Annual Financial Report

Fiscal Year Ended June 30, 2013

WILLIAMSON & CO. CPA's

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CHEROKEE COUNTY SCHOOL DISTRICT
Annual Financial Report
Fiscal Year Ended June 30, 2013

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FINANCIAL 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

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, 2013, 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 includes 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 out 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, 2013, and the respective changes in financial position thereof 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.

Emphasis of Matter

As described in Note 2 to the financial statements, in 2013, the School District adopted new accounting guidance, *GASB Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and *GASB Statement No. 65, Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee County School District's basic financial statements. The combining nonmajor fund financial statements and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements.

The combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In

our opinion, the combining nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

This report is being reissued and is replacing the report dated June 29, 2014 to correct the Balance Sheet and Statement of Expenditures, Revenues, and Changes in Fund Balances at the governmental fund level, and the Statement of Net Position and Statement of Activities at the district-wide level. The previously issued auditor's report dated June 29, 2014 is not to be relied on because the financial statements were materially misstated and the previously-issued auditors' report is replaced by this report on the restated financial statements. Note 18 of the notes to the financial statements discusses these corrections.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 29, 2014 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 Co. CPA's

Williamson and Company
Certified Public Accountants
July 10, 2014

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BASIC FINANCIAL STATEMENTS



CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2013

Assets and Deferred Outflows of Resources	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 13,841,510
Restricted Cash	271,063
Investments	77,916,795
Receivables	
Taxes	76,838
State Government	43,479,465
Federal Government	2,272,947
Other	382,040
Inventory	659,503
Capital Assets, Nondepreciable	48,270,266
Capital Assets, Net	506,529,897
Total Assets	693,700,324
Deferred Outflow of Resources	
Deferred Charges	1,060,092
Total Deferred Outflows of Resources	1,060,092
Total Assets and Deferred Outflows of Resources	694,760,416
Liabilities	
Accounts Payable	4,401,236
Salaries and Benefits Payable	22,757,420
Accrued Interest Payable	8,100,363
Retainage Payable	4,361,736
Long-term Liabilities	
Due Within One Year	19,352,238
Due in More Than One Year	365,146,066
Total Liabilities	424,119,059
Net Position	
Net Investment In Capital Assets	209,490,954
Restricted For:	
Capital Projects	6,986,286
Debt Service	17,285,135
Unrestricted	36,878,982
Total Net Position	$ 270,641,357

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, 2013

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	$ 255,242,260	$ 11,092,020	$ 141,522,493	$ 14,165,191	$ (88,462,556)
Support Services					
Pupil Services	13,016,180	-	4,288,165	-	(8,728,015)
Improvement of Instruction Services	7,113,092	-	2,815,444	-	(4,297,648)
Educational Media Services	4,428,764	-	4,073,790	-	(354,974)
General Administration	6,541,184	-	247,841	-	(6,293,343)
School Administration	19,650,890	-	7,763,153	-	(11,887,737)
Business Administration	2,173,043	3,868,800	-	-	1,695,757
Maintenance and Operations	21,532,537	-	9,636,762	-	(11,895,775)
Student Transportation Services	16,780,714	-	2,369,627	-	(14,411,087)
Central Support Services	3,239,231	-	4,098,305	-	859,074
Other Support Services	279,915	-	279,915	-	-
Operations of Noninstructional Services:					
Community Service Operations	1,886,019	2,412,222	-	-	526,203
Food Services Operations	15,467,829	6,439,499	8,143,491	458,512	(426,327)
Interest on Long-term Debt	15,992,704	-	-	-	(15,992,704)
Total Governmental Activities	$ 383,344,362	$ 23,812,541	$ 185,238,986	$ 14,623,703	(159,669,132)
General Revenues:					
Taxes:					
Property Tax, Levied for General Purposes					119,504,969
Property Tax, Levied for Debt Service					2,413,668
Educational Local Option Sales Tax					30,330,461
Grants and Contributions Not Restricted to Specific Programs					151,814
Investment Earnings					166,183
Gain on Sale of Capital Asset					62,175
Total General Revenues					152,629,270
Change in Net Position					(7,039,862)
Net Position - Beginning of Year					296,261,889
Prior Period Adjustment					(18,580,670)
Net Position - End of Year					$ 270,641,357

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

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CHEROKEE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2013

	General Fund	District-Wide Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 9,076,698	$ -	$ -	$ 6,200,623	$ 15,277,321
Restricted Cash	-	-	271,063	-	271,063
Investments	12,508,236	39,962,835	22,561,382	2,884,342	77,916,795
Receivables					
Taxes	-	-	76,838	-	76,838
State Government	28,886,073	12,165,888	2,427,504	-	43,479,465
Federal Government	35,680	-	-	2,237,267	2,272,947
Other	173,830	-	126,372	81,838	382,040
Inventory	321,801	-	-	337,702	659,503
Due From Other Funds	3,379,628	126,091	-	-	3,505,719
Total Assets	$ 54,381,946	$ 52,254,814	$ 25,463,159	$ 11,741,772	$ 143,841,691
Liabilities and Fund Balances					
Liabilities					
Cash Overdraft	$ -	$ 1,435,810	$ -	$ -	$ 1,435,810
Accounts Payable	919,717	3,409,431	6,524	65,565	4,401,237
Salaries and Benefits Payable	21,822,807	-	-	934,613	22,757,420
Retainage Payable	-	4,361,736	-	-	4,361,736
Due To Other Funds	126,091	-	-	3,379,628	3,505,719
Total Liabilities	22,868,615	9,206,977	6,524	4,379,806	36,461,922
Deferred Inflows of Resources					
Unearned Revenue	3,423,698	-	71,137	-	3,494,835
Total Deferred Inflows of Resources	3,423,698	-	71,137	-	3,494,835
Fund Balances					
Nonspendable					
Inventory	-	-	-	337,702	337,702
Restricted					
Debt Service	-	-	25,385,498	-	25,385,498
Capital Projects	-	43,047,837	-	-	43,047,837
Committed					
School Food Services	-	-	-	3,149,980	3,149,980
School Activities	-	-	-	3,874,284	3,874,284
Unassigned	28,089,633	-	-	-	28,089,633
Total Fund Balances	28,089,633	43,047,837	25,385,498	7,361,966	103,884,934
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 54,381,946	$ 52,254,814	$ 25,463,159	$ 11,741,772	$ 143,841,691

Total Fund Balances Governmental Funds			$ 103,884,934
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	730,826,913	
	Less Accumulated Depreciation	(176,026,750)	554,800,163
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
	Property Taxes		3,494,835
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds Payable	(366,865,000)	
	Bond Premium, Net of Amortization	(14,505,760)	
	Loss on Bond Refunding, Net of Amortization	1,060,092	
	Claims Payable	(1,123,843)	
	Accrued Interest	(8,100,363)	
	Compensated Absences	(2,003,701)	(391,538,575)
	Net Position Of Governmental Activities		$ 270,641,357

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, 2013

	General Fund	District Wide Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	$ 124,643,127	$ 42,355	$ 32,744,133	$ 17,810,898	$ 175,240,513
State Funds	162,238,636	14,047,753	-	977,064	177,263,453
Federal Funds	1,455,413	-	-	20,609,735	22,065,148
Investment Earnings	13,350	75,079	150,474	2,359	241,262
Total Revenues	288,350,526	14,165,187	32,894,607	39,400,056	374,810,376
Expenditures					
Current					
Instruction	197,564,872	21,110,535	-	17,759,941	236,435,348
Support Services:					
Pupil Services	9,377,627	-	-	3,638,553	13,016,180
Improvement of Instructional Services	5,028,173	-	-	2,084,919	7,113,092
Educational Media Services	4,427,871	-	-	893	4,428,764
General Administration	5,714,585	-	-	247,841	5,962,426
School Administration	19,588,633	-	-	1,741	19,590,374
Business Administration	2,128,895	-	-	-	2,128,895
Maintenance and Operations	21,078,778	5,070,933	-	359,575	26,509,286
Student Transportation Services	14,337,994	27,870	-	-	14,365,864
Central Supports Services	3,239,231	-	-	-	3,239,231
Other Support Services	-	-	-	279,915	279,915
Community Services Operations	1,886,019	-	-	-	1,886,019
Food Services Operation	952	-	-	15,456,746	15,457,698
Capital Outlay	96,908	23,694,237	-	-	23,791,145
Debt Service					
Principal Retirement	-	-	19,770,000	-	19,770,000
Interest and Fees	37,498	381,338	15,451,907	-	15,870,743
Total Expenditures	284,508,036	50,284,913	35,221,907	39,830,124	409,844,980
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,842,490	(36,119,726)	(2,327,300)	(430,068)	(35,034,604)
Other Financing Sources (Uses)					
Bond Issuance	-	35,930,000	-	-	35,930,000
Bond Premium	-	7,461,201	-	-	7,461,201
Proceeds From Sale of Capital Assets	62,175	-	-	-	62,175
Transfers In	-	2,425,000	-	164,783	2,589,783
Transfers Out	(2,589,783)	-	-	-	(2,589,783)
Total Other Financing Sources (Uses)	(2,527,608)	45,816,201	-	164,783	43,453,376
Net Change in Fund Balances	1,314,882	9,696,475	(2,327,300)	(265,285)	8,418,772
Fund Balance, Beginning of Year	26,774,751	41,385,798	27,712,798	7,627,251	103,500,598
Prior Period Adjustment	-	(8,034,436)	-	-	(8,034,436)
Fund Balance, End of Year	$ 28,089,633	$ 43,047,837	$ 25,385,498	$ 7,361,966	$ 103,884,934

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, 2013

Net Change in Fund Balances - Total Governmental Funds		$ 8,418,772
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	$ 23,791,145	
Depreciation Expense	(16,962,201)	6,828,944
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		1,431,948
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	(35,930,000)	
Bond Premium	(7,461,201)	
Principal Payments - Bonds	19,770,000	(23,621,201)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in Compensated Absences	(32,954)	
Amortization of Bond Premium	953,964	
Amortization of Deferred Charge on Refunding	(273,508)	
Change in Claims Payable	56,590	
Change in Accrued Interest	(802,417)	(98,325)
Change in Net Position of Governmental Activities		$ (7,039,862)

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, 2013

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	$ 138,329,612	$ 138,329,612	$ 124,643,127	$ (13,686,485)
State Funds	153,796,638	153,796,638	162,238,636	8,441,998
Federal Funds	195,000	195,000	1,455,413	1,260,413
Investment Earnings	-	-	13,350	13,350
Total Revenues	292,321,250	292,321,250	288,350,526	(3,970,724.00)
Expenditures				
Instruction	195,288,383	195,288,383	197,564,872	(2,276,489)
Support Services:				
Pupil Services	9,508,818	9,508,818	9,377,627	131,191
Improvement of Instructional Services	5,491,458	5,491,458	5,028,173	463,285
Educational Media Services	4,493,880	4,493,880	4,427,871	66,009
General Administration	2,142,742	2,142,742	5,714,585	(3,571,843)
School Administration	19,196,924	19,196,924	19,588,633	(391,709)
Business Administration	1,715,343	1,715,343	2,128,895	(413,552)
Maintenance and Operations	21,089,316	21,089,316	21,078,778	10,538
Student Transportation Services	13,125,616	13,125,616	14,337,994	(1,212,378)
Central Supports Services	3,248,820	3,248,820	3,239,231	9,589
Other Support Services	-	-	-	-
Community Services Operations	-	-	1,886,019	(1,886,019)
Food Services Operation	-	-	952	(952)
Capital Outlay	114,450	114,450	96,908	17,542
Debt Service				
Interest and Fees	15,030,000	15,030,000	37,498	14,992,502
Total Expenditures	290,445,750	290,445,750	284,508,036	5,937,714
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,875,500	1,875,500	3,842,490	1,966,990
Other Financing Sources				
Proceeds From Sale of Capital Assets	-	-	62,175	62,175
Transfers Out	(1,875,500)	(1,875,500)	(2,589,783)	(714,283)
Total Other Financing Sources	(1,875,500)	(1,875,500)	(2,527,608)	(652,108)
Net Change In Fund Balance	-	-	1,314,882	1,314,882
Fund Balance, Beginning of Year	26,774,751	26,774,751	26,774,751	-
Fund Balance, End of Year	$ 26,774,751	$ 26,774,751	28,089,633	$ 1,314,882

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

CHEROKEE COUNTY SCHOOL DISTRICT
Agency Fund
Statement of Fiduciary Assets and Liabilities
June 30, 2013

	Agency Fund
Assets	
Cash	$ 137,923
Total Assets	$ 137,923
Liabilities	
Due to Others	$ 137,923
Total Liabilities	$ 137,923

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

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

District-wide Statements:

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

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

- The District-wide Capital Projects Fund accounts for financial resources including Educational Local Option Sales Tax (ELOST), bond proceeds, and grants from the Georgia State Financing and Investment Commission to be used for the acquisition, construction, or renovation of major capital facilities.

- The Debt Service Fund accounts for transactions and resources for the payment of general long-term principal, interest, and paying agent's fees.

The School District reports the following fiduciary fund type:

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

Basis of Accounting

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

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

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Property taxes are recognized as revenue in the period for which they were levied, if they are collected within sixty days of year end. All other revenues are also considered to be available when they are collectible within six months of year end. Property taxes, sales taxes, grant revenue, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. 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 State of Georgia reimburses the School System for teachers' salaries and operating costs through the Quality Basic Education Formula Earnings program (QBE). Generally teachers are contracted for the school year (July 1-June 30) and paid over a twelve month contract period, generally September 1 through August 31. In accordance with the respective rules and regulations of the QBE program, the State of Georgia reimburses the School District over the same twelve month period in which teachers are paid. At June 30, the amount of teachers' salaries incurred but not paid until July and August of the subsequent year are accrued. Since the State of Georgia recognizes its QBE liability for the July and August salaries at June 30, the School System recognizes the same QBE as a receivable and revenue.

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

Restatement of Prior Year Net Position/Fund Balance

For fiscal year 2013, the School District recorded prior period adjustments, which require the restatement of the June 30, 2012 net position in the governmental activities and fund balance in the General Fund. The result is a decrease in net position and fund balance at July 1, 2012, of $18,580,670 and $8,034,846 respectively. These changes are in accordance with generally accepted accounting principles.

Net Position, July 1, 2012, as Previously Reported	$ 296,261,889
Removal of Unamortized Bond Issuance Costs	(2,258,105)
Construction In Progress Restatement	(8,288,129)
Activity for Previous Fiscal Periods	(8,034,436)
Net Position, July 1, 2012, as Restated	$ 277,681,219
Fund Balance, July 1, 2012, as Previously Reported	$ 103,500,598
Activity for Previous Fiscal Periods	(8,034,436)
Fund Balance, July 1, 2012, as Restated	$ 95,466,162

New Accounting Pronouncements

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The provisions of this Statement establish accounting and financial reporting standards for governments who enter into Service Concession Arrangements (SCA) with other governmental or nongovernmental entities. As of June 30, 2013, the School District has not entered into any arrangements that meet the qualifications to be reported as a SCA in accordance with this standard.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement incorporate certain accounting and financial reporting guidance into authoritative GASB literature.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*. The provisions of this Statement establish financial reporting standards for the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The School District changed its presentation of net assets to net position for fiscal year 2013. There were no other applicable reporting changes for the School District.

In fiscal year 2013, the School District adopted the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The provisions of this Statement establish guidance to reclassify items previously reported as assets or liabilities as either deferred outflows/inflows of resources or outflows/inflows on the respective operating statements.

Cash and Cash Equivalents

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

Investments

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

Funds may be invested in the following:

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

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

Receivables

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

Property Taxes

The Cherokee County Board of Commissioners fixed the property tax levy for the 2012 tax digest year on July 26, 2012 to be paid by December 20, 2012. Taxes collected within the current fiscal year or within 60 days after year-end on the 2012 tax digest are reported as revenue in the governmental funds for fiscal year 2013. The Cherokee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2013, for maintenance and operations amounted to $98,914,780 and for school bonds amounted to $2,067,605.

Tax millage rates levied for the 2012 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
School Bonds	.4 mils

Additionally, Title Ad Valorem Tax revenues at the fund reporting level amounted to $1,796,261.

Sales Taxes

Educational Local Option Sales Tax revenue, at the fund reporting level, during the year amounted to $30,330,465 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

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

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

Capital Assets

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

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

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

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

Compensated Absences

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

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

General Obligation Bonds

The School System issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, as well as gains or losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Service Concession Arrangements

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

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

As of June 30, 2013, the School District was not a party to any service concession arrangements.

Net Position

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

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

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

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

Fund Balances

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

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

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

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

Assigned – Amounts that are constrained by the School District's *intent* to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by (1) the Board of Education or (2) the budget or finance committee, or (3) the Superintendent, or designee, to assign amounts to be used for specific purposes.

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

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 5% of budgeted expenditures not to exceed 15% of the total budget of the subsequent fiscal year, in compliance with Official Code of Georgia Annotated §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.

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 3 – Budgetary Data

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The School District adopts an annual budget for its General Fund, all Special Revenue Funds, and Debt Service Fund. There is no statutory prohibition regarding the over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity 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.

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

The following functions had excesses of actual expenditures over appropriations in the amount shown for the fiscal year ended June 30, 2013.

Instruction	$ 2,276,489
General Administration	3,571,843
School Administration	391,709
Business Administration	413,552
Student Transportation Services	1,212,378
Community Service Operations	1,886,019
Food Service Operations	952

A portion of the budget overages were offset by less than anticipated expenditures in other functions and the use of a portion of the General Fund's accumulated fund balance.

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

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

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

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

Actual Revenues, GAAP Basis	$ 288,350,526
Add TAN Proceeds	16,080,000
Less On Behalf Contributions	(20,787,528)
Actual Revenues, Budgetary Basis	$ 283,642,998
Actual Expenditures, GAAP Basis	$ 284,508,036
Add Payback of TAN Principal	16,080,000
Less On Behalf Benefits Expenditures	(20,787,528)
Actual Expenditures, Budgetary Basis	$ 279,800,508
Other Financing Sources (Uses), Net GAAP Basis	$ (2,527,608)
Other Financing Sources (Uses), Net Budgetary Basis	(2,527,608)
Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis	1,314,882
Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis	$ 1,314,882

Note 4 - Deposits and Investments

Collateralization of Deposits

Official Code of Georgia Annotated §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall not be less than 110 percent of the daily pool balance. As of June 30, 2013, 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 policy for managing custodial credit risk. At June 30, 2013, the bank balances were $40,837,827. The bank balances were entirely covered by Federal depository insurance or collateralized with securities held by the pledging financial institution's trust department or agent in the School District's name. The amounts exposed to custodial credit risk are classified into three categories as follows:

Category 1 – Uncollateralized

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

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

The School District's deposits by custodial risk category at June 30, 2013 are as follows:

Credit Risk Category	Bank Balance
1	$ -
2	24,502,814
3	-
Total	$ 24,502,814

Categorization of Investments

At June 30, 2013 the School District's investments consisted of funds invested in the Georgia Fund 1, formerly referred to as the Local Government Investment Pool, debt securities, mutual funds, and certificates of deposits held through the Securities Service Network, money market accounts and certificates of deposits at various financial institutions within the State of Georgia, and a sinking fund used for debt service on the District's bonds payable. The Georgia Fund 1 is administered by the State of Georgia, Office of Treasury and Fiscal Services which are not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of Treasury and Fiscal Services for the Georgia Fund 1 (Primary Liquidity Portfolio and Extended Asset Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits. ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company but does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an 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, 2013, was 43 days.

The School District's investments in the Georgia Fund 1, the agency/treasury securities, and the certificates of deposit as of June 30, 2013 are presented below. All investments are presented by investment type and debt securities are presented by maturity.

Investment Type	Fair Value	Maturity
Georgia Fund 1	$ 50,942,190	43 Days
Money Market Accounts	19,267,612	N/A
Federal Home Loan Treasuries	145,895	1-5 Years
Sinking Fund	6,851,479	N/A
Certificates of Deposit	709,619	1-5 Years
Total	$ 77,916,795	

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.

Credit Quality Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School District does not have a formal policy for managing concentration of credit risk. Over 76% of the School District's investments are maintained by the Georgia Fund 1.

Note 5 - Nonmonetary Transactions

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

Note 6 - Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2013:

Governmental Activities:	Balance July 1, 2012	Additions	Deletions/ Transfers	Balance June 30, 2013
Capital Assets Not Being Depreciated				
Land and Improvements	$ 30,570,254	$ 4,700	$ -	$ 30,574,954
Construction in Progress	51,632,497	11,596,295	(45,533,480)	17,695,312
Total	82,202,751	11,600,995	(45,533,480)	48,270,266
Capital Assets Being Depreciated				
Buildings and Improvements	572,156,611	10,115,793	45,533,480	627,805,884
Equipment	40,670,893	237,295	(2,433,068)	38,475,120
Land and Improvements	14,438,581	1,837,062	-	16,275,643
Total	627,266,085	12,190,150	43,100,412	682,556,647
Less Accumulated Depreciation For:				
Buildings and Improvements	(121,800,381)	(13,568,363)	-	(135,368,744)
Equipment	(28,511,667)	(3,139,371)	2,433,068	(29,217,970)
Land and Improvements	(11,185,569)	(254,467)	-	(11,440,036)
Total	(161,497,617)	(16,962,201)	2,433,068	(176,026,750)
Capital Assets Being Depreciated, Net	465,768,468	(4,772,051)	45,533,480	506,529,897
Governmental Activities Capital Assets, Net	$ 547,971,219	$ 6,828,944	$ -	$ 554,800,163

The balance of Construction in Progress at July 1, 2012 has been reduced to reflect the restatement of prior year net position disclosed in Note 2.

Depreciation expense by function:

Instruction	$ 13,731,744
General Administration	578,758
School Administration	60,516
Support Services - Business	44,148
Maintenance and Operation	94,184
Student Transportation Services	2,442,720
School Nutrition Program	10,131
Total Depreciation	$ 16,962,201

Note 7 - Interfund Assets and Liabilities

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2013, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 3,379,628	$ 126,091
Capital Projects Fund	126,091	-
Title I Federal Fund	-	403,663
Title II Federal Fund	-	150,335
Title III Federal Fund	-	77,528
Special Education Federal Fund	-	833,935
Vocational Education Federal Fund	-	43,340
Headstart Federal Fund	-	32,912
Race to the Top Federal Fund	-	241,292
School Food Service Fund	-	1,596,623
	$ 3,505,719	$ 3,505,719

Note 8 - Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2013, consisted of the following:

Transfer From	Transfer To	Amount
General Fund	Capital Projects Fund	$ 2,425,000
General Fund	Title I Fund	1,042
General Fund	Title II Fund	55,227
General Fund	Title III Fund	33,398
General Fund	Vocational Education Fund	17,157
General Fund	Headstart Fund	15,569
General Fund	Pre-K Fund	42,390
		$ 2,589,783

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

Note 9 - Risk Management

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

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

Workers Compensation Claims

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

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

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2012	$ 857,220	$ 1,263,689	$ (940,476)	$ 1,180,433
2013	1,180,433	1,555,774	(1,612,364)	1,123,843

Unemployment Claims

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

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2013	$ -	$ 16,421	$ (16,421)	$ -
2012	-	57,823	(57,823)	-

Note 10 – Operating Leases

The Cherokee County School District has entered into various lease agreements for equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2013 amounted to $315,197.

Future minimum lease payments for copiers under lease at June 30, 2013 are as follows:

Year Ending	Lease Payments
2014	$ 51,050
2015	27,111
Total	$ 78,161

Note 11 – Short-term Debt

During fiscal 2013, the School District issued tax anticipation notes in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt was to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 percent of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred.

Short-term debt activity for the fiscal year is as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Note	$ -	$ 16,080,000	$ (16,080,000)	$ -

Note 12 - Long-Term Debt

Compensated Absences

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

General Obligation Debt Outstanding

General Obligation Bonds currently outstanding are as follows:

General Obligation Bonds:	Balance July 30, 2013
1999 Series, 3.85%-5.00%, Matures 2/1/2014	$ 4,060,000
2003 Series, 2.00%-5.00%, Matures 8/1/2014	9,290,000
2006 Series, 3.50%-4.75%, Matures 8/1/2017	19,435,000
2007A Series, 3.50%-5.00%, Matures 8/1/2028	111,500,000
2007B Series, 4.00%-5.00%, Matures 8/1/2017	41,915,000
2009A Series, 4.00%-5.00%, Matures 8/1/2023	52,880,000
2009B Series, 5.87%, Matures 8/1/2028	48,375,000
2010A Series, 2.00%-4.00%, Matures 8/1/2015	3,425,000
2010B Series, 5.63%, Matures 8/1/2028	40,055,000
2012 Series, 4.00-5.00%, Matures 8/1/2033	35,930,000
Total General Obligation Bonds	$ 366,865,000

The changes in general long-term debt during the year ended June 30, 2013, were as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 350,705,000	$ 35,930,000	$ (19,770,000)	$ 366,865,000	$ 16,150,000
Bond Premiums	7,998,523	7,461,201	(953,964)	14,505,760	1,326,202
Loss on Bond Refunding	(1,333,600)	-	273,508	(1,060,092)	(275,508)
Claims Payable	1,180,433	1,555,774	(1,612,364)	1,123,843	1,123,843
Compensated Absences	1,970,746	1,060,656	(1,027,701)	2,003,701	1,027,701
Total	$ 360,521,102	$ 46,007,631	$ (23,090,521)	$ 383,438,212	$ 19,352,238

At June 30, 2013, 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
2014	$ 16,150,000	$ 17,350,126	$ 1,326,202
2015	16,230,000	15,955,507	917,331
2016	17,635,000	14,696,633	1,263,814
2017	19,210,000	13,845,694	1,211,840
2018	20,900,000	15,152,757	1,199,038
2019-2023	67,220,000	51,825,920	5,198,554
2024-2028	195,545,000	40,470,533	2,636,876
2029-2033	11,355,000	4,728,489	731,791
2034	2,620,000	65,500	20,314
Total	$ 366,865,000	$ 174,025,659	$ 14,505,760

On February 6, 2014 the School District issued the Series 2014A General Obligation Bonds in the amount of $46,885,000 and the Series 2014B General Obligation Refunding Bonds in the amount of $34,430,000. The Series 2014B issue will refund a portion of the District's 2007A General Obligation Bonds.

Note 13 - On-Behalf Payments

The School District has recognized revenues and costs in the approximate amount of $20,787,528 for health insurance and retirement contributions paid on the School District's behalf by the following state agencies:

- The Georgia Department of Education paid to the State Health Benefit Plan $20,098,968 for public employee health insurance coverage cost.
- Georgia Department of Education paid to the Teachers Retirement System of Georgia (TRS) employer's cost in the approximate amount of $118,193.

- Office of Treasury and Fiscal Services paid to the Public School Employees Retirement System (PSERS) for public school employees retirement employer's cost in the approximate amount of $570,367.

Note 14 – Significant Commitments

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2013, together with funding available:

Project	Unearned Executed Contracts	Funding Available From State
Teasley Middle	$ 16,547,907	$ 10,484,557
ET Booth Middle	5,513,781	-
Sewer Projects	529,476	-
Parent Drive Project	475,306	-
Tennis Courts Project	29,751	-
Track Resurfacing Projects	89,650	-
Total	$ 23,185,871	$ 10,484,557

Note 15 - Postemployment Benefits

Georgia School Personnel Postemployment Health Benefit Fund

Plan Description. The Georgia School Personnel Postemployment Health Benefit Fund (School OPEB Fund) is a cost-sharing multiple-employer defined benefit postemployment healthcare plan that covers eligible former employees of public school systems, libraries, and regional educational service agencies. The School OPEB Fund provides health insurance benefits to eligible former employees and their qualified beneficiaries through the State Employees Health Insurance Plan administered by the Department of Community Health. The Official Code of Georgia Annotated assigns the authority to establish and amend the benefit provisions of the group health plans, including benefits to retirees, to the Board of Community Health (Board). The Department of Community Health, which includes the School OPEB Fund, issues a separate stand-alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2013, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2013, 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, 2013, 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 rate is established to fund both the active and retired employee health insurance plans 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 rates for the 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, 2013:

Certified Employees	
July 2012-February 2013	$912.34 per member per month
March 2013-June 2013	$937.34 per member per month
Non-Certified Employees	
July 2012 - June 2013	$446.20 per member per month

No additional contribution was required by the Board for fiscal year 2013 nor contributed to the State OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the State plan for other postemployment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 31,119,034
2012	100%	29,519,600
2011	100%	28,610,970

Note 16 - Retirement Plans

1) Teachers Retirement System of Georgia (TRS)

Plan Description. The TRS is a cost-sharing multiple-employer defined benefit plan created in 1943 by an act of the Georgia General Assembly to provide retirement benefits for qualifying employees in educational service. A Board of Trustees comprised of active and retired members and ex-officio State employees is ultimately responsible for the administration of TRS.

The Teachers Retirement System of Georgia issues a separate stand alone financial audit report and a copy can be obtained from the Georgia Department of Audits and Accounts.

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

TRS provides service retirement, disability retirement, and survivor's benefits. The benefit structure of TRS is defined and may be amended by State statute. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60 or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost-of-living adjustments, based on the Consumer Price Index, will be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Death, disability and spousal benefits are also available.

Funding Policy. TRS is funded by member and employer contributions as adopted and amended by the Board of Trustees. Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions are limited by State law to not less than 5% or more than 6% of a member's earnable compensation. Member contributions as adopted by the Board of Trustees for the fiscal year ended June 30, 2013, were 6.00% of annual salary. Employer contributions required for fiscal year 2013 were 11.41% of annual salary as required by the June 30, 2010, actuarial valuation. The employer contribution rate increased to 12.28% effective July 1, 2013.

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

Fiscal Year	Percentage Contributed	Required Contribution
2013	100%	$ 21,799,182
2012	100%	19,919,520
2011	100%	20,289,601

2) Public School Employees Retirement System (PSERS)

Plan Description: Full time employees not eligible to participate in the Teachers Retirement System may participate in the Public School Employees Retirement System (PSERS). The PSERS is a cost sharing, multiple-employer, defined benefit pension plan established by the Georgia Assembly in 1969. Upon retirement, the participating member will receive a monthly benefit of $12.00 multiplied by the number of years of creditable service. Death, disability, and spousal benefits are also available through PSERS. Additionally, PSERS makes periodic cost-of-living adjustments to the monthly benefits. Plan members are required to contribute $4.00 per month for nine months each year. The School System makes no contribution to PSERS.

Funding Policy: 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 Board of the Employee's Retirement System of Georgia. The Board of Employees Retirement System of Georgia issues a publicly available financial report that includes financial statements and required supplementary information for PSERS. That report may be obtained by writing Public School Employees Retirement System, Two Northside 75, Suite 300, Atlanta, Georgia 30318-7778, or by calling 1-800-805-4609.

Members become vested after ten years of creditable service. Upon termination of employment, member contributions are refundable with interest. However, if an otherwise vested member terminates and withdraws their member contributions, no vesting of employer contributions occur. The employer contributions to the unfunded accrued liability were projected to liquidate the accrued liability within twelve years based upon the actuarial valuation at July 1, 1987. 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.

If a member chooses, he may begin receiving reduced benefits after age 60 and upon completion of ten years of service. Members retiring before age 65 will receive a benefit reduced by 1/2 of 1% for each month under age 65.

Note 17 – Contingencies

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

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

Note 18 – Correction of an Error

Subsequent to the issuance of the financial statements, it was discovered that some a cash audit entry was recorded twice in the General Fund and an account payable entry was recorded twice in the Capital Projects Fund. These errors have been corrected.

COMBINING STATEMENTS AND SUPPLEMENTARY SCHEDULES



CHEROKEE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special Revenue				
	Title I Federal Fund	Title II Federal Fund	Title III Federal Fund	Special Education Federal Fund	Vocational Education Federal Fund
Assets					
Cash	$ -	$ -	$ -	$ -	$ -
Investments	-	-	-	-	-
Receivables					
Intergovernmental	613,007	154,302	110,673	1,021,797	44,343
Accounts	-	-	-	-	-
Inventory	-	-	-	-	-
Total Assets	$ 613,007	$ 154,302	$ 110,673	$ 1,021,797	$ 44,343
Liabilities and Fund Balances					
Liabilities					
Accounts Payable	$ 20,038	$ 3,967	$ 20,720	$ 2,780	$ 1,003
Salaries and Benefits Payable	189,306	-	12,425	185,082	-
Due To Other Funds	403,663	150,335	77,528	833,935	43,340
Total Liabilities	613,007	154,302	110,673	1,021,797	44,343
Fund Balances					
Nonspendable					
Inventory	-	-	-	-	-
Committed					
School Food Services	-	-	-	-	-
School Activities	-	-	-	-	-
Total Fund Balance	-	-	-	-	-
Total Liabilities and Fund Balances	$ 613,007	$ 154,302	$ 110,673	$ 1,021,797	$ 44,343

CHEROKEE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2013

	Special Revenue Fund					
	Headstart Federal Fund	Race To The Top Federal Fund	Pre-K Lottery	School Activities	School Food Service	Total Nonmajor Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 40,696	$ 3,634,681	$ 2,525,246	$ 6,200,623
Investments	-	-	-	239,603	2,644,739	2,884,342
Receivables						-
Intergovernmental Receivable	32,912	252,378	7,855	-	-	2,237,267
Accounts Receivable	-	-	-	-	81,838	81,838
Inventory	-	-	-	-	337,702	337,702
Total Assets	$ 32,912	$ 252,378	$ 48,551	$ 3,874,284	$ 5,589,525	$ 11,741,772
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	$ -	$ 11,086	$ 5,971	$ -	$ -	$ 65,565
Salaries and Benefits Payable	-	-	42,580	-	505,220	934,613
Due To Other Funds	32,912	241,292	-	-	1,596,623	3,379,628
Total Liabilities	32,912	252,378	48,551	-	2,101,843	4,379,806
Fund Balances						
Nonspendable						
Inventory	-	-	-	-	337,702	337,702
Committed						
School Food Services	-	-	-	-	3,149,980	3,149,980
School Activities	-	-	-	3,874,284	-	3,874,284
Total Fund Balance	-	-	-	3,874,284	3,487,682	7,361,966
Total Liabilities and Fund Balances	$ 32,912	$ 252,378	$ 48,551	$ 3,874,284	$ 5,589,525	$ 11,741,772

CHEROKEE COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Fiscal Year Ended June 30, 2013

	Special Revenue				
	Title I Federal Fund	Title II Federal Fund	Title III Federal Fund	Special Education Federal Fund	Vocational Education Federal Fund
Revenues					
Local Sources	$ -	$ -	$ -	$ -	$ -
State Sources	-	-	-	-	-
Federal Sources	3,858,254	551,411	264,667	6,528,208	226,360
Interest Income	-	-	-	-	-
Total Revenues	3,858,254	551,411	264,667	6,528,208	226,360
Expenditures					
Current					
Instruction	2,667,314	-	181,343	2,374,522	143,969
Support Services					
Pupil Services	-	-	-	3,638,553	-
Improvement of Instructional Services	736,726	606,638	112,208	102,775	96,242
Educational Media Services	893	-	-	-	-
General Administration	144,475	-	4,315	81,268	3,306
School Administration	1,687	-	-	-	-
Maintenance and Operation	-	-	-	-	-
Student Transportation Service	28,286	-	199	331,090	-
Other Support Services	279,915	-	-	-	-
Food Services Operation	-	-	-	-	-
Capital Outlay	-	-	-	-	-
Total Expenditures	3,859,296	606,638	298,065	6,528,208	243,517
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,042)	(55,227)	(33,398)	-	(17,157)
Other Financing Sources (Uses)					
Operating Transfers In	1,042	55,227	33,398	-	17,157
Total Other Financing Sources (Uses)	1,042	55,227	33,398	-	17,157
Net Change in Fund Balances	-	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-	-
Fund Balance - End of Year	$ -	$ -	$ -	$ -	$ -

CHEROKEE COUNTY SCHOOL DISTRICT

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds (Continued)
For the Fiscal Year Ended June 30, 2013

	Special Revenue					
	Headstart Federal Fund	Race To The Top Federal Fund	Pre-K Lottery	School Activities	School Food Service	Total Nonmajor Governmental Funds
Revenues						
Local Sources	$ -	$ -	$ -	$ 11,371,057	$ 6,439,841	$ 17,810,898
State Sources	-	-	518,552	-	458,512	977,064
Federal Sources	414,222	521,987	101,135	-	8,143,491	20,609,735
Interest Income	-	-	-	-	2,359	2,359
Total Revenues	414,222	521,987	619,687	11,371,057	15,044,203	39,400,056
Expenditures						
Current:						
Instruction	473,810	78,148	661,055	11,179,780	-	17,759,941
Support Services						
Pupil Services	-	-	-	-	-	3,638,553
Improvement of Instructional Services	-	429,362	968	-	-	2,084,919
Educational Media Services	-	-	-	-	-	893
General Administration	-	14,477	-	-	-	247,841
School Administration	-	-	54	-	-	1,741
Maintenance and Operation	-	-	-	-	-	-
Student Transportation Service	-	-	-	-	-	359,575
Other Support Services	-	-	-	-	-	279,915
Food Services Operation	-	-	-	-	15,456,746	15,456,746
Capital Outlay	-	-	-	-	-	-
Total Expenditures	473,810	521,987	662,077	11,179,780	15,456,746	39,830,124
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,588)	-	(42,390)	191,277	(412,543)	(430,068)
Other Financing Sources (Uses)						
Operating Transfers In	15,569	-	42,390	-	-	164,783
Total Other Financing Sources (Uses)	15,569	-	42,390	-	-	164,783
Net Change in Fund Balances	(44,019)	-	-	191,277	(412,543)	(265,285)
Fund Balance - Beginning of Year	44,019	-	-	3,683,007	3,900,225	7,627,251
Fund Balance - End of Year	$ -	$ -	$ -	$ 3,874,284	$ 3,487,682	7,361,966

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of State Revenue
For the Fiscal Year Ended June 30, 2013

Agency/Funding	Governmental Fund Types: General Fund	Governmental Fund Types: Other Funds	Total
Grants			
Bright from the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	$ -	$ 518,552	$ 518,552
Education, Georgia Department of			
Quality Basic Education			
Direct Instructional Cost			
Kindergarten Program	12,387,671	-	12,387,671
Kindergarten Program - Early Intervention Program	655,853	-	655,853
Primary Grades (1-3) Program	28,906,863	-	28,906,863
Primary Grades - Early Intervention (1-3) Program	1,799,784	-	1,799,784
Upper Elementary Grades (4-5) Program	13,586,412	-	13,586,412
Upper Elementary Grades - Early Intervention (4-5) Program	1,041,670	-	1,041,670
Middle School (6-8) Program	20,861,344	-	20,861,344
High School General Education (9-12) Program	21,659,990	-	21,659,990
Vocational Laboratory (9-12) Program	2,973,097	-	2,973,097
Students with Disabilities			
Category I	1,685,455	-	1,685,455
Category II	788,206	-	788,206
Category III	12,838,733	-	12,838,733
Category IV	8,973,420	-	8,973,420
Category V	1,677,467	-	1,677,467
Gifted Student - Category VI	13,762,055	-	13,762,055
Remedial Education Program	1,414,238	-	1,414,238
Alternative Education Program	1,713,140	-	1,713,140
English Speakers of Other Languages (ESOL)	2,297,591	-	2,297,591
Special Education - Itinerant Program	52,679	-	52,679
Special Education - Supplemental Speech	59,728	-	59,728
Media Center Program	4,072,897	-	4,072,897
20 Days Additional Instruction	1,196,930	-	1,196,930
Staff and Professional Development	785,751	-	785,751
Indirect Cost			
Central Administration	4,068,915	-	4,068,915
School Administration	6,975,297	-	6,975,297
Facility Maintenance and Operations	9,572,234	-	9,572,234
Amended Formula Adjustment	(38,219,276)	-	(38,219,276)
Categorical Grants			
Pupil Transportation			
Regular	2,010,251	-	2,010,251
Food Services	-	458,512	458,512
Nursing Services	649,612	-	649,612
State Health Reimbursement	20,098,968	-	20,098,968
Other State Programs			
Agriculture Extended Year and Day Grants	12,195	-	12,195
CTAE Grants	33,123	-	33,123
Dual Enrollment Funding	5,000	-	5,000
Other Grants	15,001		15,001
Other Grants - Move on When Ready	4,600		4,600
Other Grants	11,788		11,788
Math and Science Supplements	239,245	-	239,245
Preshool Handicapped Program	843,798	-	843,798
Teachers' Retirement	118,193	-	118,193
Vocational Education	38,351	-	38,351
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	14,047,753	14,047,753
Office of the State Treasurer			
Public School Employees Retirement	570,367	-	570,367
Total State Revenues	$ 162,238,636	$ 15,024,817	$ 177,263,453

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Quality Basic Education Program (QBE)
Allotments and Expenditures by Program
For the Fiscal Year Ended June 30, 2013

Description	Allotments From Georgia Department of Education [1][2]	Salaries	Operations	Total
Kindergarten	$ 15,144,055	$ 15,224,292	$ 295,740	$ 15,520,032
Kindergarten Early Intervention	801,787	515,165	6,228	521,393
Primary Grades 1-3	34,847,911	32,659,222	688,244	33,347,466
Primary Grades 1-3 Early Intervention	2,200,255	2,117,190	17,397	2,134,587
Upper Elementary Grades 4-5	16,609,529	19,131,274	477,847	19,609,121
Upper Elementary 4-5 Early Intervention	1,273,452	1,616,260	2,607	1,618,867
Middle School 6-8	25,503,208	24,603,868	552,984	25,156,852
High School Grades 9-12	26,479,561	32,907,545	948,805	33,856,350
Vocational Laboratory 9-12	3,634,642	3,345,021	233,874	3,578,895
Students With Disabilities	31,877,797	32,897,716	287,819	33,185,535
Gifted Program	16,824,254	10,071,405	181,807	10,253,212
Remedial Education Program	1,728,921	1,482,956	18,235	1,501,191
Alternative Education Program	2,094,331	3,355,049	16,602	3,371,651
English Speakers of Other Languages (ESOL)	2,808,829	2,587,404	9,901	2,597,305
Total Direct Instructional Funds	181,828,532	182,514,367	3,738,090	186,252,457
Media Center Program	4,979,159	2,593,772	1,652,418	4,246,190
Staff and Professional Development	960,589	173,807	256,646	430,453
Total QBE Formula Funds	$ 187,768,280	$ 185,281,946	$ 5,647,154	$ 190,929,100

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

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

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Educational Local Option Sales Tax Proceeds
For the Fiscal Year Ended June 30, 2013

2007 ELOST

Project	Original Estimated Cost [1]	Current Estimated Costs [2]	Amount Expended In Prior Year [3][4]	Amount Expended In Current Years [3][4]	Total	Project Status
Acquisition, Construction, Renovation, and Equipping of Schools	$ 464,000,000	$ 281,442,815	$ 281,442,815	$ -	$ 281,442,815	Complete
Debt Service	176,000,000	142,193,731	101,130,294	41,063,437	142,193,731	Ongoing
Totals	$ 640,000,000	$ 423,636,546	$ 382,573,109	41,063,437	$ 423,636,546	

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

(4) The 2009 A and B Series bonds were issued to advance fund a portion of the construction, renovation, and equipping of schools within the District

2012 ELOST

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

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

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, 2013, 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 June 29, 2014.

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 over financial reporting. 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-1 to be a material weakness.

Compliance and Other Matters

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

Cherokee County School District's Response to Findings

The Cherokee County School District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Co. CPA's

Williamson and Company
Certified Public Accountants
June 29, 2014
Reissued July 10, 2014

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

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LLOYD WILLIAMSON
CHRISTIAN HATCH

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

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

Compliance

We have audited the Cherokee County School District's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for each of the Cherokee County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

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

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, 2013.

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 our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of This Report

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

Williamson and Co. CPA's

Williamson and Company
Certified Public Accountants
June 29, 2014
Reissued July 10, 2014

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013

Funding Agency Program Grant		CFDA Number	Pass-Through Entity ID Number	Expenditures In Period	
Agriculture, U. S. Department of					
Child Nutrition Cluster					
Pass-Through From Georgia Department of Education					
Food Services					
School Breakfast Program	*	10.553	N/A	$ 1,357,293	
National School Lunch Program	*	10.555	N/A	6,752,102	(1)
After School Snack Program	*	10.555	N/A	34,096	
Total Child Nutrition Cluster				$ 8,143,491	
Total U. S. Department of Agriculture				$ 8,143,491	
Education, U.S. Department of					
Special Education Cluster					
Pass-Through From Georgia Department of Education					
Special Education					
High Cost Fund Pool	*	84.027	N/A	$ 110,186	
Special Education Flow Through	*	84.027	N/A	6,278,980	
Special Education Preschool	*	84.173	N/A	139,043	
Total Special Education Cluster				$ 6,528,209	
Title I, Part A Cluster					
Pass-Through From Georgia Department of Education					
Title I - Improving Academic Achievement	*	84.010	N/A	$ 3,832,818	
Title I - Rewards School Awards	*	84.010	N/A	10,071	
Total Title I, Part A Cluster				$ 3,842,889	
Other Programs					
Pass-Through From Georgia Department of Education					
Title I, Part C - Migrant Education		84.011	N/A	$ 15,365	
Career and Technical Education - Program Improvement		84.048	N/A	218,760	
Career and Technical Education - Basic Grants to States		84.048	N/A	7,600	
Title III, Part A Limited English Proficient		84.365	N/A	264,667	
Title II, Improving Teacher Quality State Grants		84.367	N/A	545,611	
Title II, Advance Placement		84.367	N/A	5,800	
Race to the Top - ARRA		84.395	N/A	521,987	
Education Jobs Fund		84.410	N/A	15,001	
Total U. S. Department of Education				$ 1,594,791	
Justice, U.S. Department of					
Direct					
Public Safety Partnerships and Community Policing Grant		16.710	N/A	$ 64,329	
Health and Human Services, U.S. Department of					
Pass-through From Ninth District Opportunity, Inc.					
Georgia Prekindergarten Transition Program		93.575	N/A	$ 101,135	
Headstart		93.600	N/A	414,222	
Total U.S. Department of Health and Human Services				$ 515,357	
Defense, U. S. Department of					
Direct					
Department of the Air Force					
R.O.T.C. Program		12.000	N/A	$ 311,278	
Total Federal Financial Assistance				$ 21,000,344	

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 $1,044,238.

N/A - Not Applicable

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

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

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Cherokee County School District and is presented on the modified accrual basis of accounting which is the basis of accounting used in the presentation of the fund financial statements.

Total federal revenues presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds on page 10 differ from total federal expenditures presented in this schedule due to federal payments received in lieu of property taxes and federal reimbursements that were not associated with a specific federal program. Those amounts totaled $1,064,804.

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal control over financial reporting:

Material weakness(es) identified?	X Yes	___ No
Significant deficiencies identified not considered to be material weaknesses.	___ Yes	X None Reported
Noncompliance material to financial statements noted?	___ Yes	X No

Federal Awards

Internal Control over major programs:

Material weakness (es) identified?	___ Yes	X No
Significant deficiency(ies) identified not considered to be material weaknesses?	___ Yes	X None Reported

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between Type A and Type B programs:	$ 630,010

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

Section II – Financial Statement Findings

Finding 2013-1 Reconciliation of Cash Accounts (Repeat of Prior Year Finding 2011-2 and 2012-1)

Criteria: Bank reconciliations should be performed on all School District cash accounts on a monthly basis in order to properly record all cash transactions that are taking place within the School District's accounting system in the proper accounting period.

Condition: For fiscal 2013, the School District made major improvements on the timing of most of its bank reconciliations. However, there were some reconciling adjustments that were not reflected in the general ledger for the year being reported, but were reflected in fiscal 2014.

Effect: Unaudited balances in some cash accounts were misstated at June 30, 2013 due to the timing of the posting of reconciling adjustments.

Cause: As of the fiscal year ended June 30, 2013, the School District did not have internal controls in place to ensure that reconciliation entries for the Georgia Fund 1 and the District-wide pooled cash accounts were made in the general ledger in the proper fiscal year so that recorded amounts matched actual reconciled amounts at June 30, 2013.

Recommendation: To facilitate accurate cash reporting in the financial statements and subsidiary schedules, adjustments resulting from month end cash reconciliations should be recorded in the general ledger as soon as the reconciled statement is approved by the Assistant Superintendent of Financial Management.

Auditee Response: The School District has added adequate procedures, and due to the improvement in the economy, put personnel in place to reconcile each cash account in a timely manner and to record all reconciliation entries in the correct audit period.

Section III – Federal Award Findings and Questioned Costs

None Noted

Section IV – Status of Prior Year Findings and Questioned Costs

Finding 2012-2 Procurement and Suspension and Debarment

Programs: U.S. Department of Education - CFDA Numbers: 84.010; 84.027 and 84.173; 10.553 and 10.555

CFDA Program Titles: Title I, Part A Cluster; Special Education Cluster, Child Nutrition Cluster

Pass Through Agency: Georgia Department of Education

Pass Through Number: Not Applicable

Condition: This was a repeat finding from the fiscal 2011 audit. School District did not receive the finding until after the close of fiscal 2012. New policy implemented in fiscal 2013 to comply with the procurement, suspension, and debarment compliance requirements as presented in the compliance supplement.

Status: Corrective action implemented in fiscal 2013.