

Canton, Georgia

Annual Financial Report

Fiscal Year Ended June 30, 2014

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FINANCIAL

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

April 15, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Cherokee County Board of Education

INDEPENDENT AUDITOR'S REPORT

Ladies and Gentlemen:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof and the respective budgetary comparison for 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 discussed in Note 2 to the financial statements, in 2014, the Cherokee County Board of Education restated the prior period financial statements to correct several misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the 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 Board of Education's basic financial statements. The accompanying supplementary information is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

A copy of this report has been filed as a permanent record in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated Section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

GSG:er
2014ARL-11

CHEROKEE COUNTY BOARD OF EDUCATION

CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2014

Assets and Deferred Outflows of Resources	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 26,158,524
Restricted Cash	4,303,036
Investments	69,708,582
Receivables	
Taxes	7,015,314
State Government	24,514,477
Federal Government	4,956,428
Other	1,121,938
Inventory	602,486
Capital Assets, Nondepreciable	40,130,530
Capital Assets, Net	531,406,928
Total Assets	709,918,243
Deferred Outflow of Resources	
Deferred Charges	4,169,771
Total Deferred Outflows of Resources	4,169,771
Total Assets and Deferred Outflows of Resources	714,088,014
Liabilities	
Accounts Payable	6,191,319
Salaries and Benefits Payable	25,447,390
Accrued Interest Payable	7,989,392
Retainage Payable	2,256,794
Deposits and Unearned Revenue	207,936
Long-term Liabilities	
Due Within One Year	20,089,482
Due in More Than One Year	404,454,401
Total Liabilities	466,636,714
Net Position	
Net Investment In Capital Assets	171,145,712
Restricted For:	
Capital Projects	17,785,409
Debt Service	19,991,465
Unrestricted	38,528,714
Total Net Position	$ 247,451,300

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

CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: 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	$ 250,405,679	$ 11,665,861	$ 144,549,286	$ -	$ (94,190,532)
Support Services					
Pupil Services	14,141,755	-	757,491	-	(13,384,264)
Improvement of Instruction Services	8,055,042	-	1,601,303	-	(6,453,739)
Educational Media Services	4,349,943	-	4,112,799	-	(237,144)
General Administration	4,256,475	24,473	130	-	(4,231,872)
School Administration	19,786,635	-	9,721,839	-	(10,064,796)
Business Administration	3,082,503	512,126	24,556	-	(2,545,821)
Maintenance and Operations	24,186,081	-	8,086,214	-	(16,099,867)
Student Transportation Services	17,938,166	-	246,558	2,040,947	(15,650,661)
Central Support Services	3,346,549	-	3,702,690	-	356,141
Other Support Services	330,053	-	13,470	-	(316,583)
Operations of Noninstructional Services:					
Community Service Operations	24,802	-	-	-	(24,802)
Food Services Operations	15,310,576	6,190,901	9,486,351	-	366,676
Interest on Long-term Debt	17,569,037	-	-	2,873,240	(14,695,797)
Total Governmental Activities	$ 382,783,296	$ 18,393,361	$ 182,302,687	$ 4,914,187	(177,173,061)
General Revenues:					
Taxes:					
Property Tax, Levied for General Purposes					115,437,762
Property Tax, Levied for Debt Service					2,440,652
Educational Local Option Sales Tax					31,148,497
Other Sales Taxes					3,795,929
Restricted Investment Earnings					379,995
Unrestricted Investment Earnings					14,958
Miscellaneous					1,472,405
Gain on Sale of Capital Asset					8,912
Total General Revenues					154,699,110
Change in Net Position					(22,473,951)
Net Position - Beginning of Year					270,641,357
Prior Period Adjustment					(716,106)
Net Position - End of Year					$ 247,451,300

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

CHEROKEE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2014

	General Fund	District-Wide Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and Cash Equivalents	$ 20,067,310	$ -	$ -	$ 6,091,214	$ 26,158,524
Restricted Cash	-	4,140,175	162,861	-	4,303,036
Investments	270,526	42,205,325	24,458,131	2,774,600	69,708,582
Receivables					
Taxes	4,213,194	-	2,802,120	-	7,015,314
State Government	23,111,833	1,402,644	-	-	24,514,477
Federal Government	-	-	-	4,956,428	4,956,428
Other	555,854	-	564,269	1,815	1,121,938
Inventory	272,721	-	-	329,765	602,486
Due From Other Funds	4,662,084	-	-	-	4,662,084
Total Assets	$ 53,153,522	$ 47,748,144	$ 27,987,381	$ 14,153,822	$ 143,042,869
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts Payable	$ 1,631,133	$ 4,455,049	$ 6,525	$ 98,612	$ 6,191,319
Salaries and Benefits Payable	24,349,823	-	-	1,097,567	25,447,390
Deposits and Unearned Revenue	-	-	-	207,936	207,936
Retainage Payable	-	2,256,794	-	-	2,256,794
Due To Other Funds	-	-	-	4,662,084	4,662,084
Total Liabilities	25,980,956	6,711,843	6,525	6,066,199	38,765,523
Deferred Inflows of Resources					
Unavailable Revenue	1,432,489	1,402,645	29,694	-	2,864,828
Total Deferred Inflows of Resources	1,432,489	1,402,645	29,694	-	2,864,828
Fund Balances					
Nonspendable					
Inventory	272,721	-	-	329,765	602,486
Restricted					
Debt Service	-	-	27,951,162	-	27,951,162
Capital Projects	-	39,633,656	-	-	39,633,656
Committed					
School Food Services	-	-	-	3,519,574	3,519,574
School Activities	-	-	-	4,238,284	4,238,284
Unassigned	25,467,356	-	-	-	25,467,356
Total Fund Balances	25,740,077	39,633,656	27,951,162	8,087,623	101,412,518
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 53,153,522	$ 47,748,144	$ 27,987,381	$ 14,153,822	$ 143,042,869

Total Fund Balances Governmental Funds			$ 101,412,518
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	763,154,090	
	Less Accumulated Depreciation	(191,616,632)	571,537,458
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.			
	Property Taxes		1,462,183
	Georgia State Financing and Investment Commission grants that are not available to pay current period expenditures are deferred in the funds.		1,402,645
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.			
	Bonds Payable	(396,530,000)	
	Bond Premium, Net of Amortization	(25,594,630)	
	Loss on Bond Refunding, Net of Amortization	4,169,771	
	Claims Payable	(894,914)	
	Accrued Interest	(7,989,392)	
	Compensated Absences	(1,524,339)	(428,363,504)
Net Position Of Governmental Activities			$ 247,451,300

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

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

	General Fund	District Wide Capital Projects	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Local Sources	$ 122,562,949	$ 456,659	$ 33,589,148	$ 18,299,944	$ 174,908,700
State Funds	159,411,773	252,808	-	980,278	160,644,859
Federal Funds	1,139,708	-	-	22,710,566	23,850,274
Investment Earnings	10,547	94,975	285,019	4,411	394,952
Miscellaneous	-	-	2,873,240	-	2,873,240
Total Revenues	283,124,977	804,442	36,747,407	41,995,199	362,672,025
Expenditures					
Current					
Instruction	204,967,820	12,377,445	-	18,716,369	236,061,634
Support Services:					
Pupil Services	9,710,754	-	-	4,440,865	14,151,619
Improvement of Instructional Services	5,551,240	-	-	2,512,406	8,063,646
Educational Media Services	4,350,082	-	-	-	4,350,082
General Administration	3,672,562	-	-	143,907	3,816,469
School Administration	19,691,257	324	-	3,536	19,695,117
Business Administration	2,015,498	-	-	-	2,015,498
Maintenance and Operations	24,789,844	-	-	-	24,789,844
Student Transportation Services	15,487,339	-	-	301,115	15,788,454
Central Supports Services	3,347,920	-	-	-	3,347,920
Other Support Services	10,019	-	-	320,273	330,292
Community Services Operations	26,684	-	-	-	26,684
Food Services Operation	153,274	-	-	15,166,732	15,320,006
Capital Outlay	141,034	30,276,079	-	-	30,417,113
Debt Service					
Principal Retirement	-	-	16,150,000	-	16,150,000
Interest and Fees	42,054	-	18,031,743	-	18,073,797
Issuance Costs	-	712,137	-	-	712,137
Total Expenditures	293,957,381	43,365,985	34,181,743	41,605,203	413,110,312
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,832,404)	(42,561,543)	2,565,664	389,996	(50,438,287)
Other Financing Sources (Uses)					
Bond Issuance	-	81,315,000	-	-	81,315,000
Bond Premium	-	13,311,060	-	-	13,311,060
Deposit With Escrow Agent	-	(40,703,827)	-	-	(40,703,827)
Proceeds From Sale of Capital Assets	78,918	147,600	-	-	226,518
Transfers In	-	-	-	335,661	335,661
Transfers Out	(335,661)	-	-	-	(335,661)
Total Other Financing Sources (Uses)	(256,743)	54,069,833	-	335,661	54,148,751
Net Change in Fund Balances	(11,089,147)	11,508,290	2,565,664	725,657	3,710,464
Fund Balance, Beginning of Year	28,089,633	43,047,837	25,385,498	7,361,966	103,884,934
Prior Period Adjustment	8,739,591	(14,922,471)	-	-	(6,182,880)
Fund Balance, End of Year	$ 25,740,077	$ 39,633,656	$ 27,951,162	$ 8,087,623	$ 101,412,518

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

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

Net Change in Fund Balances - Total Governmental Funds		$ 3,710,464
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	$ 30,654,966	
Depreciation Expense	(17,508,834)	13,146,132
The net effect of various miscellaneous transactions involving capital assets during the fiscal year decreased net position.		(220,159)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(1,986,141)	
Georgia State Financing and Investment Commission	(252,808)	(2,238,949)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond Issuance	(81,315,000)	
Deposit Into Escrow	40,703,827	
Bond Premium	(13,311,060)	
Principal Payments - Bonds	16,150,000	(37,772,233)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Change in Compensated Absences	479,362	
Amortization of Bond Premium	357,040	
Amortization of Deferred Charge on Refunding	(275,508)	
Change in Claims Payable	228,929	
Change in Accrued Interest	110,971	900,794
Change in Net Position of Governmental Activities		$ (22,473,951)

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

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

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	$ 125,854,616	$ 125,854,616	$ 122,562,949	$ (3,291,667)
State Funds	157,721,213	157,721,213	159,411,773	1,690,560
Federal Funds	152,000	152,000	1,139,708	987,708
Investment Earnings	-	-	10,547	10,547
Total Revenues	283,727,829	283,727,829	283,124,977	(602,852)
Expenditures				
Instruction	198,267,240	198,267,240	204,967,820	(6,700,580)
Support Services:				
Pupil Services	9,807,125	9,807,125	9,710,754	96,371
Improvement of Instructional Services	4,897,123	4,897,123	5,551,240	(654,117)
Educational Media Services	4,589,996	4,589,996	4,350,082	239,914
General Administration	2,388,645	2,388,645	3,672,562	(1,283,917)
School Administration	20,231,795	20,231,795	19,691,257	540,538
Business Administration	2,128,408	2,128,408	2,015,498	112,910
Maintenance and Operations	20,309,476	20,309,476	24,789,844	(4,480,368)
Student Transportation Services	14,983,328	14,983,328	15,487,339	(504,011)
Central Support Services	3,378,064	3,378,064	3,347,920	30,144
Other Support Services	-	-	10,019	(10,019)
Community Services Operations	-	-	26,684	(26,684)
Food Services Operation	-	-	153,274	(153,274)
Capital Outlay	275,676	275,676	141,034	134,642
Debt Service				
Interest and Fees	37,500	37,500	42,054	(4,554)
Total Expenditures	281,294,376	281,294,376	293,957,381	(12,663,005)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,433,453	2,433,453	(10,832,404)	(13,265,857)
Other Financing Sources				
Proceeds From Sale of Capital Assets	-	-	78,918	78,918
Transfers Out	(827,000)	(827,000)	(335,661)	491,339
Total Other Financing Sources	(827,000)	(827,000)	(256,743)	570,257
Net Change In Fund Balance	1,606,453	1,606,453	(11,089,147)	(12,695,600)
Fund Balance, Beginning of Year	28,089,633	28,089,633	28,089,633	-
Prior Period Adjustment	-	-	8,739,591	8,739,591
Fund Balance, End of Year	$ 29,696,086	$ 29,696,086	25,740,077	$ (3,956,009)

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

CHEROKEE COUNTY SCHOOL DISTRICT
Agency Fund
Statement of Fiduciary Net Position
June 30, 2014

	Agency Fund
Assets	
Cash	$ 274,815
Total Assets	$ 274,815
Liabilities	
Due to Others	$ 274,815
Total Liabilities	$ 274,815

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 a seven member board elected by the voters and a Superintendent appointed by the Board. The Board is organized as a separate legal entity and has the power to levy taxes and issue bonds. Its budget is not subject to approval by any other entity. Accordingly, the School District is a primary government and consists of all the organizations that compose its legal entity.

Note 2 - Summary of Significant Accounting Policies

Basis of Presentation

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

District-wide Statements:

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

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

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

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

Fund Financial Statements:

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

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 that are restricted for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

- The Debt Service Fund accounts for and reports financial resources that are restricted, including taxes (property and sales) legally restricted for the payment of general long-term principal and interest.

The School District reports the following fiduciary fund type:

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

Basis of Accounting

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

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

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

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

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

Restatement of Prior Year Net Position/Fund Balance/Capital Assets

For the fiscal year 2014, the School District made a variety of prior period adjustments due to various errors or omissions. The result is a decrease in Net Position, an increase in General Fund Balance and a decrease in Capital Projects Fund Balance at July 1, 2013, of $716,106, $8,739,591 and $14,922,473, respectively.

For fiscal year 2014, the School District restated various Capital Assets due to errors and omissions. The School District increased construction in progress by $1,621,317. Additionally, the School District increased, net of accumulated depreciation, buildings and improvements by $2,190,005. The result is an increase in overall Capital Assets and related Retainages and Accounts Payable at July 1, 2013, of $3,811,322. There was no impact on Net Position for this change.

These changes are in accordance with generally accepted accounting principles.

Net Position, July 1, 2013, as previously reported	$ 270,641,357
Correction of Accounts Receivable	(1,681,332)
Correction of Accounts Payable	965,226
Net Position, July 1, 2013, as restated	$ 269,925,251
General Fund Balance, July 1, 2013 as previously reported	$ 28,089,633
Correction of Investments	8,739,591
General Fund Balance, July 1, 2013 as restated	$ 36,829,224
Capital Projects Fund Balance, July 1 2013 as previously reported	$ 43,047,837
Correction of Investments	(8,739,591)
Correction of Accounts Receivable	(3,336,785)
Correction of Accounts Payable	(3,763,721)
Correction of Retainage Payable	917,626
Capital Projects Fund Balance, July 1, 2013 as restated	$ 28,125,366

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 local government investment pool (Georgia Fund 1) administered by the State of Georgia, Office of the State Treasurer,
- Repurchase agreements, and
- Obligations of the other political subdivisions of the State of Georgia.

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

Receivables

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

Property Taxes

The Cherokee County Board of Commissioners adopted the property tax levy for the 2013 tax digest year (calendar year) on July 25, 2013 (levy date) to be paid by December 20, 2013 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2013 tax digest are reported as revenue in the governmental funds for fiscal year 2014. The Cherokee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.3% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2014, for maintenance and operations amounted to $110,011,581 and for school bonds amounted to $2,368,648.

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

School Operations	19.45 mils
School Bonds	.40 mils
	19.85 mils

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to $7,394,322 during the fiscal year ended June 30, 2014.

Sales Taxes

Educational Local Option Sales Tax revenue, at the fund reporting level, during the year amounted to $31,148,497 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

Food Inventories: On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost using the first-in, first-out method. The School District uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are 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	Policy	Useful Life
Land	Any Amount	N/A
Land Improvements	$ 10,000	20 years
Buildings and Improvements	$ 10,000	20-50 years
Equipment	$ 10,000	5-10 years

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and/or the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The School District has only one item that qualifies for reporting in this category. The deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the Statement of Net Position and/or the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The School District has only one item that qualifies for reporting in this category. Accordingly the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes levied and grant reimbursements that are not collected within 60 days of year end. These amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

Compensated Absences

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

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

General Obligation Bonds

The School District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. In the District-wide financial statements, bond premiums and discounts, and gains or losses on bond refundings are deferred and amortized over the life of the bonds using the effective interest method or the straight line method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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

Service Concession Arrangements

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

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

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

Net Position

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

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

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

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

Fund Balances

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

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

Restricted – Constraints are placed on the use of resources 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.

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

Use of Estimates

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

Note 3 – Budgetary Data

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the General Fund, the Debt Service Fund, the Capital Projects Fund, and each special revenue fund. There is no statutory prohibition regarding over expenditure of the

budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function, and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was prepared in accordance with accounting principles generally accepted in the United States of America.

After the Board has tentatively adopted the budget, the budget is advertised at least once in the local newspaper of general circulation. At the next regularly scheduled meeting after advertisement, the Board receives comment, makes revisions as necessary, and adopts the final budget. The approved budget is then submitted in accordance with provisions of Official Code of Georgia Annotated §20-2-167(c), to the Georgia Department of Education. The Board may increase or decrease the budget at any time during the year. All unexpended budget authority lapses at fiscal year-end.

See page 6, General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual for a detail of any over/under expenditures during the fiscal year under review.

Budgetary/GAAP Basis Reconciliation

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

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

- Payments made by the State of Georgia for school district employee benefits are recognized as revenues and expenditures under GAAP and are not recognized on the budget basis.

- Proceeds and repayments of tax anticipation notes are budgeted by the School District as revenues and expenditures of the General Fund. Under generally accepted accounting principles, a tax anticipation note is considered a short-term debt issuance.

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	$ 283,124,977
Add TAN Proceeds	18,030,000
Less On Behalf Contributions	(16,593,540)
Actual Revenues, Budgetary Basis	$ 284,561,437
Actual Expenditures, GAAP Basis	$ 293,957,381
Add Payback of TAN Principal	18,030,000
Less On Behalf Benefits Expenditures	(16,593,540)
Actual Expenditures, Budgetary Basis	$ 295,393,841
Other Financing Sources (Uses), Net GAAP Basis	$ (256,743)
Other Financing Sources (Uses), Net Budgetary Basis	$ (256,743)
Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis	$ (11,089,147)
Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis	$ (11,089,147)

Note 4 - Deposits and Investments

Collateralization of Deposits

Official Code of Georgia Annotated §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall not be less than 110 percent of the daily pool balance. As of June 30, 2014, the School District's deposits were secured by surety bond, insurance, or collateral.

Acceptable security for deposits consists of any one of or any combination of the following:

(1) Surety bond signed by a surety company duly qualified and authorized to transact business within the State of Georgia,

(2) Insurance on accounts provided by the Federal Deposit Insurance Corporation,

(3) Bonds, bills, notes, certificates of indebtedness or other direct obligations of the United States or of the State of Georgia,

(4) Bonds, bills, notes, certificates of indebtedness or other obligations of the counties or municipalities of the State of Georgia,

(5) Bonds of any public authority created by the laws of the State of Georgia, providing that the statute that created the authority authorized the use of the bonds for this purpose,

(6) Industrial revenue bonds and bonds of development authorities created by the laws of the State of Georgia, and

(7) Bonds, bills, notes, certificates of indebtedness, or other obligations of a subsidiary corporation of the United States government, which are fully guaranteed by the United States government both as to principal and interest or debt obligations issued by or securities guaranteed by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, the Central Bank for Cooperatives, the Farm Credit Banks, the Federal Home Loan Mortgage Association, and the Federal National Mortgage Association.

Categorization of Deposits

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District does not have a formal deposit policy for managing custodial credit risk. At June 30, 2014, the School District had deposits with a carrying amount of $31,342,773 which includes $610,883 in Certificates of Deposit that are recorded as investments, and cash deposit balance of $33,259,411. The deposit balances insured by Federal depository insurance were $5,783,037 and the bank balances collateralized with securities held by the pledging institution or by the pledging institution's trust department or agent in the School District's name were $25,185,100.

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

Category 1 – Uncollateralized

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

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

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

Credit Risk Category	Bank Balance
1	$ -
2	-
3	2,291,274
Total	$ 2,291,274

Categorization of Investments

At June 30, 2014, the carrying value of the School District's total investments was $69,708,582 which is materially the same as fair value. This includes $610,883 invested in Certificates of Deposit which are collateralized in the same manner as other cash deposits.

At June 30, 2014 the School District's investments consisted of funds invested in the Georgia Fund 1, formerly referred to as the Local Government Investment Pool, Treasury/Agency Securities held through the Securities Service Network, and Certificates of Deposits at various

financial institutions within the State of Georgia. The Georgia Fund 1 (local governmental investment pool) is administered by the State of Georgia, Office of the State Treasurer which is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1 (Primary Liquidity 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 and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity for Georgia Fund 1 on June 30, 2014, was 62 days.

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

Investment Type	Fair Value	Maturity
Investment Pools		
Georgia Fund 1	$ 60,262,877	62 Days
Federal Home Loan		
Treasuries	144,317	1-5 Years
Certificates of Deposit	610,883	1-5 Years
Repurchase Agreement	8,690,505	Less Than One Year
Total	$ 69,708,582	

Interest Rate Risk

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

Custodial Credit Risk

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

At June 30, 2014, $8,834,822 of the School District's applicable investments were insured or registered, with securities held by the entity or its agent, in the School District's name.

Credit Quality Risk

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

Credit Quality Risk	Fair Value	AA	Unrated
U.S. Agency Securities			
FHLMC	$ 144,317	$ 144,317	
Repurchase Agreement	8,690,505		8,690,505
Total	$ 8,834,822	$ 144,317	$ 8,690,505

Note 5 - Nonmonetary Transactions

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

Note 6 - Capital Assets

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

Governmental Activities:	Restated Balance July 1, 2013	Additions and Transfers	Deletions and Transfers	Balance June 30, 2014
Capital Assets Not Being Depreciated				
Land	$ 30,574,954	$ 12,550	$ (138,688)	$ 30,448,816
Construction in Progress	19,316,629	23,062,175	(32,697,090)	9,681,714
Total	49,891,583	23,074,725	(32,835,778)	40,130,530
Capital Assets Being Depreciated				
Buildings and Improvements	629,995,889	37,565,611	(1,533,487)	666,028,013
Equipment	38,475,120	1,584,028	(466,936)	39,592,212
Land Improvements	16,275,643	1,127,692	-	17,403,335
Total	684,746,652	40,277,331	(2,000,423)	723,023,560
Less Accumulated Depreciation For:				
Buildings and Improvements	(135,368,744)	(14,052,251)	1,453,541	(147,967,454)
Equipment	(29,217,970)	(2,840,856)	465,411	(31,593,415)
Land Improvements	(11,440,036)	(615,727)	-	(12,055,763)
Total	(176,026,750)	(17,508,834)	1,918,952	(191,616,632)
Capital Assets Being Depreciated, Net	508,719,902	22,768,497	(81,471)	531,406,928
Governmental Activities Capital Assets, Net	$ 558,611,485	$ 45,843,222	$ (32,917,249)	$ 571,537,458

Depreciation expense by function:

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

Note 7 - Interfund Assets and Liabilities

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

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

Note 8 - Interfund Transfers

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

Transfer From	Transfer To	Amount
General Fund	Title I Federal Fund	$ 96,465
General Fund	Title II Federal Fund	62,287
General Fund	Title III Federal Fund	9,381
General Fund	Special Education Federal Fund	61
General Fund	Vocational Federal Fund	6,388
General Fund	Race to the Top Federal Fund	64,289
General Fund	Pre-Kindergarten Fund	96,790
		$ 335,661

Transfers are used to move funds from the General Fund to the various nonmajor governmental funds to 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, unemployment compensation, and dental claims.

The School District is self-insured for workers' compensation, unemployment claims, and dental claims. The School District purchases commercial insurance for all other risks of loss. Settled claims have not exceeded purchased commercial insurance coverage in any of the past three years. 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
2014	$ 1,123,843	$ 852,292	$ (1,081,221)	$ 894,914
2013	1,180,433	1,555,774	(1,612,364)	1,123,843

Unemployment Claims

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

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

Dental Claims

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

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

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2014	$ 67,748	$ 2,207,839	$ (2,199,213)	$ 76,374
2013	65,239	2,230,468	(2,227,959)	67,748

Note 10 – Operating Leases

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

Future minimum lease payments for these leases are as follows:

Year Ending	Lease Payments
2015	$ 333,054
2016	309,498
2017	309,498
2018	25,792
Total	$ 977,842

Note 11 – Short-term Debt

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

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ -	$ 18,030,000	$ (18,030,000)	$ -

Note 12 - Long-Term Debt

Compensated Absences

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

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

Advance Refunding

During fiscal year 2014, the Cherokee County Board of Education issued $81,315,000 in General Obligation Bonds. A portion of the issue was used to advance refund $35,500,000 of outstanding bonds. The bond issue of $81,315,000, plus premiums of $13,311,060 less underwriters and bond issuance cost of $712,136 provided net proceeds of $93,913,923. Of those proceeds, $40,703,827 were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on portions of the 2007A Bond issue. As a result, portions of the 2007A Series Bonds are considered defeased, and the liability for these portions has been removed from the District-wide Statement of Net Position. The Cherokee County Board of Education refunded the aforementioned bonds to reduce its total Debt Service payments over 12 years beginning in fiscal year 2015 by a combined amount of $1,682,831 and to obtain an economic gain of $1,388,733.

General Obligation Debt Outstanding

General Obligation Bonds currently outstanding are as follows:

General Obligation Bonds:	Balance June 30, 2014
2003 Series, 4.00%-5.00%, Matures 8/1/2014	$ 3,965,000
2006 Series, 3.75%-4.75%, Matures 8/1/2017	15,995,000
2007A Series, 3.60%-5.00%, Matures 8/1/2028	76,000,000
2007B Series, 5.00%, Matures 8/1/2017	40,475,000
2009A Series, 4.00%-5.00%, Matures 8/1/2023	52,880,000
2009B Series, 5.87%, Matures 8/1/2028	48,375,000
2010A Series, 4.00%, Matures 8/1/2015	1,540,000
2010B Series, 5.63%, Matures 8/1/2028	40,055,000
2012 Series, 4.00%-5.00%, Matures 8/1/2033	35,930,000
2014A Series, 5.00%, Matures 8/1/2033	46,885,000
2014B Series, 3.75%-5.00%, Matures 8/1/2025	34,430,000
Total General Obligation Bonds	$ 396,530,000

Voters have authorized $75,185,000 in general obligation debt for capital outlay projects and the costs of issuing and paying capitalized interest on bonds, which was not issued as of June 30, 2014.

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

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 366,865,000	$ 81,315,000	$ (51,650,000)	$ 396,530,000	$ 16,230,000
Bond Premiums	14,505,760	14,708,122	(3,619,252)	25,594,630	2,334,097
Loss on Bond Refunding	(1)				
Claims Payable	1,123,843	852,292	(1,081,221)	894,914	894,914
Compensated Absences	2,003,701	786,865	(1,266,227)	1,524,339	630,471
Total	$ 384,498,304	$ 97,662,279	$ (57,616,700)	$ 424,543,883	$ 20,089,482

(1) Deferred amounts on refunding were reclassified as Deferred Outflows of Resources with the adoption of GASB No. 65 in the previous year.

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

Payments Due in Fiscal Year Ending June 30	Principal	Interest	Amortization of Bond Premium
2015	$ 16,230,000	$ 19,114,673	$ 2,334,097
2016	17,635,000	18,655,707	2,846,141
2017	19,210,000	17,804,769	2,701,374
2018	20,900,000	16,856,032	2,569,343
2019	9,760,000	16,136,357	2,364,245
2020-2024	108,445,000	67,010,810	8,774,261
2025-2029	179,035,000	33,204,431	3,081,186
2030-2034	25,315,000	2,967,440	923,983
Total	$ 396,530,000	$ 191,750,219	$ 25,594,630

Note 13 - On-Behalf Payments

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

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

Funds paid to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported as part of the Quality Basic Education revenue allotments on the Schedule of State Revenue located on page 37 of this report.

Note 14 – Significant Commitments

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

Project	Unearned Executed Contracts
Bascomb Elementary School Boiler	$ 16,082
Bascomb Elementary School Chiller	21,326
Cherokee High School Athletic Improvemen	1,441,957
Cherokee High School Boiler	5,119
Creekview Field House	15,364
Dean Rusk Middle School	35,919,327
ET Booth Middle School	173,096
Sequoyah High School	8,579
Total	$ 37,600,850

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

Note 15 - Postemployment Benefits

Georgia School Personnel Postemployment Health Benefit Fund

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012, pay approximately

25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2014:

Certified Employees	
July 1, 2013-June 30, 2014	$945.00 per member per month
Non-Certified Employees	
July 1, 2013-June 30, 2014	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2014 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other postemployment benefits and are subject to appropriation.

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

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

Note 16 - Retirement Plans

1) Teachers' Retirement System of Georgia (TRS)

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

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

On October 25, 1996, the Board created the Supplemental Retirement Benefits Plan of the Georgia Teachers' Retirement System (SRBP-TRS). 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, 2014, were 6.00% of annual salary. Employer contributions required for fiscal year 2014 were 12.28% of annual salary as required by the June 30, 2011, actuarial valuation.

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

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

2) Public School Employees' Retirement System (PSERS)

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

3) Defined Contribution Plan

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

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

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

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

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

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

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

Fiscal Year	Percentage Contributed	Required Contribution
2014	100%	$ 128,632
2013	100%	158,349
2012	100%	143,064

Note 17 – Contingencies

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

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

Note 18 – Subsequent Events

In fiscal year 2015, the School District will adopt Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. The provisions of this statement establish accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts. Implementation of this statement in fiscal year 2015 will require the School District to record a liability for its proportionate share of the Net Pension Liability of pension plans in which it participates. Based on information provided by the Teachers' Retirement System of Georgia (TRS), the School District's liability for the proportionate share of the Net Pension Liability of the pension plan administered through TRS is estimated to be $237.7 million at June 30, 2015.

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

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CHEROKEE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

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

CHEROKEE COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds (Continued)
June 30, 2014

	Special Revenue Fund					
	Headstart Federal Fund	Race To The Top Federal Fund	Pre-K Lottery	School Activities	School Food Service	Total Nonmajor Governmental Funds
Assets						
Cash and Cash Equivalents	$ -	$ -	$ 48,715	$ 4,112,734	$ 1,929,765	$ 6,091,214
Investments	-	-	-	125,550	2,649,050	2,774,600
Receivables						
Intergovernmental Receivable	44,778	190,608	-	-	115,490	4,956,428
Other	-	-	-	-	1,815	1,815
Inventory	-	-	-	-	329,765	329,765
Total Assets	$ 44,778	$ 190,608	$ 48,715	$ 4,238,284	$ 5,025,885	$ 14,153,822
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	$ 91	$ 570	$ 6,136	$ -	$ 58,859	$ 98,612
Salaries and Benefits Payable	-	-	42,579	-	518,955	1,097,567
Deposits and Unearned Revenue	-	-	-	-	207,936	207,936
Due To Other Funds	44,687	190,038	-	-	390,796	4,662,084
Total Liabilities	44,778	190,608	48,715	-	1,176,546	6,066,199
Fund Balances						
Nonspendable						
Inventory	-	-	-	-	329,765	329,765
Committed						
School Food Services	-	-	-	-	3,519,574	3,519,574
School Activities	-	-	-	4,238,284	-	4,238,284
Total Fund Balance	-	-	-	4,238,284	3,849,339	8,087,623
Total Liabilities and Fund Balances	$ 44,778	$ 190,608	$ 48,715	$ 4,238,284	$ 5,025,885	$ 14,153,822

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

	Special Revenue				
	Title I Federal Fund	**Title II Federal Fund**	**Title III Federal Fund**	**Special Education Federal Fund**	**Vocational Education Federal Fund**
Revenues					
Local Sources	$ -	$ -	$ -	$ -	$ -
State Sources	-	-	-	-	-
Federal Sources	4,214,667	763,139	396,619	7,324,687	209,040
Interest Income	-	-	-	-	-
Total Revenues	4,214,667	763,139	396,619	7,324,687	209,040
Expenditures					
Current					
Instruction	2,964,387	-	243,317	2,385,297	149,334
Support Services					
Pupil Services	-	-	-	4,440,865	-
Improvement of Instructional Services	974,122	816,424	151,057	131,718	57,964
General Administration	44,309	9,002	3,132	79,334	8,130
School Administration	3,536	-	-	-	-
Student Transportation Service	12,318	-	681	287,534	-
Other Support Services	312,460	-	7,813	-	-
Food Services Operation	-	-	-	-	-
Total Expenditures	4,311,132	825,426	406,000	7,324,748	215,428
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,465)	(62,287)	(9,381)	(61)	(6,388)
Other Financing Sources (Uses)					
Operating Transfers In	96,465	62,287	9,381	61	6,388
Total Other Financing Sources (Uses)	96,465	62,287	9,381	61	6,388
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, 2014

	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	$ -	$ -	$ -	$ 12,109,043	$ 6,190,901	$ 18,299,944
State Sources	-	-	526,270	-	454,008	980,278
Federal Sources	445,149	352,741	125,455	-	8,879,069	22,710,566
Interest Income	-	-	-	-	4,411	4,411
Total Revenues	445,149	352,741	651,725	12,109,043	15,528,389	41,995,199
Expenditures						
Current:						
Instruction	445,149	38,045	745,797	11,745,043	-	18,716,369
Support Services						
Pupil Services	-		-	-	-	4,440,865
Improvement of Instructional Services	-	378,985	2,136	-	-	2,512,406
General Administration	-	-	-	-	-	143,907
School Administration	-	-	-	-	-	3,536
Student Transportation Service	-	-	582	-	-	301,115
Other Support Services	-	-	-	-	-	320,273
Food Services Operation	-	-	-	-	15,166,732	15,166,732
Total Expenditures	445,149	417,030	748,515	11,745,043	15,166,732	41,605,203
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(64,289)	(96,790)	364,000	361,657	389,996
Other Financing Sources (Uses)						
Operating Transfers In	-	64,289	96,790	-	-	335,661
Total Other Financing Sources (Uses)	-	64,289	96,790	-	-	335,661
Net Change in Fund Balances	-	-	-	364,000	361,657	725,657
Fund Balance - Beginning of Year	-	-	-	3,874,284	3,487,682	7,361,966
Fund Balance - End of Year	$ -	$ -	$ -	$ 4,238,284	$ 3,849,339	8,087,623

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

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	$ -	$ 526,270	$ 526,270
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	11,581,965	-	11,581,965
Kindergarten Program - Early Intervention Program	698,036	-	698,036
Primary Grades (1-3) Program	29,532,565	-	29,532,565
Primary Grades - Early Intervention (1-3) Program	1,858,321	-	1,858,321
Upper Elementary Grades (4-5) Program	14,007,598	-	14,007,598
Upper Elementary Grades - Early Intervention (4-5) Program	869,294	-	869,294
Middle School (6-8) Program	21,796,667	-	21,796,667
High School General Education (9-12) Program	22,064,777	-	22,064,777
Vocational Laboratory (9-12) Program	3,096,609	-	3,096,609
Students with Disabilities			
Category I	1,830,160	-	1,830,160
Category II	728,755	-	728,755
Category III	13,535,275	-	13,535,275
Category IV	9,922,502	-	9,922,502
Category V	2,030,715	-	2,030,715
Gifted Student - Category VI	14,055,049	-	14,055,049
Remedial Education Program	991,227	-	991,227
Alternative Education Program	1,577,080	-	1,577,080
English Speakers of Other Languages (ESOL)	2,517,598	-	2,517,598
Special Education - Itinerant Program	57,453	-	57,453
Special Education - Supplemental Speech	37,390	-	37,390
Media Center Program	4,112,799	-	4,112,799
20 Days Additional Instruction	1,202,806	-	1,202,806
Staff and Professional Development	838,164	-	838,164
Indirect Cost			
Central Administration	3,676,699	-	3,676,699
School Administration	8,951,069	-	8,951,069
Facility Maintenance and Operations	7,803,793	-	7,803,793
Amended Formula Adjustment	(24,846,679)	-	(24,846,679)
Categorical Grants			
Pupil Transportation	2,040,947	-	2,040,947
Food Services	-	454,008	454,008
Nursing Services	757,491	-	757,491
Other State Programs			
Agriculture Extended Year and Day Grants	13,206	-	13,206
CTAE Grants	52,983	-	52,983
Move on When Ready	5,900	-	5,900
Math and Science Supplements	225,892	-	225,892
Pre-school Handicapped Program	694,357	-	694,357
Technology to Support Digital Learning	82,000	-	82,000
Teachers' Retirement	106,379	-	106,379
Vocational Construction Related Equipment - State Bonds	266,104	-	266,104
Other Grants	13,266	-	13,266
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	252,808	252,808
Office of the State Treasurer			
Public School Employees Retirement	625,561	-	625,561
Total State Revenues	$ 159,411,773	$ 1,233,086	$ 160,644,859

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District in the amount of $15,861,600 are included as part of the Quality Basic Education revenue allotments.

See notes to the basic financial statements.

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

Description	Allotments From Georgia Department of Education [1][2]	Salaries	Operations	Total
Kindergarten	$ 14,114,041	$ 13,891,883	$ 383,341	$ 14,275,224
Kindergarten Early Intervention	776,146	562,504	-	562,504
Primary Grades 1-3	34,861,538	29,776,863	589,221	30,366,084
Primary Grades 1-3 Early Intervention	2,250,420	1,996,012	-	1,996,012
Upper Elementary Grades 4-5	16,963,147	17,482,652	523,890	18,006,542
Upper Elementary 4-5 Early Intervention	1,052,712	1,436,017	-	1,436,017
Middle School 6-8	26,395,679	29,202,872	784,550	29,987,422
High School Grades 9-12	26,720,359	30,712,943	1,064,559	31,777,502
Vocational Laboratory 9-12	3,749,981	3,604,542	263,187	3,867,729
Students With Disabilities	34,047,423	32,188,894	270,102	32,458,996
Gifted Program	17,053,341	7,859,764	166,215	8,025,979
Remedial Education Program	1,200,372	1,164,438	21,703	1,186,141
Alternative Education Program	1,907,611	3,090,832	14,649	3,105,481
English Speakers of Other Languages (ESOL)	3,051,028	2,645,968	15,965	2,661,933
Total Direct Instructional Funds	184,143,798	175,616,184	4,097,382	179,713,566
Media Center Program	4,980,584	3,603,533	649,817	4,253,350
Staff and Professional Development	983,168	-	-	522,766
Total QBE Formula Funds	$ 190,107,550	$ 179,219,717	$ 4,747,199	$ 184,489,682

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

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

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

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	142,193,731	-	142,193,731	Complete
Totals	$ 640,000,000	$ 423,636,546	$ 423,636,546	$ -	$ 423,636,546	

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

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

(3) The voters of Cherokee County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt.
Amounts expended for these projects may include sales tax proceeds, state, local property taxes, and/or other funds over the life of the projects.

(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	$ 45,322,251	$ 56,222,881	Ongoing
Totals	$ 170,000,000	$ 170,000,000	$ 10,900,630	$ 45,322,251	$ 56,222,881	

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

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

(3) The voters of Cherokee County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt.
Amounts expended for these projects may include sales tax proceeds, state, local property taxes, and/or other funds over the life of the projects.

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

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

SECTION II

AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS

CHEROKEE COUNTY SCHOOL DISTRICT
AUDITEE'S RESPONSE
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

PRIOR YEAR FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

FINDING CONTROL NUMBER AND STATUS

2013-1 Partially Resolved - See Corrective Action/Responses

CORRECTIVE ACTION/RESPONSES

CASH AND CASH EQUIVALENTS
Reconciliation of Cash Accounts
Material Weakness
Finding Control Number: 2013-1

Management has implemented additional internal control procedures to review accounts before annual closing of financial records in order to determine proper classification and reconciliation between accounts. Additionally, professional staff has been added to the Office of Financial Management to assist in the continued improvement in this regard.

SECTION III

FINDINGS AND QUESTIONED COSTS

DEPARTMENT OF AUDITS AND ACCOUNTS

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

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

April 15, 2016

Honorable Nathan Deal, Governor
Members of the General Assembly
Members of the State Board of Education
and
Superintendent and Members of the
Cherokee County Board of Education

COMMUNICATION OF INTERNAL CONTROL DEFICIENCIES

We have audited, in accordance with auditing standards generally accepted in the United States of America the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Cherokee Board of Education's basic financial statements and have issued our report thereon dated April 15, 2016.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. As discussed in the attached Schedule of Findings, we identified certain matters involving the internal control and operational matters. We consider the deficiencies FS 2014-001, FS 2014-002, FS 2014-003, and FS 2014-004 to be material weaknesses.

This communication is intended solely for the information and use of management, members of the Cherokee County Board of Education, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Greg S. Griffin
State Auditor

CHEROKEE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2014

FINANCIAL STATEMENT FINDINGS

FS 2014-001	Inadequate Internal Controls over Cash and Cash Equivalents and Investments
Control Category:	Cash and Cash Equivalents Investments
Internal Control Impact:	Material Weakness

Description:
This is a repeat finding (2011-2, 2012-1 and 2013-1) from the years ended June 30, 2011, June 30, 2012 and June 30, 2013. While improvements have been made, the accounting procedures of the School District were still considered insufficient to provide adequate internal controls over the reporting of Cash and Cash Equivalents and Investments.

Criteria:
The School District's management is responsible for designing and maintaining internal controls over the reporting of Cash and Cash Equivalents and Investments.

Condition:
The following were noted during our audit procedures:

- Deposits that were highly liquid in nature and readily convertible to cash totaling $14,673,768 were recorded as investments rather than cash equivalents. This was material to the General Fund, the Capital Projects Fund and to Governmental Activities.
- The investment account for the School District's bond sinking fund totaling $8,553,116 was incorrectly recorded as restricted cash and cash equivalents. This was material to the Debt Service Fund.
- The Local Government Investment Pool had not been properly reconciled between funds for several years, resulting in a material misclassification between the General and Capital Projects Funds of $8,739,591. A restatement to beginning balance for these funds was necessary. In addition, an unreconciled amount $354,641 remained after this adjustment.
- Corrections were proposed and accepted to correct various other errors found in the financial statements and note disclosures.

Cause:
In discussing this deficiency with School District management, they stated that the money market account and sinking fund misclassifications (the first and second items above) were due to a change in the nature of their bank accounts and a misunderstanding by the financial statement preparer relative to the reporting of these accounts. Management stated that the Local Government Investment Pool deficiency (third item above) was due to the School District's inability to correct the situation during the poor economic conditions in previous years. The other various errors and omissions (fourth item above) were due to the short turnaround time between the presentation of the audit report to management by the financial statement preparer and the necessity to publish the report in time to close on a bond sale.

Effect or Potential Effect:
The lack of adequate controls over cash and investments increases the risk for theft, fraud, or misuse of School District resources that may result in errors and/or irregularities which would not be detected in a timely manner. No such theft, fraud or misuse of School District resources was uncovered.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Recommendation:
The School District should establish procedures to ensure that cash and investments are accurately recorded on the financial statements and are properly reconciled throughout the year.

Views of Responsible Officials and Corrective Action Plans:
Management has implemented additional Internal Control procedures to review Investment Accounts before annual closing of Financial Records to determine proper classification and adjustments between accounts. Additionally, professional staff has been added to the Office of Financial Management in order to improve oversight in this regard.

Estimated Corrective Action Date: June 30, 2015
Contact Person: Kenneth Owen, Assistant Superintendent for Financial Management
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Fax: (770) 720-3379
E-mail: ken.owen@cherokee.k12.ga.us

FS 2014-002	Inadequate Internal Controls over Financial Reporting
Control Category:	Financial Reporting
Internal Control Impact:	Material Weakness

Description:
The School District did not have adequate internal controls in place to ensure that financial statement activity presented for audit was materially correct.

Criteria:
The School District is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The School District's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments* (Statement), requires governments to present government-wide and fund financial statements as well as a summary reconciliation of the (a) total governmental funds balances to the net position of governmental activities in the Statement of Net Position, and (b) total change in governmental fund balances to the change in the net position of governmental activities in the Statement of Activities. In addition, the Statement requires information about the government's major and nonmajor funds in the aggregate, to be provided in the fund financial statements.

Chapter 22A *Annual Financial Reporting* of the Financial Management for Georgia Local Units of Administration provides that School Districts must prepare their financial statements in accordance with generally accepted accounting principles.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Condition:

The following errors and omissions were noted in the School District's financial statements and note disclosures presented for audit:

- Accounts Receivables of $2,721,372 were incorrectly classified as State Receivables instead of Tax Receivables, resulting in a material misclassification to the Debt Service Fund.
- Material reclassification adjustments were necessary to correctly present the Net Investment in Capital Assets, Restricted for Capital Projects, Restricted for Debt Services, and Unrestricted Net Position balances on the Statement of Net Position.
- Material reimbursements to the Debt Service Fund for Build America Bonds and Qualified School Construction Bonds totaling $2,873,240 were being reported against the interest expenditures instead of showing the revenues and expenditures at gross value.
- On-behalf payments of $15,861,600 made to the Department of Community Health by the Georgia Department of Education were double booked by the School District. This amount was material to the General Fund and Governmental Activities and significant to the Nonmajor Funds.
- A material audit adjustment was proposed in the Capital Projects Fund for State Revenue, Deferred Inflows, Accounts Receivables, and Beginning Fund Balance for $1,593,268, $1,402,645, $3,527,408 and $3,336,785 respectively, to account for invalid receivables and unavailable revenue.
- In the Significant Commitments note disclosure, unearned executed contracts were overstated by $5,526,595 and funding available from the state was overstated by $17,643,703.
- Internal activity was not eliminated at year end, resulting in a duplication of revenues and expenditures of $5,165,261.
- Required note disclosures for the School District's current year refunding bond issuance, authorized but unissued debt, defined benefit plan and dental self-insurance were omitted.
- Numerous other audit adjustments and reclassification entries were necessary to properly present the School District's financial statements and note disclosures.

Cause:

In discussing this deficiency with the School District management, they stated the causes were due to errors in adjustments proposed by the financial statement preparer. In addition, there was a lack of guidance and review procedures regarding the reporting of various financial statements accounts and disclosures.

Effect or Potential Effect:

Material misstatements, misclassifications and omissions were included in the financial statements and note disclosures presented for audit. In addition, the lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:

The School District should provide financial statement preparation training, review the accounting controls and procedures currently in place, identify weaknesses, and design and implement procedures necessary to strengthen controls over the preparation of the financial statements.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Views of Responsible Officials and Corrective Action Plans:

Cherokee County School District will require Williamson and Company to reissue their 2013-14 Fiscal Year Cherokee County School District Annual Financial Report reflecting audit adjustments, reclassification entries and note disclosures as recommended by the State Auditors. Additionally, professional staff has been added to the Office of Financial Management in order to improve oversight in this regard.

Estimated Corrective Action Date: September 30, 2015
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FS 2014-003	Inadequate Internal Controls over Payables
Control Category:	Expenditures/Liabilities/Disbursements
Internal Control Impact:	Material Weakness

Description:

The School District does not have controls and monitoring procedures in place to ensure that payables are accurately recorded in the financial statements.

Criteria:

The School District's management is responsible for designing and maintaining internal controls to provide reasonable assurance that accounts payables are recorded and reported accurately.

Condition:

The following errors and omissions were noted during our audit procedures:

- Prior fiscal year accounts payable were capitalized in the current fiscal year, resulting in a restatement of beginning fund balance for the Capital Projects Fund of $4,728,948.
- Invalid accounts payable of $965,226 were noted by the School District, resulting in a restatement of beginning fund balance for the Capital Projects Fund.
- Prior year retainage payable was overstated, resulting in a restatement of beginning balance for the Capital Projects fund of $917,626.
- A review of subsequent expenditures revealed Account and Retainage Payables in the amounts of $502,463 and $49,302 that were not recorded.
- Due to the entity not accurately setting up and clearing out payables from the prior and current years, Benefits Payable were understated by $629,918.
- Due to errors in accrued interest calculations, prior year Interest Payable was overstated by $493,100 and current year Interest Payable was understated by $1,536,269.

Cause:

In discussing this deficiency with the School District management, they stated the causes were due to a lack of review procedures to ensure that these liabilities were recorded in the correct period. The current year Interest Payable understatement was due to the liabilities being reported on a budget basis instead of the GAAP basis.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

Effect or Potential Effect:
Material misstatements and omissions were included in the financial statements presented for audit. In addition, the lack of controls and monitoring could impact the reporting of the School District's financial position and results of operations.

Recommendation:
We recommend that management implement a system of monitoring controls and reconciliations to ensure that accounts payable balances are accurately recorded.

Views of Responsible Officials and Corrective Action Plans:
Cherokee County School District Financial Management Staff has implemented additional Internal Control procedures to ensure supervisory review of Account, Retainage and Benefit Payables Reports for accuracy before presentment to auditors. Additionally, professional staff has been added to the Office of Financial Management in order to improve oversight in this regard.

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FS 2014-004	Inadequate Internal Controls over Capital Assets
Control Category:	Capital Assets
Internal Control Impact:	Material Weakness

Description:
The School District did not have adequate controls in place to ensure all required activity in capital assets were included in the financial statement information presented for audit.

Criteria:
The School District's management is responsible for designing and maintaining internal controls that provide reasonable assurance that capital assets inventory records are properly maintained. Chapter 37 *Implementing a Capital Assets Management System* of the Financial Management for Georgia Local Units of Administration provides that School Districts must establish capital asset policies, define system requirements, implement a capital asset system, conduct a physical inventory, and maintain capital asset inventory records.

Condition:
During the review of capital assets, records revealed the following:

- The Capital Asset listing is not being properly tracked by projects which resulted in several misstatements.
    - Capital asset cost and accumulated depreciation beginning balances were misstated by $2,218,563 due to assets that were incorrectly deleted in the previous fiscal year.
    - The entity capitalized Land Improvement and Building projects in the amounts of $1,469,916 and $319,622, respectively, before the projects were substantially complete.

FINANCIAL STATEMENT FINDINGS (CONTINUED)

- The Teasley Middle School Construction in Progress completion totaling $32,697,090 was not capitalized as a building even though it was substantially complete. Three equipment items totaling $237,854 were also not capitalized accurately.

- The entity did not provide evidence that an annual inventory over a significant portion of equipment assets was performed.

Cause:

In discussing these deficiencies with the School District, they indicated the reason for not being able to provide an accurate current year activity report by projects was due to an issue with the perpetual capital asset system. Also, procedures for moving assets from CIP to Buildings were based on when the asset was put into use instead of when it was substantially complete. In regards to the annual inventory (final item above), they stated the cause was due to the fact that technology inventory is maintained in a system outside the perpetual capital asset system and the technology inventory was performed without procedures in place to reconcile those assets to the financial statements.

Effect or Potential Effect:

When the School District does not maintain a complete and accurate capital assets listing, it results in inaccurate internal and external reporting, as well as noncompliance with generally accepted accounting principles.

Recommendation:

The School District's management should track assets by projects within the capital asset listing, perform an inventory over all equipment items, and review the capital asset records and make appropriate adjustments to ensure that the capital assets records conform to the School District's approved capital assets policy.

Views of Responsible Officials and Corrective Action Plans:

Cherokee County School District Financial Management staff is working with the perpetual capital asset system developer to implement a tracking system that utilizes projects within locations rather than by location only. Additionally, revised internal control procedures have been implemented to expand reconciliation of physical inventory procedures to technology equipment items and to continue to review capital asset records annually.

Estimated Corrective Action Date: June 30, 2015
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