

Cherokee County School District

Canton, Georgia

Annual Financial Report

Fiscal Year Ended June 30, 2015

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CHEROKEE COUNTY SCHOOL DISTRICT
Annual Financial Report
Fiscal Year Ended June 30, 2015

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FINANCIAL SECTION

Cherokee County
School District

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LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District (the "School District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District, as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparison of the General Fund thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal 2015 the School District adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require that the Schedule of Proportionate Share of Net Pension Liability–Teachers Retirement System of Georgia, Schedule of Contributions–Teachers Retirement System of Georgia, and the Schedule of Proportionate Share of Net Pension Liability–Public Schools Employee Retirement System of Georgia on pages 44-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cherokee County School District's basic financial statements. The Schedule of Expenditures of Educational Local Option Sales Tax Proceeds, as required by the Official Code of Georgia §48-8-121 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

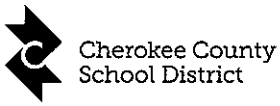
In accordance with Government Auditing Standards, we have also issued our report dated April 30, 2016 on our consideration of the Cherokee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cherokee County School District's internal control over financial reporting and compliance.

Williamson and Company

Williamson and Company
Certified Public Accountants
April 30, 2016

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BASIC FINANCIAL STATEMENTS



CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2015

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 36,281,669
Restricted Cash	7,099,894
Investments	88,522,822
Receivables	
Taxes	6,712,582
State Government	27,496,162
Federal Government	3,088,059
Other	206,132
Inventory	716,582
Capital Assets, Nondepreciable	63,452,587
Capital Assets, Net	523,869,773
Total Assets	757,446,262
Deferred Outflow of Resources	
Pension Contributions	26,600,262
Deferred Charges	7,987,457
Total Deferred Outflows of Resources	34,587,719
Total Assets and Deferred Outflows of Resources	792,033,981
Liabilities	
Accounts Payable	5,696,861
Salaries and Benefits Payable	28,982,208
Accrued Interest Payable	6,575,588
Retainage Payable	2,098,071
Long-term Liabilities	
Due Within One Year	22,816,002
Due in More Than One Year	687,867,160
Total Liabilities	754,035,890
Deferred Inflows of Resources	
Pension Plan Changes	84,472,693
Total Deferred Inflows of Resources	84,472,693
Total Liabilities and Deferred Inflows of Resources	838,508,583
Net Position	
Net Investment In Capital Assets	175,561,454
Restricted For:	
Capital Projects	42,729,435
Debt Service	40,815,410
Continuation of Federal Programs	948,100
Unrestricted	(306,529,001)
Total Net Position	$ (46,474,602)

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, 2015

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	$ 263,918,820	$ 11,699,841	$ 165,253,677	$ 8,234,613	$ (78,730,689)
Support Services					
Pupil Services	15,035,928	-	748,236	-	(14,287,692)
Improvement of Instruction Services	8,139,358	-	1,369,109	-	(6,770,249)
Educational Media Services	4,349,249	-	4,244,445	-	(104,804)
General Administration	4,625,077	61,156	79,201	-	(4,484,720)
School Administration	18,605,572	-	7,781,481	-	(10,824,091)
Business Administration	2,173,419	282,082	33,477	-	(1,857,860)
Maintenance and Operations	19,651,349	-	10,376,165	-	(9,275,184)
Student Transportation Services	17,972,099	-	333,631	2,054,175	(15,584,293)
Central Support Services	3,691,062	-	3,808,231	-	117,169
Other Support Services	295,785	-	-	-	(295,785)
Operations of Noninstructional Services:					
Community Service Operations	23,820	-	-	-	(23,820)
Food Services Operations	16,012,913	6,284,294	9,354,918	-	(373,701)
Interest on Long-term Debt	17,687,324	-	2,935,891	-	(14,751,433)
Total Governmental Activities	$ 392,181,775	$ 18,327,373	$ 206,318,462	$ 10,288,788	(157,247,152)
General Revenues:					
Taxes:					
Property Tax, Levied for General Purposes					128,425,998
Property Tax, Levied for Debt Service					277,364
Educational Local Option Sales Tax					33,612,150
Other Taxes					4,625,155
Grants and Contributions Not Restricted to Specific Programs					969,255
Restricted Investment Earnings					431,733
Unrestricted Investment Earnings					27,131
Loss on Disposal of Capital Assets					(243,336)
Total General Revenues					168,125,450
Change in Net Position					10,878,298
Net Position - Beginning of Year, Restated					(57,352,900)
Net Position - End of Year					$ (46,474,602)

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

CHEROKEE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2015

	General Fund	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 36,281,669	$ -	$ -	$ 36,281,669
Restricted Cash	-	3,326,968	3,772,926	7,099,894
Investments	7,080,010	47,370,235	34,072,577	88,522,822
Receivables				
Taxes	3,738,399	-	2,974,183	6,712,582
State Government	26,093,517	1,402,645	-	27,496,162
Federal Government	3,088,059	-	-	3,088,059
Other	206,132	-	-	206,132
Inventory	716,582	-	-	716,582
Due From Other Funds	3,594,337	-	3,046	3,597,383
Total Assets	$ 80,798,705	$ 52,099,848	$ 40,822,732	$ 173,721,285
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 2,018,856	$ 3,678,005	$ -	$ 5,696,861
Salaries and Benefits Payable	28,982,208	-	-	28,982,208
Retainage Payable	-	2,098,071	-	2,098,071
Due To Other Funds	3,046	3,594,337	-	3,597,383
Total Liabilities	31,004,110	9,370,413	-	40,374,523
Deferred Inflows of Resources				
Unearned Revenue	844,990	-	7,322	852,312
Total Deferred Inflows of Resources	844,990	-	7,322	852,312
Fund Balances				
Nonspendable				
Inventory	716,582	-	-	716,582
Restricted				
Debt Service	-	-	40,815,410	40,815,410
Capital Projects	-	42,729,435	-	42,729,435
Continuation of Federal Program	948,100	-	-	948,100
Committed				
School Food Services	3,471,117	-	-	3,471,117
School Activities	4,604,515	-	-	4,604,515
Unassigned	39,209,291	-	-	39,209,291
Total Fund Balances	48,949,605	42,729,435	40,815,410	132,494,450
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 80,798,705	$ 52,099,848	$ 40,822,732	$ 173,721,285

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

CHEROKEE COUNTY SCHOOL DISTRICT

Reconciliation of the Balance Sheet of the
Governmental Funds to the Statement of Net Position
June 30, 2015

Total Fund Balances Governmental Funds		$ 132,494,450
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	787,189,797	
Less Accumulated Depreciation	(199,867,437)	587,322,360
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		852,312
Deferred Ouflows and Inflows of Resources related to pensions are applicable to futurer periods and, therefore, are not reported in the governmental funds.		
Pension Contributions	26,600,262	
Changes in Value of Plan	(84,472,693)	(57,872,431)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable	(425,260,000)	
Bond Premium, Net of Amortization	(45,515,819)	
Loss on Bond Refunding, Net of Amortization	7,987,457	
Claims Payable	(625,292)	
Net Pension Liability	(237,742,125)	
Accrued Interest	(6,575,588)	
Compensated Absences	(1,539,926)	(709,271,293)
Net Position Of Governmental Activities		$ (46,474,602)

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, 2015

	General Fund	District Wide Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Local Sources	$ 153,004,261	$ 79,377	$ 33,955,938	$ 187,039,576
State Funds	180,848,948	9,637,258	-	190,486,206
Federal Funds	24,209,735	-	2,935,891	27,145,626
Investment Earnings	27,131	63,774	367,959	458,864
Total Revenues	358,090,075	9,780,409	37,259,788	405,130,272
Expenditures				
Current				
Instruction	241,547,745	16,170,373	-	257,718,118
Support Services:				
Pupil Services	15,512,529	-	-	15,512,529
Improvement of Instructional Services	8,395,425	-	-	8,395,425
Educational Media Services	4,508,107	-	-	4,508,107
General Administration	4,036,345	-	-	4,036,345
School Administration	19,263,667	-	-	19,263,667
Business Administration	2,204,431	-	-	2,204,431
Maintenance and Operations	19,691,594	-	-	19,691,594
Student Transportation Services	16,125,583	873,668	-	16,999,251
Central Supports Services	3,761,432	-	-	3,761,432
Other Support Services	307,368	-	-	307,368
Community Services Operations	26,043	-	-	26,043
Food Services Operation	16,018,774	-	-	16,018,774
Capital Outlay	216,480	32,602,683	-	32,819,163
Debt Service				
Principal Retirement	-	-	16,230,000	16,230,000
Interest and Fees	50,435	-	19,132,941	19,183,376
Issuance Costs	-	974,949	-	974,949
Total Expenditures	351,665,958	50,621,673	35,362,941	437,650,572
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,424,117	(40,841,264)	1,896,847	(32,520,300)
Other Financing Sources (Uses)				
Bond Issuance	-	108,960,000	-	108,960,000
Bond Premium	-	23,515,260	-	23,515,260
Deposit With Escrow Agent	-	(70,387,328)	-	(70,387,328)
Proceeds From Sale of Capital Assets	38,144	-	-	38,144
Transfers In	8,851,532	-	9,299,357	18,150,889
Transfers Out	-	(18,150,889)	-	(18,150,889)
Total Other Financing Sources (Uses)	8,889,676	43,937,043	9,299,357	62,126,076
Net Change in Fund Balances	15,313,793	3,095,779	11,196,204	29,605,776
Fund Balance, Beginning of Year	33,827,700	39,633,656	27,951,162	101,412,518
Prior Period Adjustment	(191,888)	-	1,668,044	1,476,156
Fund Balance, End of Year	$ 48,949,605	$ 42,729,435	$ 40,815,410	$ 132,494,450

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, 2015

Net Change in Fund Balances - Total Governmental Funds		$ 29,605,776
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The amount by which capital outlays exceeded depreciation expense is as follows:		
Capital Outlay	33,960,025	
Depreciation Expense	(17,893,244)	16,066,781
The net effect of various miscellaneous transactions involving capital assets during the fiscal year decreased net position.		(281,480)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(609,871)	
Intergovernmental Grants	(1,402,645)	(2,012,516)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		10,665,801
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	(108,960,000)	
Deposit Into Escrow	70,387,328	
Bond Premium	(23,515,260)	
Principal Payments - Bonds	16,230,000	(45,857,932)
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	(15,587)	
Amortization of Bond Premium	2,334,097	
Amortization of Deferred Charge on Refunding	(1,310,068)	
Change in Claims Payable	269,622	
Change in Accrued Interest	1,413,804	2,691,868
Change in Net Position of Governmental Activities		$ 10,878,298

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

CHEROKEE COUNTY SCHOOL DISTRICT

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual

For the Fiscal Year Ended June 30, 2015

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	$ 138,093,322	$ 138,093,322	$ 153,004,261	$ 14,910,939
State Funds	188,081,145	188,081,145	180,848,948	(7,232,197)
Federal Funds	10,222,507	10,222,507	24,209,735	13,987,228
Investment Earnings	-	-	27,131	27,131
Total Revenues	336,396,974	336,396,974	358,090,075	21,693,101
Expenditures				
Instruction	223,284,296	223,284,296	241,547,745	(18,263,449)
Support Services:				
Pupil Services	14,261,003	14,261,003	15,512,529	(1,251,526)
Improvement of Instructional Services	6,881,244	6,881,244	8,395,425	(1,514,181)
Educational Media Services	4,586,287	4,586,287	4,508,107	78,180
General Administration	2,851,372	2,851,372	4,036,345	(1,184,973)
School Administration	20,606,951	20,606,951	19,263,667	1,343,284
Business Administration	2,084,148	2,084,148	2,204,431	(120,283)
Maintenance and Operations	20,052,544	20,052,544	19,691,594	360,950
Student Transportation Services	15,346,663	15,346,663	16,125,583	(778,920)
Central Support Services	3,339,346	3,339,346	3,761,432	(422,086)
Other Support Services	1,320,886	1,320,886	307,368	1,013,518
Community Services Operations	-	-	26,043	(26,043)
Food Services Operation	16,960,750	16,960,750	16,018,774	941,976
Capital Outlay	408,000	408,000	216,480	191,520
Debt Service				
Interest and Fees	67,500	67,500	50,435	17,065
Total Expenditures	332,050,990	332,050,990	351,665,958	(19,614,968)
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,345,984	4,345,984	6,424,117	2,078,133
Other Financing Sources				
Proceeds From Sale of Capital Assets	-	-	38,144	38,144
Transfers Out	(261,556)	(261,556)	-	261,556
Transfers In	-	-	8,851,532	8,851,532
Total Other Financing Sources	-	-	8,889,676	8,889,676
Net Change In Fund Balance	4,345,984	4,345,984	15,313,793	10,967,809
Fund Balance, Beginning of Year	33,827,700	33,827,700	33,827,700	-
Prior Period Adjustment	-	-	(191,888)	-
Fund Balance, End of Year	$ 38,173,684	$ 38,173,684	48,949,605	$ 10,967,809

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

CHEROKEE COUNTY SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2015

	Agency Fund
Assets	
Cash	$ 318,582
Total Assets	$ 318,582
Liabilities	
Due to Others	$ 318,582
Total Liabilities	$ 318,582

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

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Note 1 – Description of School District and Reporting Entity

Reporting Entity

The Cherokee County School District (School District) was established under the laws of the State of Georgia and operates under the guidance of a seven member board elected by the voters and a Superintendent appointed by the Board. The 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.

In the Statement of Net Position, equity is reported as net position and consists of net investment in capital assets, amounts restricted by outside parties for specific purposes, and unrestricted amounts.

Fund Financial Statements:

The fund financial statements provide information about the School District's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal

activities. Separate statements for each category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The School District reports the following major governmental funds:

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

- The District-wide Capital Projects Fund accounts for financial resources including Educational Special Local Option Sales Tax (ELOST), bond proceeds, and grants from the Georgia State Financing and Investment Commission that are restricted, committed, or assigned for capital outlay expenditures, including the acquisition or construction of capital facilities and other capital assets.

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

The School District reports the following fiduciary fund type:

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

Basis of Accounting

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

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

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

been satisfied. 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

For fiscal year 2015, the School District made prior period adjustments due to the adoption of GASB Statement No. 68 and GASB Statement No. 71, and various errors and omissions, which require the restatement of the June 30, 2014 net position in governmental activities and fund balance in the governmental funds. The result is a decrease in governmental activities net position at July 1, 2014 of $304,804,200 and an increase in fund balance of the governmental funds at July 1, 2014 of $1,476,156. These changes are in accordance with generally accepted accounting principles.

Net Position, July 1, 2014 as Previously Reported	$ 247,451,300
Proportionate Share of TRS Net Pension Liability	(329,855,766)
Contributions Subsequent to Measurement Date	23,575,410
Corrections of Accounts Receivable	(756,157)
Unrecorded Debt Service Account	2,232,313
Net Position, July 1, 2014, as Restated	$ (57,352,900)
Fund Balance, July 1, 2014, as Previously Reported	$ 101,412,518
Corrections of Accounts Receivable	(756,157)
Unrecorded Debt Service Account	2,232,313
Fund Balance, July 1, 2014, as Restated	$ 102,888,674

New Accounting Pronouncement

In fiscal year 2015, the School District adopted 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 requires a restatement to beginning net position. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning net position for the cumulative effect of this accounting change.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations.* This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This statement also requires that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The School District did not have any activities of this type during the fiscal year and the adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2015, the School District adopted Governmental Accounting Standards Board (GASB) Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* - an *amendment of GASB No. 68.* The objective of this statement is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of the statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The adoption of this statement has a significant impact on the School District's financial statements. As noted above, the School District restated beginning net position for the cumulative effect of this accounting change.

Cash and Cash Equivalents

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

Investments

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

Funds may be invested in the following:

- Obligations issued by the State of Georgia or by other states,
- Obligations issued by the United States Government,
- Obligations fully insured or guaranteed by the United States government or a United States government agency,
- Obligations of any corporation of the United States government,
- Prime banker's acceptances,

- The Georgia Fund 1 investment pool administered by the State of Georgia, Office of Treasury and Fiscal Services,
- Repurchase agreements
- Obligations of the other political subdivisions of the State of Georgia.

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

Receivables

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

Property Taxes

The Cherokee County Board of Commissioners adopted the property tax levy for the 2014 tax digest year on July 24, 2014 (levy date) to be paid by December 20, 2014 Taxes collected within the current fiscal year or within 60 days after year-end on the 2014 tax digest are reported as revenue in the governmental funds for fiscal year 2015. 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, 2015, for maintenance and operations amounted to $112,765,514 and for school bonds amounted to $31,989.

Tax millage rates levied for the 2014 tax year for the Cherokee County School District were as follows (a mil equals $1 per thousand dollars of assessed value):

School Operations	19.45 mils

Additionally, Title Ad Valorem Tax revenues at the fund reporting level amounted to $9,492,090.

Sales Taxes

Educational Local Option Sales Tax revenue, at the fund reporting level, during the year amounted to $33,612,150 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Inventories

Food Inventories: On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their federally assigned value and purchased foods inventories are reported at cost using the first-in, first-out method. The School District

uses the consumption method to account for inventories whereby donated food commodities are recorded as an asset and as revenue when received, and expenses/expenditures are recorded as the inventory items are used. Purchased foods are recorded as an asset when purchased and expenses are recorded as the inventory items are used.

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

Capital Assets

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

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

Description	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	$ 10,000	20 Years
Buildings	$ 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 will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and therefore will not be recognized as an outflow of resources (expense) until then. The governmental activities report a deferred outflows of resources related to the defined benefit pension plan contributions made after the net pension liability valuation date, during fiscal 2015. Additionally, the School District has reported a deferred outflow of resources for the deferred charge on refunded debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price.

In addition to liabilities, the Statement of Net Position and/or the Balance Sheet will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. On the Statement of Net Position, the School District has reported deferred inflows of resources that derive from changes in the value of the defined benefit pension plan. This item is reported only in the District-wide Statement of Net Position. Additionally, the School District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reporting only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and grants and these amounts are deferred and will be recognized as an inflow of resources in the period in which the amounts become available.

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. In addition, general obligation bonds have been issued to refund existing general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the School District. The outstanding amount of these bonds is recorded in the Statement of Net Position.

Service Concession Arrangements

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

- The School District conveys to the operator the right and obligation to provide public services through the use and operation of a capital asset in exchange for significant

consideration. Significant consideration could be in the form of up-front payments, installment payments, a new facility or improvements to existing facility.

- The operator collects and is compensated by fees from third parties.
- The School District has the ability to modify or approve what services the operator is required to provide, to whom service are provided, and prices or rates that can be charged for those services.
- 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, 2015, the School District was not participating in any service concession arrangements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers' Retirement System of Georgia (TRS) and the Public School Employees Retirement System (PSERS) and additions to/deductions from TRS/PSERS's fiduciary net position have been determined on the same basis as they are reported by TRS/PSERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 16 - Retirement Plans.

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 is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of Net Investment of Capital Assets and Restricted Net Position. Included in the net deficit reported is the School District's Net Pension Liability of $237,742,125 which is required for financial reporting.

Fund Balances

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

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

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

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

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

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

It is the initial goal of the School District to achieve and maintain an unassigned fund balance in the General Fund at fiscal year-end of not less than 12-15% of prior year general fund budgeted expenditures and not to exceed 15% of the total budget of the subsequent fiscal year, net of any committed reserve balance for capital expenditures and assigned fund balances "to cover unanticipated deficiencies in revenue or unanticipated expenditures," in compliance with O.C.G.A. §20-2-167(a)5. If the total of the unassigned, assigned, and committed fund balances (net of the previous allowances) at fiscal year-end falls below this goal, the District shall develop a short and long range restoration plan to achieve and maintain the minimum fund balance. Unbudgeted Activity funds shall be excluded from the calculation. 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, and the Capital Projects Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function, and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was

not prepared in accordance with accounting principles generally accepted in the United States of America.

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

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

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

Budgetary/GAAP Basis Reconciliation

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

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

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

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

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	$ 358,090,075
Add TAN Proceeds	21,000,000
Less On Behalf Contributions	(792,794)
Actual Revenues, Budgetary Basis	$ 378,297,281
Actual Expenditures, GAAP Basis	$ 351,665,958
Add Payback of TAN Principal	21,000,000
Less On Behalf Benefits Expenditures	(792,794)
Actual Expenditures, Budgetary Basis	$ 371,873,164
Other Financing Sources (Uses), Net GAAP Basis	$ 8,889,676
Other Financing Sources (Uses), Net Budgetary Basis	8,889,676
Revenues Over Expenditures and Other Financing Sources (Uses), Budgetary Basis	15,313,793
Revenues Over Expenditures and Other Financing Sources (Uses), GAAP Basis	$ 15,313,793

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, 2015, 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, 2015, the School District had deposits with a carrying amount of $40,066,390, which includes $582,781 in Certificates of Deposit that are recorded as investments. Bank balances at June 30, 2015 were $42,244,431. The deposit balances insured by Federal depository insurance were $7,029,491 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 $35,214,940.

Categorization of Investments

At June 30, 2015, the carrying value of the School District's total investments was $88,522,822 which is materially the same as fair value. This includes $582,781 invested in Certificates of Deposit which are collateralized in the same manner as other cash deposits.

At June 30, 2015 the School District's investments consisted of funds invested in the Georgia Fund 1, formerly referred to as the Local Government Investment Pool, Treasury/Agency Securities held through the Securities Service Network, and Certificates of Deposits at various financial institutions within the State of Georgia. The Georgia Fund 1 is administered by the State of Georgia, Office of 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 Treasury and Fiscal Services for the Georgia Fund 1 (Primary Liquidity Portfolio and Extended Asset Portfolio) does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the State of Georgia Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at http://www.audits. ga.gov/SGD/cafr.html.

The Primary Liquidity Portfolio consists of Georgia Fund 1 which is not registered with the SEC as an investment company 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 of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2015, was 56 days.

The School District's investments in the Georgia Fund 1, the agency/treasury securities, certificates of deposit, and debt service investment accounts as of June 30, 2015 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	$ 77,467,693	56 Days
Certificates of Deposit	582,781	1-5 Years
Repurchase Agreement	10,472,348	Less Than One Year
Total	$ 88,522,822	

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, 2015, $11,055,129 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	Unrated
Repurchase Agreement	10,472,348	10,472,348
Total	$ 10,472,348	$ 10,472,348

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, 2015:

Governmental Activities:	Balance July 1, 2014	Additions	Deletions and Transfers	Balance June 30, 2015
Capital Assets Not Being Depreciated				
Land	$ 30,448,816	$ 417,076	$ (188,419)	$ 30,677,473
Construction in Progress	9,681,714	25,713,953	(2,620,553)	32,775,114
Total	40,130,530	26,131,029	(2,808,972)	63,452,587
Capital Assets Being Depreciated				
Buildings and Improvements	666,028,013	3,013,652	(3,804,638)	665,237,027
Equipment	39,592,212	3,709,166	(4,821,203)	38,480,175
Land Improvements	17,403,335	3,048,497	(431,824)	20,020,008
Total	723,023,560	9,771,315	(9,057,665)	723,737,210
Less Accumulated Depreciation For:				
Buildings and Improvements	(147,967,454)	(14,633,181)	4,679,539	(157,921,096)
Equipment	(31,593,415)	(2,667,174)	4,531,076	(29,729,513)
Land Improvements	(12,055,763)	(592,889)	431,824	(12,216,828)
Total	(191,616,632)	(17,893,244)	9,642,439	(199,867,437)
Capital Assets Being Depreciated, Net	531,406,928	(8,121,929)	584,774	523,869,773
Governmental Activities Capital Assets, Net	$ 571,537,458	$ 18,009,100	$ (2,224,198)	$ 587,322,360

Depreciation expense by function:

Instruction	$ 15,105,882
General Administration	684,873
School Administration	112,832
Support Services - Business	44,148
Maintenance and Operation	100,926
Student Transportation Services	1,835,792
School Nutrition Program	8,791
Total Depreciation	$ 17,893,244

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, 2015, consisted of the following:

	Due From Other Funds	Due To Other Funds
General Fund	$ 3,594,337	$ 3,046
Capital Projects Fund	-	3,594,337
Debt Service Fund	3,046	-
	$ 3,597,383	$ 3,597,383

Note 8 - Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following:

Transfer From	Transfer To	Amount
Capital Projects Fund	General Fund	$ 8,851,532
Capital Projects Fund	Debt Service Fund	9,299,357
		$ 18,150,889

Transfers were moved from the Capital Projects Fund during the year to provide supplemental funding for capital construction projects and reimburse the Debt Service Fund for scheduled bond interest payments.

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
2015	$ 894,914	$ 1,101,893	$ (1,371,515)	$ 625,292
2014	1,123,843	852,292	(1,081,221)	894,914

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
2015	$ -	$ 54,485	$ (54,485)	$ -
2014	-	147,870	(147,870)	-

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
2015	$ 76,374	$ 2,372,197	$ (2,368,503)	$ 80,068
2014	67,748	2,207,839	(2,199,213)	76,374

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

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

Note 10 – Operating Leases

The Cherokee County School District has entered into various lease agreements as lessee for office equipment. These leases are considered for accounting purposes to be operating leases. Lease expenditures for the year ended June 30, 2015 amounted to $333,054.

Future minimum lease payments for these leases are as follows:

Year Ending	Lease Payments
2016	$ 309,498
2017	309,498
2018	25,792
Total	$ 644,788

Note 11 – Short-term Debt

During fiscal 2015, the School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt was to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75 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	$ -	$ 21,000,000	$ (21,000,000)	$ -

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 2015, the Cherokee County Board of Education issued $108,960,000 in General Obligation Bonds. A portion of the issue was used to advance refund $64,000,000 of outstanding bonds. The bond issue of $108,960,000, plus premiums of $23,515,260 less underwriters and bond issuance cost of $974,949 provided net proceeds of $131,500,312. Of those proceeds, $70,387,328 was 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 13 years beginning in fiscal year 2015 by a combined amount of $7,748,708 and to obtain an economic gain of $5,852,324.

General Obligation Debt Outstanding

General Obligation Bonds currently outstanding are as follows:

General Obligation Bonds:	Balance June 30, 2015
2006 Series, 3.50%-4.75%, Matures 8/1/2017	$ 12,825,000
2007A Series, 3.60%-5.00%, Matures 8/1/2028	9,000,000
2007B Series, 5.00%, Matures 8/1/2017	34,380,000
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
2015 Series, 4.00%-5.00%, Matures 2/1/2033	108,960,000
Total General Obligation Bonds	$ 425,260,000

Voters have authorized $24,675,000 in general obligation debt for capital outlay projects and the costs of issuing and paying capitalized interest, which was not issued as of June 30, 2015.

The changes in general long-term debt during the year ended June 30, 2015, were as follows:

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 396,530,000	$ 108,960,000	$ (80,230,000)	$ 425,260,000	$ 17,635,000
Bond Premiums	25,594,630	23,515,260	(3,594,071)	45,515,819	3,880,419
Claims Payable	894,914	1,101,893	(1,371,515)	625,292	625,292
Net Pension Liability	329,855,766	17,107,966	(109,221,607)	237,742,125	-
Compensated Absences	1,524,339	690,878	(675,291)	1,539,926	675,291
Total	$ 754,399,649	$ 151,375,997	$ (195,092,484)	$ 710,683,162	$ 22,816,002

At June 30, 2015, 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
2016	$ 17,635,000	$ 17,179,786	$ 3,880,419
2017	19,210,000	17,711,019	3,836,558
2018	21,575,000	18,025,032	4,754,000
2019	9,420,000	18,572,357	4,372,765
2020	16,110,000	17,925,557	4,237,917
2021-2025	137,220,000	72,419,830	16,652,207
2026-2030	165,795,000	29,639,902	6,640,942
2031-2035	38,295,000	3,694,513	1,141,011
Total	$ 425,260,000	$ 195,167,996	$ 45,515,819

Note 13 - On-Behalf Payments

The School District has recognized revenues and costs in the amount of $792,794 for health insurance and retirement contributions paid on the School District's behalf by the following State agencies:

- Georgia Department of Education paid to the Teachers Retirement System of Georgia (TRS) employer's cost in the approximate amount of $122,023.

- 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 $670,771.

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, 2015, together with funding available:

Project	Unearned Executed Contracts
Dean Rusk Middle	$ 13,486,400
Total	$ 13,486,400

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 Post-employment 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 Benefit 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, 2015:

Certified Employees	
July 1, 2014-June 30 2015	$945.00 per member per month
Non-Certified Employees	
July 1, 2014-June 30 2015	$596.20 per member per month

No additional contribution was required by the Board for fiscal year 2015 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
2015	100%	$ 33,900,291
2014	100%	32,217,856
2013	100%	31,119,034

Note 16 - Retirement Plans

1) Teachers Retirement System of Georgia (TRS)

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

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6.00 % of their annual pay during fiscal year 2015. The school district's contractually required contribution rate for the year ended June 30, 2015 was 13.15% of annual school district payroll.

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

Fiscal Year	Percentage Contributed	Required Contribution
2015	100%	$ 26,600,262
2014	100%	23,551,556
2013	100%	21,799,182

2) Public School Employees Retirement System (PSERS)

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

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

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

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

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

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

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2015, the School District reported a liability of $237,742,125 for its proportionate share of the net pension liability for TRS.

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

School District's Proportionate Share of the Net Pension Liability	$ 237,742,125
State of Georgia's Proportionate Share of the Net Pension Liability Associated with the School District	1,057,565
Total	$ 238,799,690

The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The School District's proportion of the net pension liability was based on contributions to TRS and ERS during the fiscal year ended June 30, 2014.

At June 30, 2014, the School District's TRS proportion was 1.88%, which was a decrease of .011% from its proportion measured as of June 30, 2013.

At June 30, 2015, the School District did not have a PSERS liability for a proportionate share of the Net Pension Liability because of a Special Funding Situation with the State of Georgia, which is responsible for the Net Pension Liability of the plan. The amount of the State's proportionate share of the Net Pension Liability associated with the School District is $1,997.884.

The PSERS net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2013. An expected total pension liability as of June 30, 2014 was determined using standard roll-forward techniques. The State's proportion of the net pension liability associated with the School District was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2014.

For the year ended June 30, 2015, the School District recognized pension expense of 16,934,462 for TRS and $173,504 for PSERS. The School District recognized revenue of $12,149 for TRS and $173,504 for PSERS. The revenue is support provided by the State of Georgia. For TRS the State of Georgia support is provided only for certain support personnel.

At June 30, 2015, the School District reported deferred outflows of resource and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ -	$ 82,881,944
Changes in proportion and differences between District contributions and proportionate share of contributions	-	1,590,749
District contributions subsequent to the measurement date	26,600,262	-
Total	$ 26,600,262	$ 84,472,693

The Cherokee County School District contributions subsequent to the measurement date of June 30, 2014 for TRS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2016	(21,082,015)
2017	(21,082,015)
2018	(21,082,015)
2019	(21,082,015)
2020	(144,614)
Thereafter	-

***Actuarial assumptions*:** The total pension liability as of June 30, 2014 was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Teachers Retirement System:

Inflation	3.00%
Salary increases	3.75 – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females set back two years for males and set back three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

Public School Employees' Retirement System

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the

RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return*
Fixed Income	30.00%	3.00%
Domestic Large Stocks	39.70%	6.50%
Domestic Mid Stocks	3.70%	10.00%
Domestic Small Stocks	1.60%	13.00%
International Developed Market Stocks	18.90%	6.50%
International Emerging Market Stocks	6.10%	11.00%
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

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

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

Teachers Retirement System:	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
School Districts Proportionate Share of the Net Pension Liability	$ 438,126,838	$ 237,742,125	$ 72,729,475

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

Payables to the pension plan: At June 30, 2015, the School District reported a payable in the amount of 3,269,504 to the TRS plan for the employee and employer contributions attributable to June of 2015.

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
2015	100%	$ 109,560
2014	100%	128,632
2013	100%	158,349

Note 17 – Contingencies

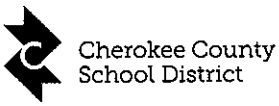
Amounts received or receivable principally from the Federal government are subject to audit and review by grantor agencies. This could result in requests for reimbursement to the grantor agency for any costs which are disallowed under grant terms. The School District believes that such disallowances,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

Subsequent to the date of the financial statements, the School District approved the issuance of $42,970,000 in Series 2016 General Obligation Refunding bonds to refund all of the amount of the 2009A Series General Obligation bonds that are maturing August 1, 2020 and thereafter in the principal amount of $42,990,000. These bonds are expected to be issued in May of 2016.

REQUIRED SUPPLEMENTARY INFORMATION



CHEROKEE COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Teacher Retirement System of Georgia
For the Fiscal Year Ended June 30, 2015

	2015
District's Proportion of the Net Pension Liability	1.881812%
District's Proportionate Share of the Net Pension Liability	$ 237,742,125
State of Georgia's Proportionate Share of the Net Pension Liability Associated With the School District	1,057,565
Total	$ 238,799,690
District's Covered Employee Payroll	203,096,846
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	117.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.03%

Changes in Assumptions:

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

Method and Assumptions Used in Calculations of Actuarially Determined Contributions:

The actuarially determined contribution rates in the Schedule of Contributions are calculated as of June 30, three years prior to the end of the fiscal year ini which contributions are reported. The following actuarial methods and assumptions were used to determine the contractually required contributions for year ended June 30, 2015 reported in that schedule.

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 Years
Asset Valuation Method	Seven-year Smoothed Market
Inflation Rate	3.00%
Salary Increases	3.75-7.00%, Including Inflation
Investment Rate of Return	7.50%, Net of Pension Plan Investment Expense, Including Inflation

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CHEROKEE COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of Contributions-Teacher Retirement System of Georgia
For the Two Previous Fiscal Periods

	2015	2014
Contractually Required Contributions	$ 26,600,262	$ 23,551,556
Contributions in Relation to the Contractually Required Contributions	26,600,262	23,551,556
Contribution Deficiency/(Excess)	$ -	$ -
District's Covered Employee Payroll	$ 203,096,846	$ 192,776,926
Contribution as a Percentage of its Covered Employee Payroll	13.10%	12.22%

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

CHEROKEE COUNTY SCHOOL DISTRICT
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability
Public Schools Employee Retirement System of Georgia
For the Fiscal Year Ended June 30, 2015

	2015
District's Proportion of the Net Pension Liability	0.0%
District's Proportionate Share of the Net Pension Liability	$ -
State of Georgia's Proportionate Share of the Net Pension Liability Associated With the School District	1,997,884
Total	$ 1,997,884
District's Covered Employee Payroll	$ 8,399,160
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	N/A
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	88.29%

Changes in Assumptions:
The last experience investigation was prepared for the five-year period ending June 30, 2009, and based on the results of the investigation various assumptions and methods were revised and adopted by the Board on December 16, 2010. The next experience investigation will be prepared for the period July 1, 2009 through June 30, 2014.

Note: Schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTARY INFORMATION

Cherokee County
School District

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Educational Local Option Sales Tax Proceeds
For the Fiscal Year Ended June 30, 2015

2012 SPLOST

Project	Original Estimated Cost [1]	Current Estimated Costs [2]	Amount Expended In Prior Year [3]	Amount Expended In Current Years [3]	Total	Project Status
Payment of a portion of the principal and interest on the Series 2003, Series 2006, Series 2007, Series 2009, Series 2010, and Series 2011 General Obligation Bonds along with acquisition, construction, equipping, adding to, renovating, improving school facilities; acquiring, installing, and equipping portable classrooms; acquiring, installing, and implementing system-wide technology improvements; acquiring school buses; acquiring any property useful or desirable both real and personal	$ 170,000,000	$ 170,000,000	$ 56,774,646	$ 49,646,725	$ 106,421,371	Ongoing
Totals	$ 170,000,000	$ 170,000,000	$ 56,774,646	$ 49,646,725	$ 106,421,371	

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

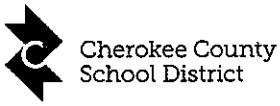
(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

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

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

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

COMPLIANCE SECTION



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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

LLOYD WILLIAMSON
CHRISTIAN HATCH

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated April 30, 2016.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Williamson and Company

Williamson and Company
Certified Public Accountants
April 30, 2016

Financial Statement Findings and Responses

None Reported

Status of Prior Year Findings and Questioned Costs

Finding 2014-001 Inadequate Internal Controls over 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 fiscal 2014 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 Fund 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.

Status: Corrective action implemented in fiscal 2015.

Finding 2014-002 Inadequate Internal Controls over Financial Reporting

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, skill, and experience to prepare GAAP based financial statements that 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.

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.

Status: Corrective action implemented in fiscal 2015.

Finding 2014-003 Inadequate Internal Controls over Payables

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.

Status: Corrective action implemented in fiscal 2015.

2014-004 Inadequate Internal Controls over Capital Assets

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 and improvement and building projects in the amounts of $1,469,916 and $319,622, respectively, before the projects were substantially complete.
    - 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.

Status: Corrective action implemented in fiscal 2015.