

Cherokee County School District

Canton, Georgia

Annual Financial Report

Fiscal Year Ended June 30, 2016

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CHEROKEE COUNTY SCHOOL DISTRICT
Annual Financial Report
Fiscal Year Ended June 30, 2016

Table of Contents

Financial Section

Independent Auditor's Report 1

Basic Financial Statements:

District-wide Financial Statements:

Statement of Net Position 6

Statement Of Activities 7

Fund Financial Statements:

Balance Sheet - Governmental Funds 8

Reconciliation of the Balance Sheet to the Statement of Net Position 9

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds 10

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities 11

General Fund - Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual 12

Statement of Fiduciary Assets and Liabilities - Agency Fund 13

Notes to the Basic Financial Statements 15

Required Supplementary Information

Schedule of Proportionate Share of Net Pension Liability - Teachers Retirement System of Georgia 42

Schedule of Contributions - Teachers Retirement System of Georgia 43

Schedule of Proportionate Share of Net Pension Liability - Public Schools Employee Retirement System of Georgia 44

Notes to the Required Supplementary Information 45

Other Supplementary Information

Schedule of Expenditures of Educational Local Option Sales Tax Proceeds 48

Compliance Section

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* 51

Financial Statement Findings and Responses and Status of Prior Year Findings and Questioned Costs 53

Schedule of Expenditures of Federal Awards 54

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FINANCIAL SECTION

Cherokee County
School District

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LLOYD WILLIAMSON
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District (the "School District"), as of and for the year ended June 30, 2016, 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, 2016, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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, the Schedule of Proportionate Share of Net Pension Liability–Public Schools Employee Retirement System of Georgia, and the Notes to the Required Supplementary Information on pages 42-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

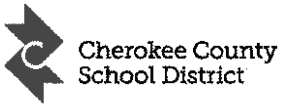
In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2017 on our consideration of the Cherokee County School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and 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
January 15, 2017

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BASIC FINANCIAL STATEMENTS



CHEROKEE COUNTY SCHOOL DISTRICT

Statement of Net Position

June 30, 2016

	Governmental Activities
Assets	
Cash and Cash Equivalents	$ 96,928,296
Investments	12,887,231
Receivables	
Taxes	6,326,768
State Government	27,960,239
Federal Government	4,241,114
Other	775,588
Inventory	730,560
Capital Assets, Nondepreciable	34,222,777
Capital Assets, Net	555,681,174
Total Assets	739,753,747
Deferred Outflow of Resources	
Pension Contributions	34,980,039
Deferred Charges	11,377,914
Total Deferred Outflows of Resources	46,357,953
Total Assets and Deferred Outflows of Resources	786,111,700
Liabilities	
Accounts Payable	4,814,184
Salaries and Benefits Payable	30,766,090
Accrued Interest Payable	5,714,806
Retainage Payable	547,244
Net Pension Liability	291,638,386
Long-term Liabilities	
Due Within One Year	25,664,026
Due in More Than One Year	431,321,836
Total Liabilities	790,466,572
Deferred Inflows of Resources	
Related to Pension Plan	28,394,330
Total Deferred Inflows of Resources	28,394,330
Total Liabilities and Deferred Inflows of Resources	818,860,902
Net Position	
Net Investment In Capital Assets	135,165,188
Restricted For:	
Capital Projects	17,679,063
Debt Service	41,116,073
Unrestricted	(226,709,526)
Total Net Position	$ (32,749,202)

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, 2016

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	$ 268,277,389	$ 12,482,920	$ 174,975,583	$ 6,611,098	$ (74,207,788)
Support Services					
Pupil Services	15,585,477	-	776,581	-	(14,808,896)
Improvement of Instruction Services	10,728,571	-	1,331,684	-	(9,396,887)
Educational Media Services	4,223,845	-	4,336,646	-	112,801
General Administration	4,417,958	67,686	1,459	-	(4,348,813)
School Administration	20,992,806	-	8,125,890	-	(12,866,916)
Business Administration	2,307,908	177,618	1,316	-	(2,128,974)
Maintenance and Operations	24,048,694	-	10,412,346	-	(13,636,348)
Student Transportation Services	18,706,517	-	1,354	2,038,989	(16,666,174)
Central Support Services	4,192,381	-	3,966,651	-	(225,730)
Other Support Services	326,095	-	199	-	(325,896)
Operations of Noninstructional Services:					
Community Service Operations	1,974,761	-	-	-	(1,974,761)
Food Services Operations	16,221,840	6,544,616	9,648,214	-	(29,010)
Interest on Long-term Debt	19,922,135	-	-	-	(19,922,135)
Total Governmental Activities	$ 411,926,377	$ 19,272,840	$ 213,577,923	$ 8,650,087	(170,425,527)
General Revenues:					
Taxes:					
Property Tax, Levied for General Purposes					143,581,684
Property Tax, Levied for Debt Service					266,606
Educational Local Option Sales Tax					34,898,795
Grants and Contributions Not Restricted to Specific Programs					4,492,797
Restricted Investment Earnings					555,927
Unrestricted Investment Earnings					82,046
Gain on Disposal of Capital Assets					273,072
Total General Revenues					184,150,927
Change in Net Position					13,725,400
Net Position - Beginning of Year					(46,474,602)
Net Position - End of Year					$ (32,749,202)

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

CHEROKEE COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	District-Wide Capital Projects	Debt Service	Total Governmental Funds
Assets				
Cash and Cash Equivalents	$ 50,252,183	$ 20,990,731	$ 25,685,382	$ 96,928,296
Investments	561,051	-	12,326,180	12,887,231
Receivables				
Taxes	3,222,257	-	3,104,511	6,326,768
State Government	27,960,239	-	-	27,960,239
Federal Government	4,241,114	-	-	4,241,114
Other	775,588	-	-	775,588
Inventory	730,560	-	-	730,560
Total Assets	$ 87,742,992	$ 20,990,731	$ 41,116,073	$ 149,849,796
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	$ 2,049,760	$ 2,764,424	$ -	$ 4,814,184
Salaries and Benefits Payable	30,766,090	-	-	30,766,090
Retainage Payable	-	547,244	-	547,244
Total Liabilities	32,815,850	3,311,668	-	36,127,518
Deferred Inflows of Resources				
Unearned Revenue	902,927	-	6,723	909,650
Total Deferred Inflows of Resources	902,927	-	6,723	909,650
Fund Balances				
Nonspendable				
Inventory	730,560	-	-	730,560
Restricted				
Debt Service	-	-	41,109,350	41,109,350
Capital Projects	-	17,679,063	-	17,679,063
Committed				
School Food Services	3,612,418	-	-	3,612,418
School Activities	5,009,960	-	-	5,009,960
Unassigned	44,671,277	-	-	44,671,277
Total Fund Balances	54,024,215	17,679,063	41,109,350	112,812,628
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 87,742,992	$ 20,990,731	$ 41,116,073	$ 149,849,796

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, 2016

Total Fund Balances Governmental Funds		$ 112,812,628
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	806,716,329	
Less Accumulated Depreciation	(216,812,378)	589,903,951
Taxes that are not available to pay for current period expenditures are deferred in the governmental funds.		
Property Taxes		909,650
Deferred Ouflows and Inflows of Resources related to bond refundings and pensions are applicable to futurer periods and, therefore, are not reported in the governmental funds.		
Loss on Bond Refunding, Net of Amortization	11,377,914	
Pension Contributions	34,980,039	
Changes in Value of Plan	(28,394,330)	17,963,623
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable	(405,430,000)	
Bond Premium, Net of Amortization	(49,308,763)	
Claims Payable	(678,677)	
Net Pension Liability	(291,638,386)	
Accrued Interest	(5,714,806)	
Compensated Absences	(1,568,422)	(754,339,054)
Net Position Of Governmental Activities		$ (32,749,202)

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, 2016

	General Fund	District Wide Capital Projects	Debt Service	Total Governmental Funds
Revenues				
Local Sources	$ 163,783,301	$ 411,209	$ 35,165,401	$ 199,359,911
State Funds	192,094,540	6,611,098	-	198,705,638
Federal Funds	23,501,006	-	2,941,724	26,442,730
Investment Earnings	82,046	110,601	445,325	637,972
Total Revenues	379,460,893	7,132,908	38,552,450	425,146,251
Expenditures				
Current				
Instruction	251,007,280	10,180,529	-	261,187,809
Support Services:				
Pupil Services	16,038,553	-	-	16,038,553
Improvement of Instructional Services	11,042,810	-	-	11,042,810
Educational Media Services	4,363,287	-	-	4,363,287
General Administration	3,735,252	-	-	3,735,252
School Administration	21,604,006	-	-	21,604,006
Business Administration	2,337,761	-	-	2,337,761
Maintenance and Operations	24,044,944	-	-	24,044,944
Student Transportation Services	17,133,040	1,334,618	-	18,467,658
Central Supports Services	4,252,068	-	-	4,252,068
Other Support Services	337,298	-	-	337,298
Community Services Operations	1,974,761	-	-	1,974,761
Food Services Operation	16,274,962	-	-	16,274,962
Capital Outlay	525,730	20,529,556	-	21,055,286
Debt Service				
Principal Retirement	-	-	17,635,000	17,635,000
Interest and Fees	49,512	-	20,623,510	20,673,022
Issuance Costs	-	512,472	-	512,472
Total Expenditures	374,721,264	32,557,175	38,258,510	445,536,949
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,739,629	(25,424,267)	293,940	(20,390,698)
Other Financing Sources (Uses)				
Bond Issuance	-	42,685,000	-	42,685,000
Bond Premium	-	8,766,142	-	8,766,142
Deposit With Escrow Agent	-	(50,938,669)	-	(50,938,669)
Proceeds From Sale of Capital Assets	196,403	-	-	196,403
Transfers In	138,578	-	-	138,578
Transfers Out	-	(138,578)	-	(138,578)
Total Other Financing Sources (Uses)	334,981	373,895	-	708,876
Net Change in Fund Balances	5,074,610	(25,050,372)	293,940	(19,681,822)
Fund Balance, Beginning of Year	48,949,605	42,729,435	40,815,410	132,494,450
Fund Balance, End of Year	$ 54,024,215	$ 17,679,063	$ 41,109,350	$ 112,812,628

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, 2016

Net Change in Fund Balances - Total Governmental Funds		$ (19,681,822)
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	22,389,904	
Depreciation Expense	(18,157,640)	4,232,264
The net effect of various miscellaneous transactions involving capital assets during the fiscal year increased net position.		252,336
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes		57,338
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.		
Change in Deferred Outflows	8,379,777	
Change in Deferred Inflows	56,078,363	
Change in Net Pension Liability	(53,896,261)	10,561,879
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	(42,685,000)	
Deposit Into Escrow	50,938,669	
Bond Premium	(8,766,142)	
Principal Payments - Bonds	17,635,000	17,122,527
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Amortization of Bond Premium	3,792,344	
Amortization of Deferred Charge on Refunding	(3,390,457)	
Change in Claims Payable	(53,385)	
Change in Compensated Absences	(28,496)	
Change in Accrued Interest	860,872	1,180,878
Change in Net Position of Governmental Activities		$ 13,725,400

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, 2016

	Original Budget	Final Budget	Actual	Variance With Final Budget
Revenues				
Local Sources	$ 145,516,696	$ 145,516,696	$ 163,783,301	$ 18,266,605
State Funds	201,452,301	201,452,301	192,094,540	(9,357,761)
Federal Funds	10,300,935	10,300,935	23,501,006	13,200,071
Investment Earnings	-	-	82,046	82,046
Total Revenues	357,269,932	357,269,932	379,460,893	22,190,961
Expenditures				
Instruction	237,239,687	237,239,687	251,007,280	(13,767,593)
Support Services:				
Pupil Services	14,002,436	14,002,436	16,038,553	(2,036,117)
Improvement of Instructional Services	8,345,299	8,345,299	11,042,810	(2,697,511)
Educational Media Services	4,527,564	4,527,564	4,363,287	164,277
General Administration	2,960,498	2,960,498	3,735,252	(774,754)
School Administration	21,267,041	21,267,041	21,604,006	(336,965)
Business Administration	2,349,845	2,349,845	2,337,761	12,084
Maintenance and Operations	22,807,017	22,807,017	24,044,944	(1,237,927)
Student Transportation Services	17,361,513	17,361,513	17,133,040	228,473
Central Support Services	3,612,469	3,612,469	4,252,068	(639,599)
Other Support Services	1,247,714	1,247,714	337,298	910,416
Community Services Operations	-	-	1,974,761	(1,974,761)
Food Services Operation	18,656,057	18,656,057	16,274,962	2,381,095
Capital Outlay	169,683	169,683	525,730	(356,047)
Debt Service				
Interest and Fees	48,033	48,033	49,512	(1,479)
Total Expenditures	354,594,856	354,594,856	374,721,264	(20,126,408)
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,675,076	2,675,076	4,739,629	2,064,553
Other Financing Sources				
Proceeds From Sale of Capital Assets	-	-	196,403	196,403
Transfers In	-	-	138,578	138,578
Total Other Financing Sources	-	-	334,981	334,981
Net Change In Fund Balance	2,675,076	2,675,076	5,074,610	2,399,534
Fund Balance, Beginning of Year	48,949,605	48,949,605	48,949,605	-
Fund Balance, End of Year	$ 51,624,681	$ 51,624,681	54,024,215	$ 2,399,534

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, 2016

	Agency Fund
Assets	
Cash	$ 398,417
Total Assets	$ 398,417
Liabilities	
Due to Others	$ 398,417
Total Liabilities	$ 398,417

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

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Note 1 – Description of School District and Reporting Entity

Reporting Entity

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

Note 2 - Summary of Significant Accounting Policies

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

Basis of Presentation

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

District-wide Statements:

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

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

1. **Net investment in capital assets** consists of the School District's total investment in capital assets, net of accumulated depreciation, and reduced by outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

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

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

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

Fund Financial Statements:

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

The School District reports the following major governmental funds:

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

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

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

The School District reports the following fiduciary fund type:

- Agency Fund accounts for assets of the school activity funds held by the School District in a purely custodial capacity (assets equal liabilities) and do not involve measurement of operations.

Basis of Accounting

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

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

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

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

New Accounting Pronouncement

In fiscal year 2016, the School District adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* The provisions of this statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School District did not have any items that required a reassessment of value for reporting purposes as a result of adoption of this statement.

In fiscal year 2016, the School District adopted GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68.* This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68 for pension plans and pensions that are within their respective scopes. The adoption of this statement does not have a significant impact on the School District's financial statements.

In fiscal year 2016, the School District adopted GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. If an external investment pool meets the criteria in this statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. The School District participates in an external investment pool, the State of Georgia local government investment pool (Georgia Fund 1), which does not meet the criteria of this statement. Therefore, the investment in this pool is measured at fair value as provided in paragraph 11 of GASB Statement No. 31, as amended.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, investments in the State of Georgia local government investment pool (Georgia Fund 1) and short-term investments with original maturities of three months or less from the date of acquisition in authorized financial institutions. Official Code of Georgia Annotated (O.C.G.A.) §45-8-14 authorizes the School District to deposit its funds in one or more solvent banks, insured Federal savings and loan associations, or insured chartered building and loan associations.

Investments

The School District can invest its funds as permitted by O.C.G.A. §36-83-4. In selecting among options for investment or among institutional bids for deposits, the highest rate of return shall be the objective, given equivalent conditions of safety and liquidity.

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

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

Receivables

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

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

Inventories

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

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

Prepaid Items

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

Capital Assets

On the District-wide financial statements, capital assets are recorded at cost where historical records are available and at estimated historical cost based on appraisals or deflated current replacement cost where no historical records exist. Donated capital assets are recorded at estimated fair market value on the date donated. The cost of normal maintenance and repairs that do not add to the value of assets or materially extend the useful lives of the assets is not capitalized. The School District does not capitalize book collections or works of art.

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of resources that applies to a future period and therefore will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of resources that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

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

Vacation leave of 12 days is awarded on a fiscal year basis to all full time personnel employed on a twelve month basis. No other employees are eligible to earn vacation leave. Vacation leave not utilized during the fiscal year may be carried over to the next fiscal year, providing such vacation leave does not exceed 45 days. Vacation leave of 20 days is awarded on a fiscal year basis to the Superintendent and there are no limits on the amount that may be carried over. Upon terminating employment, the School District pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the District-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only if they have matured, for example, as a result of employee resignations and retirements by fiscal-year end.

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

Long-term Liabilities and Bond Discounts/Premiums

In the School District's District-wide financial statements, outstanding debt is reported as liabilities. Bond premiums and discounts and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are recognized as an outflow of resources in the fiscal year in which the bonds are issued.

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

Pensions

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

Fund Balances

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

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

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

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

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

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

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

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

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

Use of Estimates

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

Property Taxes

The Cherokee County Board of Commissioners adopted the property tax levy for the 2015 tax digest year on July 23, 2015 (levy date) to be paid by December 20, 2015. Taxes collected within the current fiscal year or within 60 days after year-end on the 2015 tax digest are reported as revenue in the governmental funds for fiscal year 2016. The Cherokee County Tax Commissioner bills and collects the property taxes for the School District, withholds 2.0% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School District. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to $127,475,384 and for school bonds amounted to $6,225.

Tax millage rates levied for the 2015 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 $10,671,511 during fiscal year ended June 30, 2016.

Sales Taxes

Educational Special Purpose Local Option Sales Tax revenue, at the fund reporting level, during the year amounted to $34,898,795 and is to be used for capital outlay for educational purposes or debt service. This sales tax was authorized by local referendum and the sales tax must be re-authorized at least every five years.

Note 3 – Budgetary Data

The budget is a complete financial plan for the School District's fiscal year, and is based upon careful estimates of expenditures together with probable funding sources. The budget is legally adopted each year for the General Fund, the Debt Service Fund, and the Capital Projects Fund. There is no statutory prohibition regarding over expenditure of the budget at any level. The budget for all governmental funds, except the various school activity (principal) accounts, is prepared and adopted by fund, function, and object. The legal level of budgetary control was established by the Board at the aggregate function level. The budget for the General Fund was

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

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

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

See page 8, General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual for a detail of any over/under expenditures during the fiscal year under review.

Note 4 – Deposits, Cash Equivalents and Investments

Collateralization of Deposits

O.C.G.A. §45-8-12 provides that there shall not be on deposit at any time in any depository for a time longer than ten days a sum of money which has not been secured by surety bond, by guarantee of insurance, or by collateral. The aggregate of the face value of such surety bond and the market value of securities pledged shall be equal to not less than 110 percent of the public funds being secured after the deduction of the amount of deposit insurance. If a depository elects the pooled method (O.C.G.A. §45-8-13.1) the aggregate of the market value of the securities pledged to secure a pool of public funds shall not be less than 110 percent of the daily pool balance. As of June 30, 2016, 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, 2016, the School District had deposits with a carrying amount of $42,720,246, which includes $561,051 in Certificates of Deposit that are recorded as investments. Bank balances at June 30, 2016 were $45,579,581. The bank balances insured by Federal depository insurance were $7,217,005 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 $38,362,576.

Categorization of Cash Equivalents

The School District reported cash equivalents of $54,769,002 in Georgia Fund 1, a local government investment pool, which is included in the cash balances above. Georgia Fund 1 is not registered with the SEC as an investment company and does not operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The investment is valued at the pool's share price, $1.00 per share, which approximates fair value. The pool is an AAAf rated investment pool by Standard and Poor's. The weighted average maturity of Georgia Fund 1 may not exceed 60 days. The weighted average maturity for Georgia Fund 1 on June 30, 2016, was 42 days.

Georgia Fund 1, administered by the State of Georgia, Office of the State Treasurer, is not required to be categorized since the School District did not own any specific identifiable securities in the pool. The investment policy of the State of Georgia, Office of the State Treasurer for the Georgia Fund 1, does not provide for investment in derivatives or similar investments. Additional information on the Georgia Fund 1 is disclosed in the *State of Georgia* Comprehensive Annual Financial Report. This audit can be obtained from the Georgia Department of Audits and Accounts at www.audits.ga.gov/SGD/CAFR.html.

Categorization of Investments

At June 30, 2016, the School District had the following investments:

Investment Type	Fair Value	Maturity
Certificates of Deposit	$ 561,051	1-5 Years
Repurchase Agreements	12,326,180	Less Than One Year
Total	$ 12,887,231	

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, 2016, $12,887,231 of the School District's applicable investments were insured or registered, with securities held by the entity or its agent, in the School District's name.

Credit Quality Risk

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

The investments subject to credit quality risk are reflected below:

Investment Type	Fair Value	Unrated
Repurchase Agreements	$ 12,326,180	$ 12,326,180
Total	$ 12,326,180	$ 12,326,180

Note 5 – Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following:

Transfer From	Transfer To	Amount
Capital Projects Fund	General Fund	$ 138,578

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

Note 6 - Capital Assets

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

Governmental Activities:	Balance July 1, 2015	Additions	Deletions and Transfers	Balance June 30, 2016
Capital Assets Not Being Depreciated				
Land	$ 30,677,473	$ -	$ (7,349)	$ 30,670,124
Construction in Progress	32,775,114	7,603,526	(36,825,987)	3,552,653
Total	63,452,587	7,603,526	(36,833,336)	34,222,777
Capital Assets Being Depreciated				
Buildings and Improvements	665,237,027	11,192,312	33,073,060	709,502,399
Equipment	38,480,175	2,816,538	(655,734)	40,640,979
Land Improvements	20,020,008	777,528	1,552,638	22,350,174
Total	723,737,210	14,786,378	33,969,964	772,493,552
Less Accumulated Depreciation For:				
Buildings and Improvements	(157,921,096)	(14,750,429)	556,965	(172,114,560)
Equipment	(29,729,513)	(2,661,114)	655,734	(31,734,893)
Land Improvements	(12,216,828)	(746,097)	-	(12,962,925)
Total	(199,867,437)	(18,157,640)	1,212,699	(216,812,378)
Capital Assets Being Depreciated, Net	523,869,773	(3,371,262)	35,182,663	555,681,174
Governmental Activities Capital Assets, Net	$ 587,322,360	$ 4,232,264	$ (1,650,673)	$ 589,903,951

Depreciation expense by function:

Instruction	$ 15,372,743
General Administration	764,767
School Administration	159,341
Support Services - Business	44,148
Maintenance and Operation	150,946
Student Transportation Services	1,649,652
School Nutrition Program	16,043
Total Depreciation	$ 18,157,640

Note 7 – Short-term Debt

During fiscal 2016, the School District issued a tax anticipation note in advance of property tax collections, depositing the proceeds in its General Fund. This short-term debt was to provide cash for operations until property tax collections are received by the School District. Article IX, Section V, Paragraph V of the Constitution of the State of Georgia limits the aggregate amount of short-term debt to 75% of the total gross income from taxes collected in the preceding year and requires all short-term debt to be repaid no later than December 31 of the calendar year in which the debt was incurred. Short-term debt activity for the fiscal year was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Tax Anticipation Notes	$ -	$ 20,002,500	$ (20,002,500)	$ -

Note 8 - Long-Term Liabilities

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

Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 385,205,000	$ 42,685,000	$ (62,515,000)	$ 365,375,000	$ 19,210,000
Qualified School Construction Bonds	40,055,000	-	-	40,055,000	-
Bond Premiums	45,515,819	8,766,142	(4,973,198)	49,308,763	4,869,539
Claims Payable	625,292	1,384,383	(1,330,998)	678,677	678,677
Compensated Absences	1,539,926	934,306	(905,810)	1,568,422	905,810
Total	$ 472,941,037	$ 53,769,831	$ (69,725,006)	$ 456,985,862	$ 25,664,026

General Obligation Debt Outstanding

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

During fiscal year 2016, the Cherokee County Board of Education issued $42,685,000 in General Obligation Bonds to advance refund $44,880,000 of outstanding bonds The bond issue of $42,685,000, plus premiums of $8,766,142 less underwriters and bond issuance cost of $512,472 provided net proceeds of $50,938,670. The total net proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on portions of the 2009A Bond issue. As a result, portions of the 2009A 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 8 years beginning in fiscal year 2017 by

$3,273,612 and to obtain an economic gain (difference between the present values of total debt service payments and the old and new debt) of $3,108,685.

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, 2016.

General Obligation Bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2006 Series	4.00-4.75%	3/1/2006	8/1/2017	$ 31,725,000	$ 9,010,000
2007A Series	4.25-5.00%	3/15/2007	8/1/2017	125,000,000	6,000,000
2007B Series	5.00%	3/15/2007	8/1/2017	41,915,000	25,100,000
2009A Series	4.00-5.00%	6/18/2009	8/1/2019	52,880,000	8,000,000
2009B Series	5.87%	6/18/2009	8/1/2019	48,375,000	48,375,000
2012 Series	4.00-5.00%	11/1/2012	8/1/2033	35,930,000	35,930,000
2014A Series	5.00%	2/6/2014	8/1/2033	46,885,000	46,885,000
2014B Series	3.75-5.00%	2/6/2014	8/1/2025	34,430,000	34,430,000
2015 Series	4.00-5.00%	2/15/2015	2/1/2033	108,960,000	108,960,000
2016 Series	5.00%	5/19/2016	8/1/2023	42,685,000	42,685,000
Total General Obligation Bonds				$ 568,785,000	$ 365,375,000

At June 30, 2016, 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
2017	19,210,000	14,651,142	4,869,539
2018	21,575,000	15,727,038	6,235,566
2019	9,420,000	16,274,363	6,053,489
2020	16,110,000	15,627,563	5,586,979
2021	21,270,000	14,751,288	5,111,799
2022-2026	154,090,000	54,026,329	15,810,420
2027-2031	95,805,000	16,876,903	5,057,040
2032-2034	27,895,000	1,991,088	583,931
Total	$ 365,375,000	$ 149,925,714	$ 49,308,763

Qualified School Construction Bonds (QSCB)

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by School Districts in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at

prescribed tax credit rates in lieu of interest, which essentially allows School Districts to borrow without incurring interest costs.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the School District may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. To qualify for this subsidy, the School District is required to periodically file appropriate documents with the Internal Revenue Service. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The interest subsidy received by the School District in fiscal year 2016 was $2,017,927, which funded all but $235,567 of interest expense due on the QSCB.

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

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

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

Fiscal Year Ended June 30:	Principal	Interest
2017	$ -	$ 2,253,494
2018	-	2,253,494
2019	-	2,253,494
2020	-	2,253,494
2021	-	2,253,494
2022 - 2026	-	11,267,472
2027 - 2031	40,055,000	4,568,171
Total	$40,055,000	$27,103,113

Compensated Absences

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

Note 9 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; job related illness or injuries to employees; and natural disasters. Except as described below, the School District carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School District is self-insured for workers' compensation, unemployment claims, and dental claims. The School District purchases commercial insurance for all other risks of loss. Settled claims have not exceeded purchased commercial insurance coverage in any of the past three years.

Workers Compensation Claims

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

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

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2016	$ 625,292	$ 1,384,383	$ (1,330,998)	$ 678,677
2015	894,914	1,101,893	(1,371,515)	625,292

Unemployment Claims

The School District is self-insured with regard to unemployment compensation claims. These claims are accounted for in the School District's General Fund. Unemployment compensation expenditures and liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated. Changes in the unemployment compensation liability during the last two fiscal years are as follows:

Fiscal Year	Beginning Of Year Liability	Claims and Changes in Estimates	Claims Paid	End Of Year Liability
2016	$ -	$ 14,607	$ (14,607)	$ -
2015	-	54,485	(54,485)	-

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
2016	$ 80,068	$ 2,501,322	$ (2,510,343)	$ 71,047
2015	76,374	2,372,197	(2,368,503)	80,068

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

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

Note 10 – Significant Commitments

The following is an analysis of significant outstanding construction or renovation contracts executed by the School District as of June 30, 2016, together with funding available:

Project	Unearned Executed Contracts (1)	Payments Through June 30, 2016 (2)	Funding Available From State (1)
Educational Services Center	$ 12,377,556	$ 3,622,444	$ -
Dean Rusk MS Gym	48,726	145,388	-
Sequoyah HS Boiler	22,748	28,952	-
Total	$ 12,449,030	$ 3,796,784	$ -

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

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

Note 11 – Operating Leases

The Cherokee County School District has entered into various lease agreements as lessee for office equipment. These leases are considered for accounting purposes to be operating leases. Rental expenditures under the terms of the operating leases totaled $309,498 for the year ended June 30, 2016. The following future minimum lease payments were required under operating leases at June 30, 2016.

Year Ending	Lease Payments
2017	$ 309,498
2018	25,792
2019	-
Total	$ 335,290

Note 12 – Contingencies

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

The School District is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School District operations. The ultimate disposition of these proceedings is not presently determinable, but is not believed to have a material adverse effect on the financial condition of the School District.

Note 13 - Postemployment Benefits

Georgia School Personnel Postemployment Health Benefit Fund

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

Funding Policy. The contribution requirements of plan members and participating employers are established by the Board in accordance with the current Appropriations Act and may be amended by the Board. Contributions of plan members or beneficiaries receiving benefits vary based on plan election, dependent coverage, and Medicare eligibility and election. For members with fewer than five years of service as of January 1, 2012, contributions also vary based on years of service. On average, members with five years or more of service as of January 1, 2012 pay approximately 25% of the cost of the health insurance coverage. In accordance with the Board resolution dated December 8, 2011, for members with fewer than five years of service as of January 1, 2012, the State provides a premium subsidy in retirement that ranges from 0% for fewer than 10 years of service to 75% (but no greater than the subsidy percentage offered to active employees) for 30 or more years of service. The subsidy for eligible dependents ranges from 0% to 55% (but no greater than the subsidy percentage offered to dependents of active employees minus 20%). No subsidy is available to Medicare eligible members not enrolled in a Medicare Advantage Option. The Board of Community Health sets all member premiums by resolution and in accordance with the law and applicable revenue and expense projections. Any subsidy policy adopted by the Board may be changed at any time by Board resolution and does not constitute a contract or promise of any amount of subsidy.

Participating employers are statutorily required to contribute in accordance with the employer contribution rates established by the Board. The contribution rates are established to fund all benefits due under the health insurance plans for both active and retired employees based on

projected "pay-as-you-go" financing requirements. Contributions are not based on the actuarially calculated annual required contribution (ARC) which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The combined active and retiree contribution rates established by the Board for employers participating in the School OPEB Fund were as follows for the fiscal year ended June 30, 2016:

Certified Employees	
July 1, 2015-June 30 2016	$945.00 per member per month
Non-Certified Employees	
July 1, 2015-December 31 2015	$596.20 per member per month
January 1, 2016-June 30 2016	$746.20 per member per month

No additional contribution was required by the Board for fiscal year 2016 nor contributed to the School OPEB Fund to prefund retiree benefits. Such additional contribution amounts are determined annually by the Board in accordance with the School plan for other post-employment benefits and are subject to appropriation.

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

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	$ 36,947,175
2015	100%	33,900,291
2014	100%	32,217,856

Note 14 - Retirement Plans

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

1) Teachers Retirement System of Georgia (TRS)

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

Benefits Provided: TRS provides service retirement, disability retirement, and death benefits. Normal retirement benefits are determined as 2% of the average of the employee's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. An employee is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. Ten years of

service is required for disability and death benefits eligibility. Disability benefits are based on the employee's creditable service and compensation up to the time of disability. Death benefits equal the amount that would be payable to the employee's beneficiary had the employee retired on the date of death. Death benefits are based on the employee's creditable service and compensation up to the date of death.

Contributions: Per Title 47 of the O.C.G.A., contribution requirements of active employees and participating employers, as actuarially determined, are established and may be amended by the TRS Board. [Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employer by the State of Georgia.] Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees were required to contribute 6% of their annual pay during fiscal year 2016. The School District's contractually required contribution rate for the year ended June 30, 2016 was 14.27% (excluding payroll attributable to those personnel funded on behalf of the School District by the state). For the current fiscal year, employer contributions to the pension plan were $30,323,698 and $127,613 from the School District and the State, respectively.

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

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	$ 30,323,698
2015	100%	26,600,262
2014	100%	23,551,556

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.

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

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees. The current fiscal year contribution was $ 663,228.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension: At June 30, 2016, the School District reported a liability of $291,638,386 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	$ 291,638,386
State of Georgia's Proportionate Share of the Net Pension Liability Associated with the School District	3,733,026
Total	$ 295,371,412

The net pension liability for TRS and ERS was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015

At June 30, 2015, the School District's TRS proportion was 1.915648%, which was an increase of 0.033836% from its proportion measured as of June 30, 2014. At June 30, 2015, the School District's ERS proportion was 0%, which was no change from its proportion measured as of June 30, 2014.

At June 30, 2016, 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 $2,375,349.

The PSERS net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2014. An expected total pension liability as of June 30, 2015 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, 2015.

For the year ended June 30, 2016, the School District recognized pension expense of $19.797,957 for TRS and $141,652 for PSERS and revenue of $46,058 for TRS and $141,652 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, 2016, 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 expected and actual experience	$ -	$ 2,565,110
Net difference between projected and actual earnings on pension plan investments	-	24,600,005
Changes in proportion and differences between District contributions and proportionate share of contributions	4,656,341	1,229,215
District contributions subsequent to the measurement date	30,323,698	-
Total	$ 34,980,039	$ 28,394,330

The School District contributions subsequent to the measurement date of $30,323,698 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS
2017	(11,286,886)
2018	(11,286,886)
2019	(11,286,905)
2020	10,023,082
2021	99,606
Thereafter	-

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

Teachers Retirement System:

Inflation	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, 2014 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	5.45 – 9.25%, 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 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, 2014 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	$ 501,158,516	$ 291,638,386	$ 118,943,944

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.

Payables to the pension plan: At June 30, 2016, the School District reported a payable in the amount of $3,561,338 to the TRS plan for the employee and employer contributions attributable to June of 2016.

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
2016	100%	$ 142,208
2015	100%	109,560
2014	100%	128,632

Note 15 – Prior Year Defeasement of Debt

In prior years, the School District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the School District's basic financial statements. At June 30, 2016, $144,380,000 of bonds outstanding are considered defeased.

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REQUIRED SUPPLEMENTARY INFORMATION

Cherokee County
School District

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

Year Ended	School District's proportion of the net pension liability	School District's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School District	Total	School District's covered-employee payroll	School District's proportionate share of the net pension liability as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	1.915648%	$ 291,638,386	$ 1,357,677	$ 292,996,063	$ 212,135,952	137.46%	81.44%
2015	1.881812%	237,742,125	1,057,565	238,799,690	203,096,846	117.06%	84.03%

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

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

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

CHEROKEE COUNTY SCHOOL DISTRICT

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

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

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

Teachers Retirement System

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

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	30 years
Asset valuation method	Five-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

Public School Employees Retirement System

Changes of 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.

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

Valuation date	June 30, 2013
Actuarial cost method	Entry age
Amortization method	Level dollar, closed
Remaining amortization period	25 years
Asset valuation method	Five-year smoothed market
Inflation rate	3.00%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Cost-of living adjustments	1.50% semi-annually

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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, 2016

PROJECT	ORIGINAL ESTIMATED COST [1]	CURRENT ESTIMATED COSTS [2]	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL EXPENDED	PROJECT STATUS
Payment of a portion of the principal and interest on the Series 2003, Series 2006, Series 2007, Series 2009, Series 2010, and Series 2011 General Obligation Bonds along with acquisition, construction, equipping, adding to, renovating, improving school facilities; acquiring, installing, and equipping portable classrooms; acquiring, installing, and implementing system-wide technology improvements; acquiring school buses; acquiring any property useful or desirable both real and personal	$ 170,000,000	$ 170,000,000	$ 32,044,703	$ 106,421,371	$ 138,466,074	Ongoing
Totals	$ 170,000,000	$ 170,000,000	$ 32,044,703	$ 106,421,371	$ 138,466,074	

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

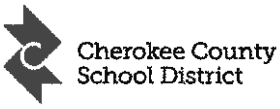
(2) The School District's current estimate of total cost for the projects. Includes all cost from project inception to completion.

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

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

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

COMPLIANCE SECTION



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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, 2016, 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 January 15, 2017.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Williamson and Company

Williamson and Company
Certified Public Accountants
January 15, 2017



Cherokee County School District

Single Audit Report

In Accordance With Uniform Guidance

Fiscal Year Ended June 30, 2016

CHEROKEE COUNTY SCHOOL DISTRICT
Single Audit Reporting Package
Year Ended June 30, 2016

Table of Contents

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 1

Schedule of Expenditures of Federal Awards 4

Auditee's Response - Summary Schedule of Prior Year Audit Findings and Questioned Costs 5

Schedule of Findings and Questioned Costs 6

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LLOYD WILLIAMSON
CHRISTIAN HATCH

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

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

Report on Compliance for Each Major Federal Program

We have audited the Cherokee County School District's (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2016. The School District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cherokee County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).* Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cherokee County School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Cherokee County School District's basic financial statements. We issued our report thereon dated January 15, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Williamson and Company

Williamson and Company
Certified Public Accountants
May 12, 2017

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

FUNDING AGENCY PROGRAM/GRANT	CFDA NUMBER	PASS-THROUGH ENTITY ID NUMBER	EXPENDITURES IN PERIOD
Agriculture, U. S. Department of			
Child Nutrition Cluster			
Pass-Through From Georgia Department of Education			
Food Services			
School Breakfast Program	10.553	16165GA324N1099	$ 1,622,977
National School Lunch Program	10.555	16165GA324N1099	7,544,830
After School Snack	10.555	16165GA324N1099	47,647
Total Child Nutrition Cluster			9,215,454
Total U. S. Department of Agriculture			9,215,454
Education, U. S. Department of			
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
High Cost Fund Pool	84.027	H027A150073	34,196
Flow Through	84.027		6,059,106
Preschool Grants	84.173	H173A150081	185,630
Total Special Education Cluster			6,278,932
Other Programs			
Pass-Through From Georgia Department of Education			
ARRA - Race-to-the-Top Incentive Grants	84.395	S412A130039	1,039,622
Career and Technical Education - Program Improvement	84.048	V048A150010	212,091
Career and Technical Education - Basic Grants to States	84.048		23,235
Arts in Education - Model Development and Dissemination Grants Program	84.351		470,456
Title III, Part A Limited English Proficient	84.365	S365A150010	306,234
Title III, Part A Immigrant	84.365		21,336
Title III, Part A ELA Unaccompanied Children and Youth Grant	84.365		16,860
Title II, Improving Teacher Quality State Grants	84.367	S367A150001	522,592
Title II, Advance Placement	84.367		7,504
Title I Grants to Local Educational Agencies	84.010	S010A150010	4,526,709
Total Other Programs			7,146,639
Total U. S. Department of Education			13,425,571
Health and Human Services, U. S. Department of			
Child Care and Development Fund Cluster			
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Child Care and Development Block Grant	93.600		513,815
Pass-Through from Ninth District Opportunity, Inc.:			
Georgia Prekindergarten Transition Program	93.575		108,761
Total Child Care and Development Fund Cluster			622,576
Total U. S. Department of Health and Human Services			622,576
Defense, U. S. Department of			
Direct			
Department of the Air Force			
R.O.T.C. Program	12.000		376,213
Department of the Army			
Payments to States in Lieu of Real Estate Taxes	12.112		161,737
Total U. S. Department of Defense			537,950
Total Expenditures of Federal Awards			$ 23,801,551

Notes to the Schedule of Expenditures of Federal Awards

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Cherokee County Board of Education (the "Board") under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net position of the Board.

Note 2. Summary of Significant Accounting Policies

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

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

Includes the federally assigned value of donated commodities for the Food Donation Program in the amount of $1,154,761

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issue:

Independent Auditor Report on Financial Statements	Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

Material weakness identified?	No
Significant deficiencies identified?	None Reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I
84.027, 84.173	Special Education Cluster
84.395	Race to the Top, Recovery Act

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

Auditee qualified as low-risk auditee? No

CHEROKEE COUNTY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section II - Financial Statement Findings and Questioned Costs

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

Section IV - Status of Prior Year Findings and Questioned Costs

None Noted