



ANNUAL FINANCIAL REPORT

Richmond County
Board of Education
Augusta, Georgia

For the Fiscal Year Ended
June 30, 2016
(Including Independent Auditors' Reports)

RICHMOND COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION..... i-iv

SECTION I

FINANCIAL

INDEPENDENT AUDITORS' REPORT v-vii

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS viii-xix

EXHIBITS

BASIC FINANCIAL STATEMENTS

A GOVERNMENT-WIDE FINANCIAL STATEMENTS STATEMENT OF NET POSITION..... 1

B STATEMENT OF ACTIVITIES..... 2 - 3

C FUND FINANCIAL STATEMENTS BALANCE SHEET
GOVERNMENTAL FUND 4

D RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
SHEET TO THE STATEMENT OF NET POSITION 5

E STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS 6

F RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES 7

G STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS 8

H STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS 9

I NOTES TO THE BASIC FINANCIAL STATEMENT..... 10-34

RICHMOND COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS

SCHEDULES	PAGE
REQUIRED SUPPLEMENTARY INFORMATION	
1 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - TEACHERS RETIREMENT SYSTEM OF GEORGIA	35
2 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - EMPLOYEES RETIREMENT SYSTEM OF GEORGIA	36
3 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA	37
4 SCHEDULE OF CONTRIBUTIONS - TEACHERS RETIREMENT SYSTEM OF GEORGIA	38
5 SCHEDULE OF CONTRIBUTIONS - EMPLOYEES RETIREMENT SYSTEM OF GEORGIA	39
6 NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	40
SUPPLEMENTAL INFORMATION	
7 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL GENERAL FUND	41
8 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	42-43
9 SCHEDULE OF STATE REVENUE	44-45
10 SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS	46
SECTION II	
COMPLIANCE AND INTERNAL CONTROL REPORTS	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	47 - 48
REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	49 - 50
SECTION III	
AUDITEE'S RESPONSE TO PRIOR YEAR FINDINGS AND QUESTIONED COSTS	
SUMMARY OF SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS	51
SECTION IV	
FINDINGS AND QUESTIONED COSTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	52



INTRODUCTORY SECTION

Augusta is the second largest and oldest city in Georgia with a population of about 200,000. The city of Augusta was named after Princess Augusta of Saxe-Gotha-Altenburg. Situated on the bank of the Savannah River, Augusta is best known as the Garden City and home of the Masters Golf Tournament held the first full week in April. It is also known for its rich medical heritage and the Fort Gordon military installation.

The Richmond County School System was chartered as a public education system on August 23, 1872. The School System's central office is located at 864 Broad Street, Augusta, GA.

Vision

Create a world class school system where 90 percent of students graduate, are college/career ready and globally competitive.

Motto

Learning Today...Leading Tomorrow

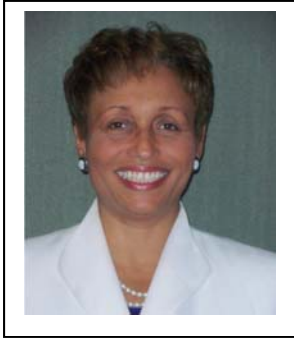
Mission

The mission of the Richmond County School System is to educate students to become lifelong learners and productive citizens.

Belief Statements

- Every person has the right to a quality education.
- Education is the shared responsibility of the individual, home, school, and community.
- Respect and acceptance are essential for learning and personal development.
- A safe, orderly, and healthy environment is essential to learning.
- Communication is the key to understanding among people.
- Excellence cannot be compromised.

SUPERINTENDENT



Dr. Angela Pringle is a native of Danville, Virginia. She received a dual undergraduate degree in Mathematics and Business Management; a Master's Degree from Hampton University in Secondary Education; and, her doctorate from Virginia Tech. She has over 25 years of experience as an Educator and Administrator. Dr. Pringle has received numerous awards for her work with the community. In 2005, she was recognized as "High School Principal of the Year" for her work in building the capacity of the PTSA with diverse communities. She was also recognized by the Governor's Office of Accountability with the Bronze Award for student achievement.

Message from the Superintendent:

I am truly honored to serve as Superintendent of the Richmond County School System. On behalf of the Board of Education and Administration, it is with a great deal of pride that I serve a district where we are focused on preparing all students to be college and career ready.

The very focal point of our mission is students. By working together, we have an opportunity to build upon our successes to ensure that all students are learning at high levels and every job in the district supports classroom efforts.

Our partnership with parents and community members has a focus of teaching and learning with an emphasis on learning. Significant increases in academic achievement requires engagement and commitment from families and community. I invite every community member, parent, grandparent, aunt, uncle, and all caregivers who touch the lives of children, to be on board with our focus.

I close with thoughts from John Dewey, "Education is not preparation for life; education is life itself."

Dr. Angela Pringle,
Superintendent

School Board Profile

The Board of Education of the City of Augusta is composed of ten citizens representing each of the city systems and each serving four-year terms. The Board of Education is a policy-making body and serves as a legislative body in the development and evaluation of policies. While the board is responsible for school programs and operations by law, it delegates some portion of that authority to the Superintendent. The board is governed by a President and a Vice-President who are elected by and from the board membership every two years on the Saturday preceding the second Thursday in January. As representatives of the people, board members are responsible for ensuring that school system operations are efficient, financially and legally sound, and focused on the best interest of Richmond County's children.



**Helen Minchew,
President, District 10**



**Marion E. Barnes, Vice
President, District 1**



**Charlie Hannah,
District 2**



**Alex Howard
District 3**



**Barbara Pulliam
District 4**



**Patsy Scott
District 5**



**Jack Padgett, Jr.
District 6**



**Frank Dolan
District 7**

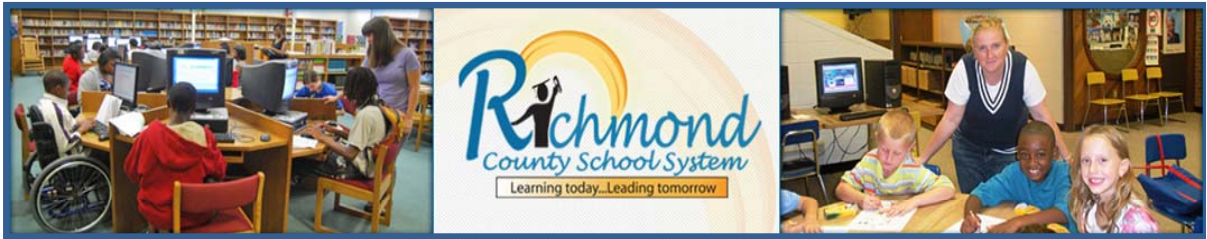


**Jimmy Atkins
District 8**



**Venus Cain, President
District 9**

Board Members



The mission of the Richmond County School System is to educate students to become lifelong learners and productive citizens.

STUDENT DEMOGRAPHICS

Total Enrollment - 31,476

Grade Range: PreK-12th

SCHOOLS

Comprehensive High Schools.....	8
Middle.....	9
Elementary.....	33
Magnet.....	4
Special.....	1
Charter.....	1

STUDENT DEMOGRAPHICS

African American.....	74%
Asian.....	1%
Hispanic.....	4%
Multicultural.....	4%
White.....	17%

EMPLOYEES

Certified.....	2,315
Non Certified.....	1,962

CERTIFIED PERSONNEL DATA

Education/Certification Level of School Professional Staff

4 Yr Bachelor's.....	35%
5 Yr Master's.....	42%
6 Yr Specialist's.....	21%
Doctorate.....	3%

SCHOOL NUTRITION

Serves approximately 13,599 breakfasts, 24,415 lunches, and 969 snacks each day.

Michelle Bennett, CPA
Rick L. Evans, CPA
Jay Sanders, CPA
Wanda F. Scott, CPA
Abram J. Serotta, CPA
Andrea Usry, CPA
Paul Wade, CPA



INDEPENDENT AUDITORS' REPORT

To the Superintendent and Members of the
Richmond County Board of Education
Augusta, 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 Richmond County Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP"); 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.

Auditors' 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 from 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 auditors' 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 auditors consider 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 Richmond County Board of Education, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, proportionate share of net pension liability, schedule of contributions and budgetary comparison information, on pages viii through xix and pages 35 through 41 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, which 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 Richmond County Board of Education's basic financial statements. Schedules 9 and 10 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Schedules 9 and 10 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, Schedules 9 and 10, 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 18, 2017, on our consideration of the Richmond County Board of Education'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 Richmond County Board of Education's internal control over financial reporting and compliance.

Serotta Maddocks Evans & Co.
SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia
January 18, 2017

FINANCIAL SECTION

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Introduction

The discussion and analysis of the Richmond County Board of Education's (subsequently referred to as the School System) financial performance provides an overall review of the School System's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School System's financial performance as a whole. Readers are encouraged to review the transmittal letter, the basic financial statements, and the accompanying notes to the basic financial statements to enhance their understanding of the School System's financial performance.

The basic financial statements are comprised of three components:

- 1) Government-wide financial statements which include the Statement of Net Position and the Statement of Activities.
- 2) Fund financial statements.
- 3) Notes to the financial statements.

Financial Highlights

Key financial highlights for the fiscal year ended June 30, 2016 are as follows:

On the government-wide financial statements:

- The School System maintained increased class sizes to compensate for the reductions in state funding. Furlough days were eliminated in FY 2016 as compared to 4 days in FY 2015.
- In a comprehensive tax reform bill, state legislators changed the method of taxing motor vehicles. As of March 1, 2013, the state implemented a Title Ad Valorem Tax in lieu of the state sales tax and annual vehicle ad valorem tax. The Title Ad Valorem Tax applies when ownership of the vehicle changes and applies to dealer and private sales. For the fiscal year ended June 30, 2016 the School System collected \$1.5 million in Title Ad Valorem Taxes, a decrease of \$400 thousand compared to the prior fiscal year.
- The School System's assets exceeded its liabilities by \$370.1 million at June 30, 2016. This represents an increase in net position of \$26.0 million. This total increase is due to governmental activities since the School System has no business-type activities.
- General revenues accounted for \$133.8 million or 41% of all revenues. Program specific revenues in the form of capital and operating grants and contributions and charges for services accounted for \$192.0 million of all revenues. Total Revenues decreased by \$9.8 million. Program specific revenues decreased by \$6.4 million and general revenues decreased by \$3.4 million.
- The School System had \$299.7 million in expenses related to governmental activities of which \$192.0 million were offset by program specific charges for services or grants and contributions.
- Total net position includes the following:

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

- 1) Net investment in capital assets include property and equipment, net of accumulated depreciation, and are reduced for outstanding debt related to the construction or purchase of capital assets.
- 2) Restricted net position of \$43.8 million, constraints which are imposed outside of the School System. This includes restrictions for debt covenants and continuance of grants, and capital projects.
- 3) Unrestricted net position, net of pension liability, of \$26.6 million represents the net position available to sustain the School System's continuing obligations to its citizens and creditors.

On the fund financial statements:

- The School System's General Fund reported a fund balance of \$38.1 million at June 30, 2016, which represents a decrease of \$5.0 million from the prior fiscal year.

The financial highlights noted above are explained in more detail within the financial analysis section of this document.

Overview of the Basic Financial Statements

This annual report consists of a series of financial statements, the government-wide, and fund statements, and notes to those statements.

The government-wide financial statements, the Statement of Net Position, and the Statement of Activities are designed to illustrate the School System as an aggregate of its financial activities and present a longer-term view of its finances. Increases or decreases to net position may provide an informative indicator of the financial position of the school system as a whole.

The next level of detail is provided by the fund financial statements. These statements reflect the short-term finances as well as the balances available for future needs. Fund financial statements are useful in assessing annual financing requirements and the commitment of existing spendable resources. The fund level statements report the School System's operations in more detail than the government-wide statements.

The notes to the financial statements serve to supplement and clarify the information contained within the financial statements and will provide the reader a more comprehensive understanding of the School System's financial position.

Figure 1 summarizes the significant features of the Richmond County Board of Education's annual financial statements and provides information on the School System's activities and the types of information found in the financial statements.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Figure 1.
Significant Features of the Government-Wide and Fund Level Financial Statements

	Government-wide Statements	Fund Level Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire School System (excluding fiduciary funds)	The activities of the School System that are not proprietary or fiduciary. This includes instruction, support services, administration, transportation, and maintenance.	Funds for which the School System administers resources on behalf of someone else. This includes scholarships and student funds.
Required Financial Statements	Statement of Net Position; Statement of Activities	Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of Asset/Liability	All assets and liabilities(financial, capital, short-term and long-term).	Generally includes assets expected to be consumed and liabilities that are due within the year or soon thereafter. No capital assets or long-term liabilities are included.	All assets and liabilities. Includes short-term and long-term and may include capital assets.
Type of Inflow/Outflow Information	All revenues and expenditures earned or incurred during the fiscal year regardless of when cash is received or paid out.	Revenues for which cash is received during the year or soon thereafter. Expenditures for which goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid out.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Reporting the School System as a Whole (Government-Wide)

Statement of Net Position and the Statement of Activities

The analysis of the School System as a whole looks at all financial transactions and enables the reader of the financial statements to ascertain whether the School System's financial position has improved or diminished. The statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus. This methodology is similar to the accounting of most private-sector businesses. This basis of accounting considers all the current year's revenues and expenses regardless of when cash is received or paid. There are many factors, some financial, some not, affecting the financial position of the School System. Some of these factors include the School System's property tax base, state austerity reductions, state and federal mandates that are unfunded, the age and condition of school facilities, and the economy of the area.

In the Statement of Net Position and the Statement of Activities, all of the School System's activities are reflected as governmental activities. The governmental activities of the Richmond County Board of Education are financed through taxes, state QBE funds, competitive and non-competitive grants.

The Statement of Net Position provides information about the overall financial activities of the School System; whereas, the Statement of Activities provides a comparison of direct expenses and program revenues. Direct expenses are incurred in association with a specific program or function. Program and services reported here include instruction, support services, operation and maintenance of plant, pupil transportation, food service, school activity accounts and various others.

Reporting the School System's Most Significant Funds (Fund Financials)

Governmental Funds: The fund financial statements provide detailed information about the School System's most significant funds. The School System's major governmental funds are the General Fund, Capital Projects Fund, and the Debt Service Fund.

Most of the School System's activities are reported in governmental funds which focus on how money flows into and out of these funds and the balances remaining at year-end that are available for spending in future periods. These funds are reported using an accounting methodology called modified accrual accounting. This methodology measures cash and all other financial assets that may be readily converted to cash. The fund statements offer a detailed short-term view of the School System's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources available to finance educational programs in the near future. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in these statements.

Fiduciary Funds: The School System is the trustee, or fiduciary, for assets that belong to others. The School System serves as a fiduciary for school clubs and organizations within the principals' account and various scholarships.

These activities are reported in a separate statement of Fiduciary Net Position and Changes in Net Position. The School System is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These activities have been excluded from the School System's other financial statements because the school system may not use these assets to finance its operations.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Reporting the School System as a Whole

The Statement of Net Position provides the perspective of the School System as a whole.

Table 1 provides a comparative summary of the School System's net position for fiscal years 2016 and 2015.

TABLE 1
NET POSITION
(in Thousands)

	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015
Assets		
Current and Other Assets	\$ 135,000	\$ 190,993
Capital Assets, Net	<u>580,667</u>	<u>542,370</u>
Total Assets	<u>\$ 715,667</u>	<u>\$ 733,363</u>
Deferred Outflows of Resources	22,308	19,997
Liabilities		
Current and Other Liabilities	\$ 55,306	\$ 57,061
Long-Term Liabilities	<u>278,018</u>	<u>277,153</u>
Total Liabilities	<u>\$ 333,324</u>	<u>\$ 334,214</u>
Deferred Inflows of Resources	34,550	75,057
Net Position		
Net Investment in Capital Assets	\$ 531,785	515,706
Restricted	43,815	44,799
Unrestricted	<u>(205,500)</u>	<u>(216,416)</u>
Total Net Position	<u>\$ 370,100</u>	<u>\$ 344,089</u>

The School System's net position increased \$26.0 million. This increase may be attributed to the collection of SPLOST proceeds and an increase in capital assets.

Table 2 shows the comparative changes in net position for fiscal years 2016 and 2015.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

TABLE 2
CHANGE IN NET POSITION
(in Thousands)

	<u>Governmental Activities June 30, 2016</u>	<u>Governmental Activities June 30, 2015</u>
Revenues		
Program Revenues		
Charges for Services	\$ 946	\$ 1,237
Operating Grants and Contributions	188,397	193,007
Capital Grants and Contributions	2,610	4,108
Total Program Revenues	<u>\$ 191,953</u>	<u>\$ 198,352</u>
General Revenues		
Taxes		
Property Taxes	\$ 90,490	\$ 88,924
Sales Tax	36,035	37,994
Grants and Contributions not Restricted	4,834	7,454
Investment Earnings	97	209
Miscellaneous	2,277	2,484
Gain on Sale of Assets	69	117
Total General Revenues	<u>\$ 133,802</u>	<u>\$ 137,182</u>
Total Revenues	<u>\$ 325,755</u>	<u>\$ 335,534</u>
Program Expenses		
Instruction	\$ 169,417	174,462
Support Services		
Pupil Services	10,665	10,052
Improvement of Instruction	13,989	13,847
Educational Media Services	4,865	6,397
General Administration	2,639	2,213
School Administration	20,792	17,980
Business Administration	2,305	1,959
Maintenance and Operations of Plant	37,802	34,766
Student Transportation Services	11,638	11,813
Central Support Services	4,760	4,843
Other Support Services	2,144	1,976
Operations of Non-Instructional Services		
Community Services	24	1,037
Food Services	19,294	19,152
Interest on Short-Term and Long-Term Debt	(590)	1,081
Total Expenses	<u>\$ 299,744</u>	<u>\$ 301,578</u>
Change in Net Position	<u>\$ 26,011</u>	<u>\$ 33,956</u>

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Governmental Activities

The Statement of Activities details the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services for governmental activities. It identifies the cost of these services supported by tax revenue and unrestricted state entitlements. Cost of service comparisons are provided for fiscal years 2016 and 2015.

TABLE 3
Governmental Activities
(In Thousands)

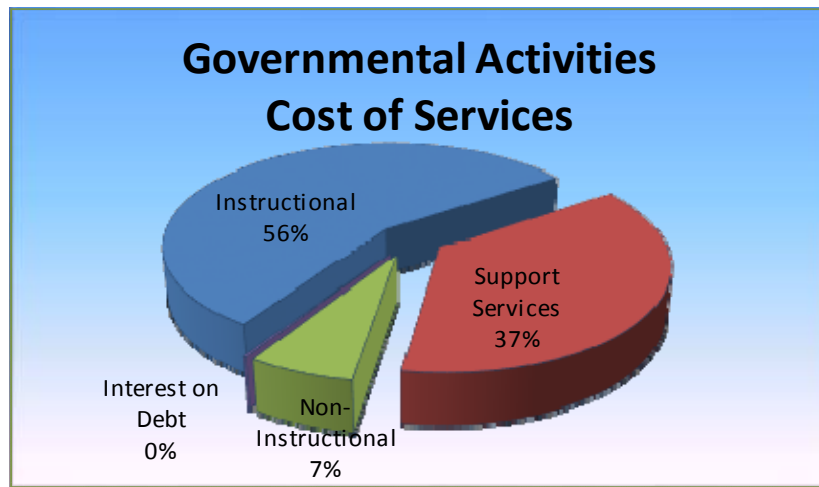
	Total Cost of Services		Net Cost of Services	
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2016	2015	2016	2015
Instructional	\$ 169,417	\$ 174,462	\$ 47,025	\$ 49,730
Support Services				
Pupil Services	10,665	10,052	7,193	6,483
Improvement of Instruction	13,989	13,847	2,565	1,198
Educational Media Services	4,865	6,397	901	2,087
General Administration	2,639	2,213	(446)	(1,699)
School Administration	20,792	17,980	11,088	8,150
Support Services Business	2,305	1,959	2,212	1,481
Maintenance and Operation of Plant	37,802	34,766	26,434	22,827
Student Transportation	11,638	11,813	7,735	7,986
Central Support Services	4,760	4,843	4,501	4,523
Other Support Services	2,144	1,976	483	(6)
Operations of Non-Instructional Services				
Community Services	24	1,037	3	637
Food Services	19,294	19,152	(1,314)	(1,252)
Interest on Short-Term and Long-Term Debt	(590)	1,081	(590)	1,081
Total Expense	<u>\$ 299,744</u>	<u>\$ 301,578</u>	<u>\$ 107,790</u>	<u>\$ 103,226</u>

The State's Quality Basic Education Funding (QBE) is not sufficient to provide basic education services or to provide adequate maintenance of the School System's facilities. To provide further funding, the School System levies a millage rate of 19.972 mills in addition to a 1% Education Special Purpose Local Option Sales Tax (SPLOST) authorized by local referendum.

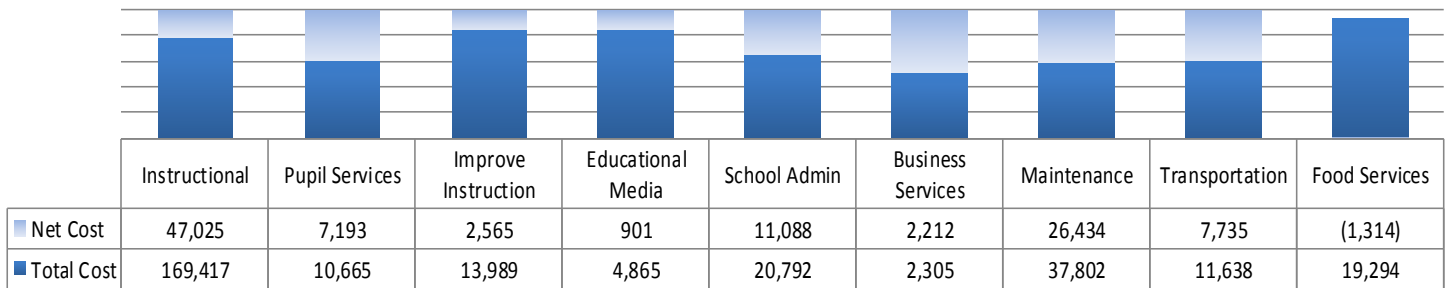
The net cost reflects the financial burden placed on the School System's local taxpayers. The increase in the net cost of services indicates that the School System's taxpayers have had to provide a larger percentage of the total cost of services.

RICHMOND COUNTY BOARD OF EDUCATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

Figure 2.



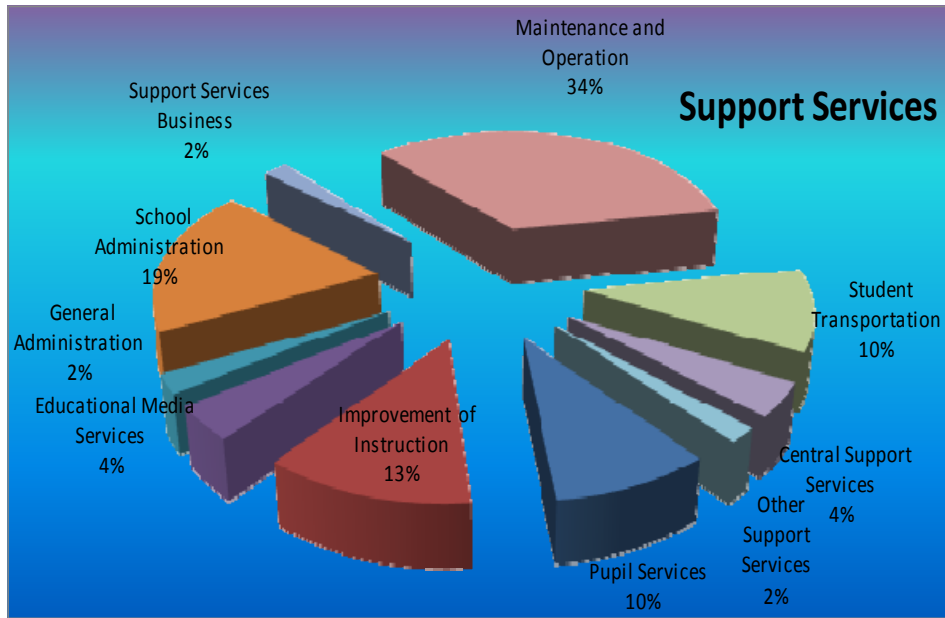
**Governmental Activities
Comparison of Net Cost to Total Cost of Services
(in millions)**



Instruction expenditures include activities related to the interaction between students and teachers. Instruction expenditures account for the largest percentage of the cost of service for governmental activities.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

Figure 3.



Support services include activities that assess and supplement the teaching process, assist teachers in developing and evaluating the technique of providing instruction, operation of the educational media centers, administration of the policy of the School System, maintenance of the fiscal responsibilities of the School System, transportation costs, and upkeep of the grounds and facilities.

The School System's Funds

The School System's funds are accounted for using the modified accrual basis of accounting. All governmental funds had revenues and other financing sources of \$325.2 million and expenditures and other financing uses of \$381.9 million. The general fund's fund balance reflected a decrease of \$5.0 million, and the district-wide capital projects funds decreased by \$51.6 million.

The general fund operation's revenues increase may be attributed to an increase in state funds and property taxes.

The capital projects fund operation's decrease is related to the completion of several projects addressed in the Phase 3 Bond and Sales Tax issuance.

General Fund Budgeting Highlights

The School System's budget is prepared according to Georgia law. The most significant budgeted fund is the General Fund. Throughout fiscal year 2016, the School System amended its general fund budget several times. Site-based budgeting is used by the School System and is designed to tightly control total site budgets but allow some management flexibility. The School System's top management monitors a detailed report comparing actual revenues and expenditures to budget on a monthly basis. Site management has access to this information on a demand basis through a report available using the School System's accounting software.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

For the general fund, the final budgeted revenues of \$299.7 million exceeded the original budget of \$272.2 million by \$27.5 million. The budgeted revenues were less than the actual revenues by \$12.0 million. In FY 2016, the state continued the reduction of Quality Basic Education (QBE) funding to local school systems. Throughout the year, the School System made a concerted effort to reduce expenditures and was successful in mitigating the loss of funding through the reduction of spending. The actual expenditures were \$25.7 million less than the final budgeted amount. The significant difference in the comparison of the budget to actual expenditures is the result of many of the federal program funds being budgeted for periods exceeding the fiscal year or crossing two fiscal years. The actual fund balance decreased by \$5.0 million.

Capital Assets and Debt Administration

At the end of fiscal year 2016, the School System had capital assets of \$580.7 million, net of accumulated depreciation.

The primary increase occurred in construction work in progress. Due to funding from a Special Purpose Local Option Sales Tax and a bond issue, the School System is building and renovating numerous schools.

Table 4 shows comparative statements for 2016 and 2015.

TABLE 4
CAPITAL ASSETS
(Net of Depreciation, in Thousands)

	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015
Land	\$ 16,395	\$ 15,353
Construction Work in Progress	82,915	48,090
Works of Art	42	42
Building and Building Improvements	439,420	436,564
Equipment	27,006	26,429
Land Improvements	14,889	15,892
Total Capital Assets, Net of Depreciation	<u>\$ 580,667</u>	<u>\$ 542,370</u>

RICHMOND COUNTY BOARD OF EDUCATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

Debt

At June 30, 2016, the School System had \$52.9 million in general obligation bonds, with \$28.3 million due within one year. Debt comparisons between fiscal year 2016 and 2015 are shown below.

TABLE 5
 DEBT
 (in Thousands)

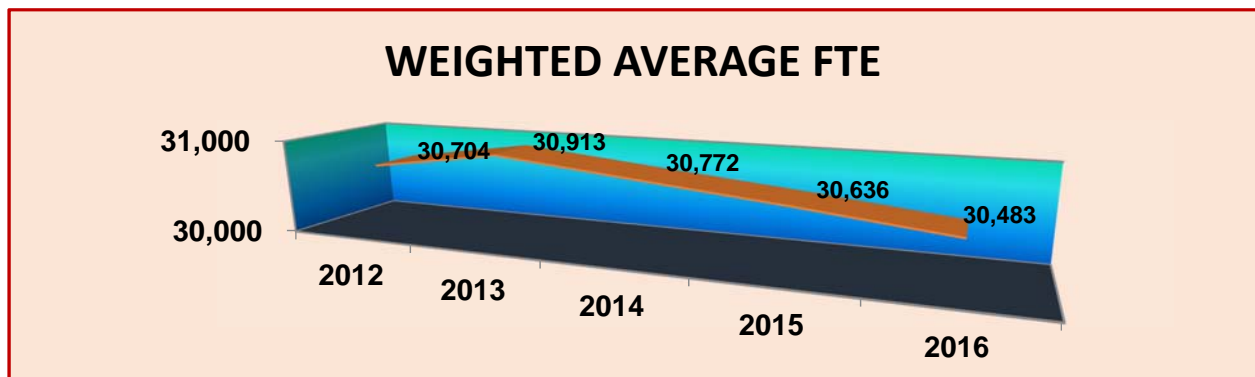
	Governmental Activities June 30, 2016	Governmental Activities June 30, 2015
General Obligation Bonds	\$ 52,880	\$ 79,970
Compensated Balances	1,900	1,651
Unamortized Bond Premium	3,350	6,700
Total Debt	\$ 58,130	\$ 88,321

Current Issues

The Richmond County Board of Education has maintained its economic stability by budgeting conservatively and monitoring its expenditures. Areas of concern are the State of Georgia's continued amended formula reduction to the QBE funding formula, the rising costs in employee benefits and declining student growth.

Student enrollment is the driving factor in the State's education funding formula. Student enrollment is converted to a "Full Time Equivalent" (FTE) for funding purposes. As student enrollment and FTE decrease so does State funding.

The School System showed a decrease in the weighted average of full time equivalent students. From 2015 to 2016 the weighted average of full time equivalent students decreased by 153 students. The figure shown below shows the trend in the School System's enrollment over the past five years.



RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016

The amended formula adjustment, the reduction in state funding, for fiscal year 2016 was \$8.3 million. The School System has maintained classroom size waivers and made certain efforts to reduce operating expenses to help offset the reduction in state funding.

Contacting the School System's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School System's finances and to reflect the School System's accountability for the funds it receives. For questions about this report or additional financial information, please contact the Director of Budget and Finance, Richmond County Board of Education, 864 Broad Street, Augusta, GA 30901.



RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 100,457,046
Investments	123,295
Receivables, Net	
Taxes	6,384,600
State Government	20,320,447
Federal Government	5,921,708
Other	280,403
Inventories	1,512,136
Capital Assets, Non-Depreciable	99,352,712
Capital Assets, Depreciable (Net of Accumulated Depreciation)	481,314,510
 Total Assets	 715,666,857
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	22,307,509
 Total Deferred Outflows of Resources	 22,307,509
<u>LIABILITIES</u>	
Accounts Payable	2,989,345
Salaries and Benefits Payable	40,851,105
Claims Incurred but not Reported (IBNR)	584,728
Interest Payable	607,661
Contracts Payable	6,768,270
Retainages Payable	3,304,711
Deposits and Unearned Revenues	200,568
Net Pension Liability	219,887,247
Long-Term Liabilities	
Due Within One Year	31,695,195
Due in More Than One Year	26,435,287
 Total Liabilities	 333,324,117
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	34,549,929
 Total Deferred Inflows of Resources	 34,549,929
<u>NET POSITION</u>	
Net Investment in Capital Assets	531,785,491
Restricted for	
Continuation of Federal Programs	6,712,882
Debt Service	28,959,490
Capital Projects	8,142,180
Unrestricted Deficit	(205,499,723)
 Total Net Position	 \$ 370,100,320

The notes to the basic financial statements are an integral part of this statement.

RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

		EXPENSES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$	169,416,599
Support Services		
Pupil Services		10,664,894
Improvement of Instructional Services		13,988,970
Educational Media Services		4,864,748
General Administration		2,638,961
School Administration		20,792,499
Business Administration		2,304,856
Maintenance and Operation of Plant		37,801,748
Student Transportation Services		11,638,538
Central Support Services		4,759,937
Other Support Services		2,144,318
Operations of Non-Instructional Services		
Community Services		24,412
Food Services		19,293,723
Interest on Short-Term and Long-Term Debt		(590,256)
		299,743,947
Total Governmental Activities	\$	299,743,947
General Revenues		
Taxes		
Property Taxes		
For Maintenance and Operations		
Railroad Cars		
Other Taxes		
Sales Taxes		
Special Purpose Local Option Sales Tax		
For Capital Projects		
Other Sales Tax		
Grants and Contributions not Restricted to Specific Programs		
Investment Earnings		
Miscellaneous		
Special Item		
Gain on sale of assets		
Total General Revenues and Special Items		
Change in Net Position		
Net Position - Beginning of Year		
Net Position - End of Year		

CHARGES FOR SERVICES	PROGRAM REVENUES		NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION
	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
\$ 463,537	\$ 121,381,037	\$ 547,485	\$ (47,024,540)
-	3,385,215	86,528	(7,193,151)
-	11,424,101	-	(2,564,869)
-	3,910,010	53,540	(901,198)
-	3,084,071	596	445,706
-	9,599,553	105,111	(11,087,835)
-	92,029	666	(2,212,161)
77,559	10,046,750	1,243,102	(26,434,337)
-	3,717,351	186,561	(7,734,626)
-	134,026	124,449	(4,501,462)
-	1,533,887	127,797	(482,634)
-	20,043	1,005	(3,364)
404,613	20,069,216	133,570	1,313,676
-	-	-	590,256
<u>\$ 945,709</u>	<u>\$ 188,397,289</u>	<u>\$ 2,610,410</u>	<u>(107,790,539)</u>
			88,920,563
			87,237
			1,482,152
			34,787,207
			1,247,552
			4,834,046
			96,655
			2,277,447
			<u>69,263</u>
			<u>133,802,122</u>
			26,011,583
			<u>344,088,737</u>
		\$	<u><u>370,100,320</u></u>

The notes to the basic financial statements are an integral part of this statement.

RICHMOND COUNTY BOARD OF EDUCATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

EXHIBIT "C"

	<u>GENERAL FUND</u>	<u>GOVERNMENT-WIDE CAPITAL PROJECTS FUND</u>	<u>DEBT SERVICE FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 49,681,217	\$ 50,775,677	\$ 152	\$ 100,457,046
Investments	123,295	-	-	123,295
Receivables, Net				
Taxes	3,387,324	2,997,276	-	6,384,600
State Government	20,320,447	-	-	20,320,447
Federal Government	5,921,708	-	-	5,921,708
Interfund	192,714	-	39	192,753
Other	280,403	-	-	280,403
Due from Other Funds	1,800,000	-	-	1,800,000
Inventories	1,512,136	-	-	1,512,136
	<u>83,219,244</u>	<u>53,772,953</u>	<u>191</u>	<u>136,992,388</u>
Total Assets	\$ <u>83,219,244</u>	\$ <u>53,772,953</u>	\$ <u>191</u>	\$ <u>136,992,388</u>
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,986,345	\$ -	\$ -	\$ 2,986,345
Salaries and Benefits Payable	40,851,104	-	-	40,851,104
Due to Other Funds	-	1,800,000	-	1,800,000
Contracts Payable	-	6,768,270	-	6,768,270
Retainages Payable	-	3,304,711	-	3,304,711
Deposits and Unearned Revenue	200,568	-	-	200,568
Interfund Accounts Payable	-	192,714	-	192,714
	<u>44,038,017</u>	<u>12,065,695</u>	<u>-</u>	<u>56,103,712</u>
Total Liabilities	44,038,017	12,065,695	-	56,103,712
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable Revenue - Property Taxes	1,096,423	-	-	1,096,423
	<u>1,096,423</u>	<u>-</u>	<u>-</u>	<u>1,096,423</u>
Total Deferred Inflows of Resources	1,096,423	-	-	1,096,423
<u>FUND BALANCES</u>				
Nonspendable	1,512,136	-	-	1,512,136
Restricted	6,712,882	41,707,258	191	48,420,331
Assigned	11,997,391	-	-	11,997,391
Unassigned	17,859,395	-	-	17,859,395
	<u>38,081,804</u>	<u>41,707,258</u>	<u>191</u>	<u>79,789,253</u>
Total Fund Balances	38,081,804	41,707,258	191	79,789,253
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>83,216,244</u>	\$ <u>53,772,953</u>	\$ <u>191</u>	\$ <u>136,989,388</u>

The notes to the basic financial statements are an integral part of this statement.

RICHMOND COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2016

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 79,789,253

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.

Land	\$	16,395,309	
Construction in progress		82,915,403	
Buildings and improvements		622,822,064	
Equipment		63,054,611	
Land improvements		24,905,918	
Works of art		42,000	
Accumulated depreciation		<u>(229,468,083)</u>	580,667,222

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Net pension liability (219,887,247)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. (12,242,420)

Taxes that are not available to pay for current period expenditures are deferred in the funds. 1,096,423

Long-term liabilities, and related accrued interest, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	\$	(52,880,000)	
Accrued interest payable		(607,661)	
Compensated absences payable		(1,900,287)	
Discount on issuance of bonds		(3,350,195)	
Claims and judgments payable		<u>(584,768)</u>	<u>(59,322,911)</u>

Net position of governmental activities (Exhibit "A") \$ 370,100,320

RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "E"

	GENERAL FUND	DISTRICT-WIDE CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	\$ 90,099,510	\$ -	\$ -	\$ 90,099,510
Sales Taxes	1,247,552	34,787,207	-	36,034,759
State Funds	149,150,028	2,610,410	-	151,760,438
Federal Funds	44,013,662	-	-	44,013,662
Charges for Services	945,710	-	-	945,710
Investment Earnings	12,289	84,365	-	96,654
Miscellaneous	2,277,447	-	-	2,277,447
Total Revenues	287,746,198	37,481,982	-	325,228,180
EXPENDITURES				
Current				
Instruction	174,187,826	1,386,949	-	175,574,775
Support Services				
Pupil Services	10,495,308	152,239	-	10,647,547
Improvement of Instructional Services	14,209,910	-	-	14,209,910
Educational Media Services	4,835,391	98,456	-	4,933,847
General Administration	2,783,166	19,411	-	2,802,577
School Administration	21,188,994	51,915	-	21,240,909
Business Administration	2,168,344	188,516	-	2,356,860
Maintenance and Operation of Plant	26,821,310	2,783,472	-	29,604,782
Student Transportation Services	11,166,907	3,587,741	-	14,754,648
Central Support Services	4,122,415	63,558	-	4,185,973
Other Support Services	1,592,796	-	-	1,592,796
Community Services	20,043	-	-	20,043
Food Services Operation	19,228,666	-	-	19,228,666
Capital Outlay	-	50,622,896	-	50,622,896
Debt Services				
Principal	-	-	27,090,000	27,090,000
Dues and Fees	-	-	600	600
Interest	-	-	3,071,250	3,071,250
Total Expenditures	292,821,076	58,955,153	30,161,850	381,938,079
Revenues over (under) Expenditures	(5,074,878)	(21,473,171)	(30,161,850)	(56,709,899)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	69,263	-	-	69,263
Transfers In	-	-	30,161,850	30,161,850
Transfers Out	-	(30,161,850)	-	(30,161,850)
Total Other Financing Sources (Uses)	69,263	(30,161,850)	30,161,850	69,263
Net Change in Fund Balances	(5,005,615)	(51,635,021)	-	(56,640,636)
Fund Balances - Beginning	43,087,419	93,342,279	191	136,429,889
Fund Balances - Ending	\$ 38,081,804	\$ 41,707,258	\$ 191	\$ 79,789,253

The notes to the basic financial statements are an integral part of this statement.

RICHMOND COUNTY BOARD OF EDUCATION
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2016

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ (56,640,636)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 55,392,342	
Depreciation expense	<u>(17,059,943)</u>	38,332,399

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, donations, and disposals) is to increase/decrease net position. (35,533)

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 390,483

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. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the Statement of Activities.

Bond principal retirements		27,090,000
----------------------------	--	------------

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the Statement of Net Position because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the Statement of Activities.

Pension expense		11,762,463
-----------------	--	------------

Some items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Net decrease in accrued interest on issuance of bonds	311,911	
Increase in compensated absences	(249,514)	
Amortization on bond premium	3,350,195	
Decrease in claims and judgments	<u>1,699,815</u>	<u>5,112,407</u>

Change in net position of governmental activities (Exhibit "B") \$ 26,011,583

RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

EXHIBIT "G"

	<u>PRIVATE PURPOSE TRUSTS</u>	<u>AGENCY FUNDS</u>
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 50,115	\$ 732,509
Accounts Receivable		
Other	-	7
	<u>50,115</u>	<u>732,516</u>
Total Assets	<u>\$ 50,115</u>	<u>\$ 732,516</u>
<u>LIABILITIES</u>		
Funds Held for Others	\$ -	\$ 730,176
Current Liabilities	-	2,340
<u>NET POSITION</u>		
Held in Trust for Private Purposes	<u>50,115</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 50,115</u>	<u>\$ 732,516</u>

The notes to the basic financial statements are an integral part of this statement.

RICHMOND COUNTY BOARD OF EDUCATION
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 YEAR ENDED JUNE 30, 2016

EXHIBIT "H"

	<u>PRIVATE</u> <u>PURPOSE</u> <u>TRUSTS</u>
ADDITIONS	
Investment loss	
Other	\$ <u>(849)</u>
Change in Net Position	(849)
Net Position - Beginning	<u>50,964</u>
Net Position - Ending	<u><u>\$ 50,115</u></u>

The notes to the basic financial statements are an integral part of this statement.

NOTE 1: DESCRIPTION OF SCHOOL SYSTEM AND REPORTING ENTITY

REPORTING ENTITY

The Richmond County Board of Education (School System) was established under the laws of the State of Georgia and operates under the guidance of a board elected by the voters and a Superintendent appointed by the Board. The School System 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 System 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 System 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 System's accounting policies are described below.

BASIS OF PRESENTATION

The School System's basic financial statements are collectively comprised of the government-wide financial statements, fund financial statements and notes to the basic financial statements. The government-wide statements focus on the School System 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.

GOVERNMENT-WIDE STATEMENTS:

The Statement of Net Position and the Statement of Activities display information about the financial activities of the overall School System, 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 System'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 System'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 System 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 position 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 System'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 System

related to the administration and support of the School System'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 System's funds, including fiduciary funds. Eliminations have been made to minimize the double counting of internal activities. Separate financial statements are presented for governmental, proprietary, and fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The School System reports the following major governmental funds:

- The general fund is the School System'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 Education Special Purpose Local Option Sales Tax (ESPLOST), Bond Proceeds and grants from 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 System reports the following fiduciary fund types:

- Private purpose trust funds are used to report all trust arrangements, other than those properly reported elsewhere, in which principal and income benefit individuals, private organizations or other governments.
- Agency funds are used to report resources held by the School System in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

BASIS OF ACCOUNTING

The basis of accounting determines when transactions are reported on the financial statements. The government-wide, proprietary, 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 System 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 System 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. The School System considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. The School System considers all intergovernmental revenues to be available if they are collected within 120 days after year-end. 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 System funds certain programs by a combination of specific cost-reimbursement grants, categorical grants, and general revenues. Thus, when program costs are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the School System's policy to first apply grant resources to such programs, followed by cost-reimbursement grants, then general revenues.

NEW ACCOUNTING PRONOUNCEMENTS

In fiscal year 2016, the School System adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. The provisions of this statement address 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 System adopted Governmental Accounting Standards Board (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 System's financial statements.

In fiscal year 2016, the School System adopted Governmental Accounting Standards Board (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 System 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 System 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 System 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 System 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.

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

RECEIVABLES

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

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

INVENTORIES

Food Inventories

On the basic financial statements, inventories of donated food commodities used in the preparation of meals are reported at their Federally assigned value and purchased foods inventories are reported at cost (calculated on the weighted average basis). The School System 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/expenditures are recorded as the inventory items are used.

RESTRICTED ASSETS

Certain resources set aside for repayment of debt are classified as restricted assets on the statement of net position because their use is limited by applicable debt statutes, e.g. Qualified Zone Academy Bond sinking funds.

CAPITAL ASSETS

On the government-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 System 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 government-wide financial statements.

Depreciation is computed using the straight-line 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 government-wide and proprietary fund statements are as follows:

	Capitalization Policy	Estimated Useful Life
Land	Any Amount	N/A
Land Improvements	\$ 5,000	20 years
Buildings and Improvements	\$ 100,000	25 to 30 years
Equipment	\$ 5,000	5 to 30 years
Intangible Assets	\$ 1,000,000	5 years
Infrastructure	\$ 1,000,000	65 years
Vehicles	\$ 5,000	8 years
Works of Art	Any Amount	N/A

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of financial position will 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(s) 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(s) 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 20 days. Upon terminating employment, the School System pays all unused and unforfeited vacation benefits to employees. Accordingly, vacation benefits are accrued as a liability in the government-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 Systems. Otherwise, sick leave does not vest with the employee, and no liability is reported in the School System's financial statements.

LONG-TERM LIABILITIES AND BOND DISCOUNTS/PREMIUMS

In the School System's government-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 straight-line method. To conform to generally accepted accounting principles, bond premiums and discounts should be amortized using the effective interest method. The effect of this deviation is deemed to be immaterial to the fair presentation of the basic financial statements. 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 System 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 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 System's fund balances are classified as follows:

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

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

Committed consists of resources that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. The Board is the School System'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 System'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.

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 Augusta-Richmond County Board of Commissioners adopted the property tax levy for the 2015 tax digest year (calendar year) on September 9, 2015 (levy date) based on property values as of January 1, 2015. Taxes were due on November 15, 2015 (lien date). 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 Richmond County Tax Commissioner bills and collects the property taxes for the School System, withholds 2.5% of taxes collected as a fee for tax collection and remits the balance of taxes collected to the School System. Property tax revenues, at the fund reporting level, during the fiscal year ended June 30, 2016, for maintenance and operations amounted to \$88,617,358.

Tax millage rates levied for the 2015 tax year (calendar year) for the School System were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>19.972</u> mills
-------------------	---------------------

Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,482,152 during the fiscal year ended June 30, 2016.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$34,787,207 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 System'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, debt service, and capital projects funds. 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 fund, function, and object level. The budget for the general fund was prepared in accordance with accounting principles generally accepted in the United States of America.

The budgetary process begins with the School System's administration presenting an initial budget for the Board's review. The administration makes revisions as necessary based on the Board's guidelines, and a tentative budget is approved. After approval of this tentative budget by the Board, such budget is advertised at least once in a newspaper of general circulation in the locality, as well as the School System's website. At the next regularly scheduled meeting of the Board after advertisement, the Board receives comments on the tentative budget, makes revisions as necessary and adopts a final budget. The approved budget is then submitted, in accordance with provisions of O.C.G.A. §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 or her designee is authorized by the Board to approve adjustments of the amount budgeted for expenditures in any budget object and function for any fund up to the legal level of budgetary control. Under no circumstance is the Superintendent or other staff person authorized to spend funds that exceed the total budget without approval by the Board.

See the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual in the Supplementary Information Section 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% 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 be not less than 110% of the daily pool balance.

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 System's deposits may not be returned to it. The School System does not have a deposit policy for custodial credit risk. At June 30, 2016, the School System had deposits with a carrying amount of \$64,649,449, and a bank balance of \$70,091,396. The bank balances insured by Federal depository insurance were \$384,928 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent in the School System's name were \$69,706,468.

At June 30, 2016, \$69,706,498 of the School System's bank balance was exposed to custodial credit risk as follows:

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

Uninsured and Uncollateralized	\$	-
Uninsured with collateral held by the pledging financial institution		-
Uninsured with collateral held by the pledging financial institution's trust department or agent but not in the School District's name		<u>69,706,468</u>
Total	\$	<u><u>69,706,468</u></u>

CATEGORIZATION OF CASH EQUIVALENTS

The School System reported cash equivalents of \$36,590,221 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 AAf 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 System 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 System had the following investments:

Investment Type	Fair Value
Other Investments	
Equity Securities -Domestic	\$ <u><u>123,295</u></u>

Fair Value of Investments

The School System measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable outputs

The School System has the following recurring fair value measurements as of June 30, 2016:

Equity Mutual Funds – Domestic of \$123,295 are valued using quoted market prices. (Level 1 inputs)

Interest Rate Risk

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

As of June 30, 2016, the School System did not have any investments to which this risk would apply.

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 O.C.G.A. §36-83-4. The School System does not have a formal policy that would further limit its investment choices or one that addresses credit risk.

As of June 30, 2016, the School System did not have any investments to which this risk would apply.

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

NOTE 5: CAPITAL ASSETS

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Balances July 1, 2015	Increases	Decreases	Balances June 30, 2016
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Works of Art	\$ 42,000	\$ -	\$ -	\$ 42,000
Land	15,352,856	1,042,453	-	16,395,309
Construction in Progress	48,089,943	44,835,271	10,009,811	82,915,403
Total Capital Assets Not Being Depreciated	63,484,799	45,877,724	10,009,811	99,352,712
Capital Assets Being Depreciated				
Buildings and Improvements	608,262,182	14,717,572	157,690	622,822,064
Equipment	59,490,763	4,799,057	1,235,209	63,054,611
Land Improvements	24,898,118	7,800	-	24,905,918
Total Capital Assets Being Depreciated	692,651,063	19,524,429	1,392,899	710,782,593
Less Accumulated Depreciation for:				
Buildings and Improvements	171,697,570	11,860,605	155,586	183,402,589
Equipment	33,061,662	4,188,900	1,201,780	36,048,782
Land Improvements	9,006,275	1,010,437	-	10,016,712
Total Capital Assets, Being Depreciated, Net	478,885,556	2,464,487	35,533	481,314,510
Governmental Activity Capital Assets - Net	\$ 542,370,355	\$ 48,342,211	\$ 10,045,344	\$ 580,667,222

Current year depreciation expense by function is as follows:

Instruction		\$ 3,578,008
Support Services		
Pupil Services	\$ 565,492	
Educational Media Services	349,899	
General Administration	3,897	
School Administration	686,938	
Business Administration	4,355	
Maintenance and Operation of Plant	8,124,104	
Student Transportation Services	1,219,243	
Central Support Services	813,319	
Other Support Services	835,198	
Community Services	6,567	12,609,012
Food Services		872,923
		\$ 17,059,943

NOTE 6: INTERFUND ASSETS, LIABILITIES, AND TRANSFERS

INTERFUND ASSETS AND LIABILITIES

Due to and due from other funds are recorded for interfund receivables and payables which arise from interfund transactions. Interfund balances at June 30, 2016, consisted of the following:

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

	Due From Other Funds	Due To Other Funds
General Fund	\$ 1,992,714	\$ -
Capital Projects Fund	-	1,992,714
	\$ 1,992,714	\$ 1,992,714

Transfers are used to move sales tax and property tax revenues as required matching funds or to provide supplemental funding for capital construction projects.

INTERFUND TRANFERS

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

Transfers To	Transfers From	Amount
Debt Service Fund	District-wide Capital Projects	\$ <u>30,161,850</u>

Transfers are used to move sales tax revenues collected by the general fund to the government-wide capital projects fund to the debt service funds to fund debt service payments.

NOTE 7: LONG-TERM LIABILITIES

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

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due Within One Year
General Obligation (G.O.) Bonds	\$ 79,970,000	\$ -	\$ 27,090,000	\$ 52,880,000	\$ 28,345,000
Unamortized Bond Premiums	6,700,390	-	3,350,195	3,350,195	3,350,195
Compensated Absences(1)	1,650,773	1,349,117	1,099,603	1,900,287	-
	\$ 88,321,163	\$ 1,349,117	\$ 31,539,798	\$ 58,130,482	\$ 31,695,195

(1) The portion of compensated absences due within one year has been determined to be immaterial to the basic financial statements.

GENERAL OBLIGATION DEBT OUTSTANDING

The School System'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. The School System repays general obligation bonds from voter-approved sales taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School System.

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

General obligation bonds currently outstanding are as follows:

Description	Interest Rates	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General Government - Series 2012	2.00% - 5.00%	2012	2017	\$ 130,515,000	\$ 52,880,000

The following schedule details debt service requirements to maturity for the School System's total general obligation bonds payable:

Fiscal Year Ended June 30:	General Obligation Debt		Unamortized Bond	Unamortized Bond
	Principal	Interest	Premium	Discount
2017	\$ 28,345,000	\$ 1,785,375	\$ 3,350,195	\$ -
2018	24,535,000	563,375	-	-
Total Principal and Interest	\$ 52,880,000	\$ 2,348,750	\$ 3,350,195	\$ -

COMPENSATED ABSENCES

Compensated absences represent obligations of the School System 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 System uses the vesting method to compute compensated absences.

NOTE 8: RISK MANAGEMENT

INSURANCE

Commercial Insurance

The School System 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. The School System 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.

Georgia School Boards Association Risk and Insurance Management System

The School System participates in the Georgia School Boards Association Risk and Insurance Management System (the System), a public entity risk pool organized on July 1, 1994, to develop and administer a plan to reduce risk of loss on account of general liability, motor vehicle liability, or property damage, including safety engineering and other loss prevention and control techniques, and to administer one or more groups of self-insurance funds, including the processing and defense of claims brought against members of the system. The School System pays an annual premium to the System for its general insurance coverage. Additional coverage is provided through agreements by the System with other companies according to their specialty for property, boiler and machinery (including coverage for flood and earthquake), general liability (including coverage for sexual harassment, molestation and abuse), errors and omissions, crime and automobile risks. Payment of excess insurance for the System varies by line of coverage.

WORKERS' COMPENSATION

The School System has established a limited risk management program for workers' compensation claims. The School System accounts for claims within the general fund and school nutrition 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 \$1,000,000 loss per occurrence, and up to \$2,000,000.

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

		Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
	\$	<u> -</u>	<u>1,145,828</u>	<u>1,145,828</u>	<u> -</u>
2015					
2016		<u> -</u>	<u>2,300,317</u>	<u>1,715,589</u>	<u>584,728</u>

UNEMPLOYMENT COMPENSATION

The School System is self-insured with regard to unemployment compensation claims. The School System 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.

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

		Beginning of Year Liability	Claims and Changes in Estimates	Claims Paid	End of Year Liability
	\$	<u> -</u>	<u>40,119</u>	<u>40,119</u>	<u> -</u>
2015					
2016		<u> -</u>	<u>9,367</u>	<u>9,367</u>	<u> -</u>

SURETY BOND

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

Position Covered	Amount
Superintendent	\$ 50,000
President	\$ 50,000
Vice President	\$ 50,000
Controller	\$ 50,000
Deputy Superintendent	\$ 50,000
Director of Budget and Finance	\$ 20,000
Accounting Supervisors	\$ 20,000
Accounting and Professional Learning Bookkeepers	\$ 10,000
Each Principal	\$ 5,000
Each School Bookkeeper	\$ 5,000
Each High School Business Manager	\$ 5,000
Each Lunchroom Manager	\$ 5,000

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School System's financial statements include the following amounts presented in the aggregate at June 30, 2016:

Nonspendable					
Inventories			\$	1,512,136	
Restricted					
Continuation of Federal Programs	\$	6,712,882			
Capital Projects		12,140,449			
Debt Service		29,567,000		48,420,331	
		<u> </u>			
Assigned					
Employee Benefits		588,588			
School Activities		1,023,449			
Subsequent Period Expenditures		10,385,354		11,997,391	
		<u> </u>		<u>17,859,395</u>	
Unassigned					
Fund Balance, June 30, 2016			\$	<u>79,789,253</u>	

When multiple categories of fund balance are available for expenditure, the School System 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 System to achieve and maintain a committed, assigned, and unassigned fund balance in the general fund at fiscal year-end of not less than 15% of annual 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 System shall develop a restoration plan to achieve and maintain the minimum fund balance.

NOTE 10: SIGNIFICANT COMMITMENTS

COMMITMENTS UNDER CONSTRUCTION CONTRACTS

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

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

Project	Unearned Executed Contracts (1)	Payments through June 30, 2016 (2)	Funding Available From State (1)
B-013-016-4060	\$ 2,025,779	\$ 5,079,129	\$ 1,730,182
B-12-014-2050	-	2,382,520	632,346
B-12-001-1052	229,982	18,835,176	-
B-12-008-2052	1,847,926	3,406,372	51,544
B-14-042-0451	-	729,379	-
B-13-018-001	2,411	78,825	-
B-14-032-4562	60,251	281,010	920,104
B-14-039-1054	-	1,111,011	-
B-14-023-2054	3,892	2,168,652	686,570
B-12-006-3054	-	11,998,845	-
B-14-022-0197	386,493	3,291,132	1,600,620
B14-031-4054	47,089	7,244	288,658
B-12-011-2056	14,987	1,925,732	986,678
B-12-011-2056.2	2,936,417	464,091	677,116
B-013-017-1156	3,510	3,176,961	102,149
B-14-021-3556	32,458	2,375,169	-
B-14-020-3756	-	4,717,703	1,023,149
B-12-002-5566	620,076	19,623,183	-
B-12-005-1058	-	4,192,264	9,246
B-14-035-0177	1,049,241	547,641	762,866
B-14-030-2058	768,096	1,638,118	966,694
B-13-019-0184	113,415	3,267,169	645,358
B-12-003-5058	8,383,909	5,788,003	-
B-12-010-0201	1,820,657	105,005	-
	Risk Hazard	114,763	-
	School Security	61,404	-
B-14-025-0290	1,324,529	105,498	511,915
B-14-027-3062	145,579	2,606,988	668,066
B-14-037-4062	1,126,433	722,637	952,545
B-14-033-0390	866,666	391,970	447,216
B-14-041-0294	400,951	162,050	451,749
B-12-004-5564	-	8,330,822	124,290
B-08-016-445	8,700	69,700	-
B-14-038-1064	662,793	-	-
B-14-029-2064	-	861,878	-
B-12-007-2574	100,814	11,061,703	763,025
B-12-013-4064	581,977	518,768	-
B-14-024-0104	-	750,017	216,813
B-14-025-0290	-	1,564,157	758,857
B-14-026-1065	2,550	1,714,948	357,786
	<u>\$ 25,714,407</u>	<u>\$ 126,227,637</u>	<u>\$ 16,335,542</u>

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

(2) Payments include Contracts and Retainages Payable at year-end.

NOTE 11: SIGNIFICANT CONTINGENT LIABILITIES

FEDERAL GRANTS

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 System. However, the School System believes that such disallowances, if any, will be immaterial to its overall financial position.

LITIGATION

The School System is a defendant in various legal proceedings pertaining to matters incidental to the performance of routine School System 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 System.

NOTE 12: POST-EMPLOYMENT BENEFITS

GEORGIA SCHOOL PERSONNEL POST-EMPLOYMENT 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

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

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:

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

July 1, 2015 – June 30, 2016 \$945.00 per member per month

For non-certificated school personnel:

July 1, 2015 – 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 System'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%	\$ 29,436,705
2015	100%	\$ 29,084,396
2014	100%	\$ 29,421,774

NOTE 13: RETIREMENT PLANS

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

TEACHERS RETIREMENT SYSTEM OF GEORGIA (TRS)

Plan Description: All teachers of the School System 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 System's contractually required contribution rate for the fiscal year ended June 30, 2016 was 14.27%, excluding payroll attributable to those personnel funded on behalf of the School System by the state. For the current fiscal year, employer contributions to the pension plan were \$22,255,266 and \$225,369 from the School System and the State, respectively.

EMPLOYEES' RETIREMENT SYSTEM

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

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

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

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

Contributions: Member contributions under the old plan are 4% of annual compensation, up to \$4,200.00, plus 6% of annual compensation in excess of \$4,200.00. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The School System's contractually required contribution rate, actuarially determined annually, for the fiscal year ended June 30, 2016 was 24.72% of annual covered payroll for old and new plan members and 21.69% for GSEPS members. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions to the pension plan were \$27,153 for the current fiscal year.

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 \$161,297.

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

At June 30, 2016, the School System reported a liability of \$219,887,247 for its proportionate share of the net pension liability for TRS (\$219,730,377) and ERS (\$156,870).

The TRS net pension liability reflected a reduction for support provided to the School System by the State of Georgia for certain public school support personnel. The amount recognized by the School System 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 System were as follows:

School System's proportionate share of the Net Pension Liability	\$	219,730,377
State of Georgia's proportionate share of the Net Pension Liability associated with the School System		3,042,061
Total	\$	222,772,438

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

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

techniques. The School System'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 System's TRS proportion was 1.443315%, which was a decrease of 0.050363% from its proportion measured as of June 30, 2014. At June 30, 2015, the School System's ERS proportion was 0.003872%, which was an increase (decrease) of 0.000533% from its proportion measured as of June 30, 2014.

At June 30, 2016, the School System 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 System is \$2,704,777.

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 System was based on actuarially determined contributions paid by the State during the fiscal year ended June 30, 2015.

For the fiscal year ended June 30, 2016, the School System recognized pension expense of \$10,794,193 for TRS, \$35,107 for ERS and \$161,297 for PSERS and revenue of \$225,369 for TRS and \$161,297 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 System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 1,932,642	\$ -	\$ 1,253
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	18,534,488	-	11,318
Changes in proportion and differences between School System contributions and proportionate share of contributions	-	14,070,228	25,090	-
School System contributions subsequent to the measurement date	<u>22,255,266</u>	<u>-</u>	<u>27,153</u>	<u>-</u>
Total	<u>\$ 22,255,266</u>	<u>\$ 34,537,358</u>	<u>\$ 52,243</u>	<u>\$ 12,571</u>

The School System contributions subsequent to the measurement date of \$22,255,266 for TRS and \$27,153 for ERS are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

Year Ended June 30:	TRS	ERS
2017	\$ (12,816,860)	\$ 14,236
2018	\$ (12,816,860)	\$ (489)
2019	\$ (12,816,874)	\$ (5,045)
2020	\$ 4,335,279	\$ 3,817
2021	\$ (422,043)	\$ -
Thereafter	\$ -	\$ -

Actuarial assumptions: The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2014, 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.

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 for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males 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.

Public School Employees Retirement System:

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

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

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

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

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

Sensitivity of the School System's proportionate share of the net pension liability to changes in the discount rate: The following presents the School System's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the School System'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:

RICHMOND COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 JUNE 30, 2016

EXHIBIT "I"

Teachers Retirement System:	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School System's proportionate share of the Net Pension Liability	\$ 377,590,039	\$ 219,730,377	\$ 89,616,453
Employees' Retirement System:	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
School System's proportionate share of the Net Pension Liability	\$ 222,369	\$ 156,870	\$ 101,030

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

DEFINED CONTRIBUTION PLAN

In November 1999, the School System began an employer paid 403(b) annuity 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 of this group.

The School System selected Variable Annuity Life Insurance Company (VALIC) as the provider of this plan. For each employee covered under PSERS, the Board began contributing to the plan an amount equal to 3% of the employee's base pay.

The employee becomes vested in the plan with five years of experience. Employees who had already achieved five years of experience at the time the plan was implemented were vested upon enrollment.

Funds accumulated in the employer paid accounts are only available to the employee upon termination of employment and five years of service to the Richmond County School System. If an employee terminates employment prior to achieving five years of service, funds paid on behalf of the non-vested employee are credited back to the School System.

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

Fiscal Year	Percentage Contributed	Required Contribution
2016	100%	\$ 200,273
2015	100%	\$ 216,646
2014	100%	\$ 221,728

NOTE 14: SUBSEQUENT EVENTS

In the subsequent fiscal year, in an election held November 8, 2016, Richmond County passed the fifth one percent Special Purpose Local Option Sales Tax to raise not more than \$225,000,000 over a period of twenty consecutive calendar quarters (2017-2022) and issued \$131,790,000 in general obligation debt. The proceeds from these bonds will be used to fund a portion of the cost of acquiring, constructing, installing, and equipping new school buildings and facilities and other buildings and facilities useful or desirable in connection therewith, and in acquiring, constructing, installing, and equipping additions to existing schools, including new classroom space and athletic facilities for physical and general educational purposes. The School System has issued \$0 of these bonds as of the report date.

In the same election, Dr. Wayne Frazier was elected by voters to replace Barbara Pulliam as the Board Member for District 4 as of January 1, 2017.

RICHMOND COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "1"

Year Ended	School System's proportion of the net pension liability	School System's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School System	Total	School System's covered-employee payroll	School System'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	1.44%	\$ 219,730,377	\$ 3,042,061	\$ 222,772,438	\$ 155,958,419	140.89%	81.44%
2015	1.49%	\$ 188,706,514	\$ 2,631,975	\$ 191,338,489	\$ 154,846,238	121.87%	84.03%

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

RICHMOND COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "2"

Year Ended	School System's proportion of the net pension liability	School System's proportionate share of the net pension liability	School System's covered-employee payroll	School System's proportionate share of the net pension liability as a percentage of covered payroll	Plan fiduciary net position as a percentage of total net pension liability
2016	0.003872%	\$ 156,870	\$ 141,105	111.17%	76.20%
2015	0.003339%	\$ 125,233	\$ 86,574	144.65%	77.99%

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

RICHMOND COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PUBLIC SCHOOLS EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "3"

Year Ended	School System's proportion of the net pension liability	School System's proportionate share of the net pension liability	State of Georgia's proportionate share of the net pension liability associated with the School System	Total	School System's covered-employee payroll	School System'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%	\$ -	\$ 2,704,777	\$ 2,704,777	\$ 14,721,301	N/A	87.00%
2015	0.00%	\$ -	\$ 2,429,212	\$ 2,429,212	\$ 12,766,477	N/A	88.29%

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

RICHMOND COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 TEACHERS RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "4"

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>School System's covered-employee payroll</u>	<u>Contribution as a percentage of covered- employee payroll</u>
2016	\$ 22,255,266	\$ 22,255,266	\$ -	\$ 155,958,419	14.27%
2015	\$ 20,034,076	\$ 20,034,076	\$ -	\$ 154,846,238	12.94%

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

RICHMOND COUNTY BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF CONTRIBUTIONS
 EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
 FOR THE YEAR ENDED JUNE 30

SCHEDULE "5"

<u>Year Ended</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>School System's covered-employee payroll</u>	<u>Contribution as a percentage of covered- employee payroll</u>
2016	\$ 27,153	\$ 27,153	\$ -	\$ 141,105	19.24%
2015	\$ 19,440	\$ 19,440	\$ -	\$ 86,574	22.45%

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

Employees' Retirement System

Changes of assumptions: There were no changes in assumptions or benefits that affect the measurement of the total pension liability since the prior measurement date.

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	5.45% - 9.25%
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

RICHMOND COUNTY BOARD OF EDUCATION
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL
<u>REVENUES</u>	ORIGINAL	FINAL	AMOUNTS
Property Taxes	\$ 89,106,873	\$ 89,106,873	\$ 90,099,510
Sales Taxes	1,180,000	1,180,000	1,247,552
State Funds	147,102,234	148,240,428	149,150,028
Federal Funds	29,820,220	55,817,774	44,013,662
Charges for Services	1,207,731	1,207,756	945,710
Investment Earnings	108,787	107,657	12,289
Miscellaneous	3,681,101	4,061,802	2,277,447
Total Revenues	\$ 272,206,946	\$ 299,722,290	\$ 287,746,198
<u>EXPENDITURES</u>			
Current			
Instruction	\$ 173,471,066	\$ 186,434,078	\$ 174,187,826
Support Services			
Pupil Services	892,206	10,222,085	10,495,308
Improvement of Instructional Services	7,432,286	18,269,708	14,209,910
Educational Media Services	5,008,691	5,062,510	4,835,391
General Administration	4,295,673	5,151,081	2,783,166
School Administration	22,416,176	22,365,709	21,188,994
Business Administration	1,858,031	2,144,956	2,168,344
Maintenance and Operation of Plant	26,187,628	26,375,158	26,821,310
Student Transportation Service	10,760,990	11,923,771	11,166,907
Central Support Services	5,549,216	5,558,670	4,122,415
Other Support Services	25,633	1,927,313	1,592,796
Food Services Operation	22,572,471	23,049,351	19,228,666
Community Services Operations	7,000	43,021	20,043
Total Expenditures	\$ 280,477,067	\$ 318,527,411	\$ 292,821,076
Excess of Revenues			
over (under) Expenditures	\$ (8,270,121)	\$ (18,805,121)	\$ (5,074,878)
<u>OTHER FINANCING SOURCES (USES)</u>			
Sale Or Compensation For Loss Of Fixed Assets	\$ -	\$ -	\$ 69,263
Other Source	8,270,121	18,805,121	-
Total Other Financing Sources (Uses)	\$ 8,270,121	\$ 18,805,121	\$ 69,263
Net Change in Fund Balances	\$ -	\$ -	\$ (5,005,615)
Fund Balances - Beginning	36,842,783	36,720,476	43,087,419
Fund Balances - Ending	\$ 36,842,783	\$ 36,720,476	\$ 38,081,804

See notes to the basic financial statements

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

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	
National School Lunch Program	10.555	16165GA324N1099	\$ 17,671,433 (1)
Non-Cash Assistance (Commodities)	10.555	16165GA324N1099	848,167
Pass-Through From Bright From the Start:			
Georgia Department of Early Care and Learning			
Summer Food Service Program For Children	10.559		51,211
Total U. S. Department of Agriculture			18,570,811
Education, U.S. Department of			
Direct			
Impact Aid			
Total Impact Aid Cluster	84.041		(3)
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	5,327,405
Preschool Grants	84.173	H173A150081	131,262
Total Special Education Cluster			5,458,667
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	398,473
Education for Homeless Children and Youth	84.196	S196A150011	32,889
English Language Acquisition Grants	84.365	S365A150010	58,498
Improving Teacher Quality State Grants	84.367	S367A150001	1,816,295
Mathematics and Science Partnerships	84.366	S366B150011	199,008
Special Education			
State Personnel Development	84.323	H323A120020	22,923
Title I Grants to Local Educational Agencies	84.010	S010A150010	15,034,999
Twenty-First Century Community Learning Centers	84.287	S287C150010	484,335
Total Other Programs			18,047,420
Total U. S. Department of Education			23,506,087
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.U01		57,224
Department of the Air Force			
R.O.T.C. Program	12.U02		209,135
Department of the Navy			
R.O.T.C. Program	12.U03		287,982
Department of the Marines			
R.O.T.C. Program	12.U04		59,580
Total U. S. Department of Defense			613,921
Total Expenditures of Federal Awards			\$ 42,690,819

The accompanying notes are an integral part of this schedule.

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

SCHEDULE "8"

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 Richmond 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 Regulation Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this 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 Regulation 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 Board has elected not to use the 10% de minimis indirect cost as allowed under the Uniform Guidance.

- (1) Expenditures for the funds earned on Snack Program (\$121,034) and the School Breakfast Program (\$4,757,784) were not maintained separately and are included in the 2016 National School Lunch Program.
- (2) Funds earned on the Impact Aid Program, in the amount of \$393,204, do not require reporting of expenditures.

BLANK COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

SCHEDULE "9"

AGENCY/FUNDING	GOVERNMENTAL FUND TYPES		TOTAL
	GENERAL FUND	CAPITAL PROJECTS FUND	
GRANTS			
Bright From the Start:			
Georgia Department of Early Care and Learning			
Pre-Kindergarten Program	\$ 3,900,516	\$ -	\$ 3,900,516
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	12,558,411	-	12,558,411
Kindergarten Program - Early Intervention Program	1,332,734	-	1,332,734
Primary Grades (1-3) Program	30,366,952	-	30,366,952
Primary Grades - Early Intervention (1-3) Program	4,301,710	-	4,301,710
Upper Elementary Grades (4-5) Program	12,871,948	-	12,871,948
Upper Elementary Grades - Early Intervention (4-5) Program	2,661,660	-	2,661,660
Middle School (6-8) Program	23,787,651	-	23,787,651
High School General Education (9-12) Program	20,907,540	-	20,907,540
Vocational Laboratory (9-12) Program	4,828,724	-	4,828,724
Gifted Student - Category VI	3,071,218	-	3,071,218
Remedial Education Program	944,554	-	944,554
Alternative Education Program	1,643,757	-	1,643,757
English Speakers of Other Languages (ESOL)	710,877	-	710,877
Media Center Program	3,908,794	-	3,908,794
20 Days Additional Instruction	1,238,740	-	1,238,740
Staff and Professional Development	633,671	-	633,671
Indirect Cost			
Central Administration	2,853,456	-	2,853,456
School Administration	8,971,537	-	8,971,537
Facility Maintenance and Operations	9,035,070	-	9,035,070
Categorical Grants			
Pupil Transportation			
Regular	2,399,798	-	2,399,798
Nursing Services	603,943	-	603,943
Mid-term Adjustment Hold-Harmless	463,100	-	463,100
Vocational Supervisors	54,332	-	54,332
Education Equalization Funding Grant	4,834,046	-	4,834,046
Food Services	433,123	-	433,123
Vocational Education	168,119	-	168,119
Amended Formula Adjustment	(7,453,941)	-	(7,453,941)
Preschool Handicapped Program	557,226	-	557,226
Teachers' Retirement	259,777	-	259,777
Total Grants from Georgia Department of Education	152,849,043	-	152,849,043
Office of the State Treasurer			
Public School Employees Retirement	644,869	-	644,869

See notes to the basic financial statements.

BLANK COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2016

SCHEDULE "9"

<u>AGENCY/FUNDING</u>	GOVERNMENTAL FUND TYPES		<u>TOTAL</u>
	GENERAL FUND	CAPITAL PROJECTS FUND	
Total Quality Basic Education Formula Earnings (State And Local Funds)			
Principal Staff & Professional Development	16,856	-	16,856
Special Education Programs	18,570,973	-	18,570,973
Total	18,587,829	-	18,587,829
Qbe Allotment (Operating Costs)			
Qbe Allotment (Operating Costs)	313,634	-	313,634
Qbe Contra Account (Debit)			
Local Fair Share (Current Year)	(25,165,014)	-	(25,165,014)
Other Grants From Georgia Department Of Education			
Technology Infrastructure	42,152	-	42,152
Rule 10 Special Education State Grant	9,434	-	9,434
Other Special Revenues	1,617,260	-	1,617,260
Math and Science Supplements	250,821	-	250,821
Total	1,919,667	-	1,919,667
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	2,610,410	2,610,410
	\$ 149,150,028	\$ 2,610,410	\$ 151,760,438

(1) Payments to the Georgia Department of Community Health by the Georgia Department of Education on behalf of the School District are reported separately in the schedule above; however, the payments are part of the Quality Basic Education revenue allotments for the School District.

See notes to the basic financial statements.

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF APPROVED LOCAL OPTION SALES TAX PROJECTS
YEAR ENDED JUNE 30, 2016

	ORIGINAL ESTIMATED COST (1) (6)	CURRENT ESTIMATED COSTS (2)	AMOUNT EXPENDED IN CURRENT YEAR (3)	AMOUNT EXPENDED IN PRIOR YEARS (3)	TOTAL COMPLETION COST	ESTIMATED COMPLETION DATE
SPLOST 2007 (4)						
(a) Acquiring, Constructing, Equipping Facilities			\$ 469,858	\$ 172,097,227	\$ 172,567,085	Various
(b) Textbooks and Technology			50,389	17,544,216	17,594,605	Various
(c) School Buses and Vehicles				4,411,593	4,411,593	April 2013
(d) Interest on the General Obligation Debt				27,601,844	27,601,844	October 2012
(e) Expenses for the Imposition of the SPLOST				174,572	174,572	June 2007
Total SPLOST 2007	\$ 225,000,000	\$ 227,508,974	\$ 520,247	\$ 221,829,452	\$ 222,349,699	
SPLOST 2012 (5)						
(a) Acquiring, Constructing, Equipping Facilities			\$ 48,558,431	\$ 93,786,263	\$ 142,344,694	Various
(b) Textbooks and Technology			1,835,088	8,821,273	10,656,361	Various
(c) School Buses and Vehicles			3,883,553	1,630,201	5,513,754	Various
(d) Demolitions				549,925	549,925	Various
(e) General Obligation Debt			30,161,250	65,685,196	95,846,446	October 2017
(f) Expenses for the Imposition of the SPLOST				1,727,889	1,727,889	June 2017
(g) New Elementary School, Auditoriums						
Total SPLOST 2012	\$ 225,000,000	\$ 225,000,000	\$ 84,438,322	\$ 172,200,747	\$ 256,639,069	
GRAND TOTAL	\$ 450,000,000	\$ 452,508,974	\$ 84,958,569	\$ 394,030,199	\$ 478,988,768	

NOTES

- (1) The School System's original cost estimate as specified in the resolution calling for the imposition of the Local Option Sales Tax.
- (2) The School System's current estimate of total cost for the projects. Includes all costs from project inception to completion. The current estimated cost may increase over the original cost estimate as a result of increased tax collections and investment earnings.
- (3) The voters of Richmond County approved the imposition of a 1% sales tax to fund the above projects and retire associated debt. Amounts expended for these projects may include sales tax proceeds, state, local property taxes, and/or other funds over the life of the projects.
- (4) The purpose of the SPLOST issued in 2007 was for (a) Acquiring, constructing, installing and equipping new school buildings and facilities and other buildings and facilities useful or desirable in connection therewith, (b) Acquiring textbooks and technology hardware and software and equipment in connection with the foregoing, (c) Acquiring, constructing, installing and equipping acquiring school buses and other vehicles for the safety, security, and maintenance of the school facilities and equipment and buildings and facilities for the repair and maintenance thereof, acquiring, constructing and equipping safety structures and facilities useful or desirable in connection with any of the foregoing, acquiring the necessary property and rights in property therefor, both real and personal, (d) To pay capitalized interest on the general obligation debt and (e) To pay or reimburse the expenses of the Board of Education necessary to accomplish the foregoing, including the expenses incurred in connection with calling the election and imposing the sales and use tax. additions to existing schools, including without limitation new classroom space, and athletic facilities for physical and general educational purposes, adding to, renovating, removing, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith.
- (5) The purpose of the SPLOST issued in 2012 was for (a) Acquiring, constructing, installing and equipping new school buildings and facilities and other buildings and facilities useful or desirable in connection therewith, additions to existing schools, including without limitation new classroom space, and athletic facilities for physical and general educational purposes, adding to, renovating, removing, repairing, improving and equipping existing school buildings and other buildings and facilities useful or desirable in connection therewith, (b) Acquiring textbooks and technology hardware and software and equipment in connection with the foregoing, (c) Acquiring, constructing, installing and equipping acquiring school buses and other vehicles for the safety, security, and maintenance of the school facilities and equipment and buildings and facilities for the repair and maintenance thereof, acquiring, constructing and equipping safety structures and facilities useful or desirable in connection with any of the foregoing, acquiring the necessary property and rights in property therefor, both real and personal, (d) Demolishing existing buildings and facilities located on school property that are no longer useful for public school purposes (e) To pay capitalized interest on the general obligation debt and (f) To pay or reimburse the expenses of the Board of Education necessary to accomplish the foregoing, including the expenses incurred in connection with calling the election and imposing the sales and use tax. (g) To the extent funds are available therefor, the construction of a new elementary school and the construction or renovation of performance auditoriums at existing schools.
- (6) The original estimated cost for the 2012 SPLOST includes estimated proceeds from the imposition of a 1% sales tax, state capital outlay funding, and other local funds.

Michelle Bennett, CPA
Rick L. Evans, CPA
Jay Sanders, CPA
Wanda F. Scott, CPA
Abram J. Serotta, CPA
Andrea Usry, CPA
Paul Wade, CPA



INDEPENDENT AUDITORS' 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
Richmond County Board of Education
Augusta, 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 the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Richmond County Board of Education, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Richmond County Board of Education's basic financial statements, and have issued our report thereon dated January 18, 2017.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Richmond County Board of Education'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.

Serotta Maddocks Evans & Co.
SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia
January 18, 2017

Michelle Bennett, CPA
Rick L. Evans, CPA
Jay Sanders, CPA
Wanda F. Scott, CPA
Abram J. Serotta, CPA
Andrea Usry, CPA
Paul Wade, CPA



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

To the Superintendent and Members of the
Richmond County Board of Education
Augusta, Georgia

Report on Compliance for Each Major Federal Program

We have audited Richmond County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Richmond County Board of Education's major federal programs for the year ended June 30, 2016. Richmond County Board of Education's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Richmond County Board of Education'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 Richmond County Board of Education'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 Richmond County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Richmond County Board of Education, 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 Richmond County Board of Education, 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 Richmond County Board of Education'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 Richmond County Board of Education'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.

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.


SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia
January 18, 2017

RICHMOND COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

Prior Year Findings and Questioned Costs - Financial Statement Audit

No matters were reported.

Prior Year Findings and Questioned Costs - Major Federal Award Programs Audit

No matters were reported.

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. Summary of Auditors' Results

1. The auditors' report expresses an unmodified opinion on whether the financial statements of the Richmond County Board of Education were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the independent auditors' 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*.
3. No instances of noncompliance material to the financial statements of the Richmond County Board of Education, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major programs are reported in the independent auditors' report on compliance for each major program and on internal control over compliance required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Richmond County Board of Education expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) reported in this Schedule.
7. The programs tested as major programs included:

Title I, Part A Cluster (CFDA No. 84.389 and CFDA No. 84.010)

Improving Teacher Quality State Grants (84.367)

U. S. Department of Defense R.O.T.C. Program (CFDA No. 12.U01, CFDA no. 12.U02, CFDA No. 12.U03 and CFDA No. 12.U04)

8. The threshold used for distinguishing between Type A and Type B programs was \$1,280,725.
9. The Richmond County Board of Education qualified as a low-risk auditee.

B. Findings - Financial Statement Audit

NONE

C. Findings and Questioned Costs - Major Federal Award Programs Audit

NONE