



ANNUAL FINANCIAL REPORT

Richmond County
Board of Education
Augusta, Georgia

For the Fiscal Year Ended
June 30, 2017
(Including Independent Auditors' Reports)

RICHMOND COUNTY BOARD OF EDUCATION
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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, globally competitive school system where all students will graduate and are college/career ready.

Mission

Building a world-class school system through education, collaboration and innovation.

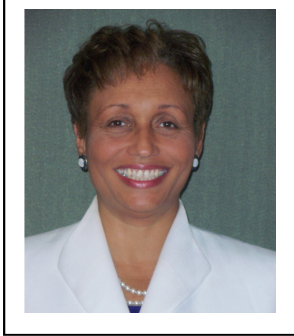
Motto

Learning Today...Leading Tomorrow

Belief Statements

- Every person has the right to a quality education.
- Education is the shared responsibility of the individual, home, school, and community.
- Every person can learn.
- Respect and acceptance are essential for learning and personal development.
- A safe, healthy, and orderly 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 26 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 require 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.



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



**Jimmy Atkins,
Vice President, District 8**



**Charlie Hannah,
District 2**



**Alex Howard,
District 3**



**Wayne Frazier,
District 4**



**Patsy Scott,
District 5**



**Jack Padgett, Jr.,
District 6**

**Vacant,
District 7**

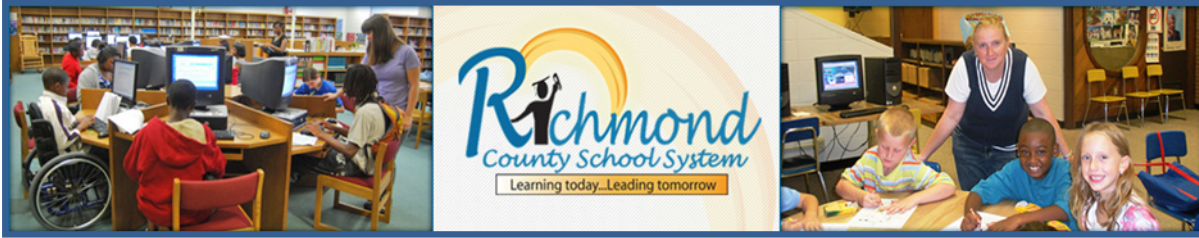


**Venus Cain,
District 9**



**Helen Minchew,
District 10**

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 - 30,934

Grade Range: PreK-12th

SCHOOLS

Comprehensive High Schools.....	8
Middle.....	11
Elementary.....	33
Magnet.....	4
Special.....	5

STUDENT DEMOGRAPHICS

African American.....	74%
Asian.....	1%
Hispanic.....	4%
Multicultural.....	3%
White.....	17%
Other.....	1%

EMPLOYEES

Certified.....	2,263
Non Certified.....	1,781

CERTIFIED PERSONNEL DATA

Education/Certification Level of School Professional Staff

4 Yr Bachelor's.....	26%
5 Yr Master's.....	42%
6 Yr Specialist's.....	27%
Doctorate.....	6%

SCHOOL NUTRITION

Serves approximately 14,535 breakfasts, 24,616 lunches, 979 snacks, and 340 suppers each day.

FINANCIAL SECTION

Michelle Bennett, CPA
Rick L. Evans, CPA
Jay Sanders, CPA
Wanda F. Scott, CPA
Abram Serotta, CPA
Joel R. Stewart, 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, 2017, 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, 2017, 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 March 23, 2018, 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
March 23, 2018

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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, 2017. 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, 2017 are as follows:

On the government-wide financial statements:

- The School System maintained increased class sizes to compensate for the reductions in state funding. There were no furlough days in FY2016 or FY2017.
- 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, 2017 the School System collected \$1.2 million in Title Ad Valorem Taxes, a decrease of \$315 thousand compared to the prior fiscal year.
- The School System's assets exceeded its liabilities by \$311.9 million at June 30, 2017. This represents a decrease in net position of \$1.7 million. This total decrease is due to governmental activities since the School System has no business-type activities.
- General revenues accounted for \$138.6 million or 40.2% of all revenues. Program specific revenues in the form of capital and operating grants and contributions and charges for services accounted for \$206.4 million of all revenues. Total Revenues increased by \$19.2 million. Program specific revenues increased by \$14.4 million and general revenues increased by \$4.8 million.
- The School System had \$346.7 million in expenses related to governmental activities of which \$206.4 million were offset by program specific charges for services or grants and contributions.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

- Total net position includes the following:
 - 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 \$36.4 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 deficit, net of pension liability, of \$20.9 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 \$23.6 million at June 30, 2017, which represents a decrease of \$14.5 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, 2017

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.

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, 2017

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 2017 and 2016.

TABLE 1
NET POSITION
(in Thousands)

	Governmental Activities <u>June 30, 2017</u>	Governmental Activities <u>June 30, 2016</u>
Assets		
Current and Other Assets	\$ 235,031	\$ 135,000
Capital Assets, Net	<u>594,144</u>	<u>580,667</u>
Total Assets	<u>\$ 829,175</u>	<u>\$ 715,667</u>
Deferred Outflows of Resources	71,932	22,308
Liabilities		
Current and Other Liabilities	\$ 51,370	\$ 55,306
Long-Term Liabilities	<u>465,954</u>	<u>278,018</u>
Total Liabilities	<u>\$ 517,324</u>	<u>\$ 333,324</u>
Deferred Inflows of Resources	15,377	34,550
Net Position		
Net Investment in Capital Assets	\$ 568,995	531,785
Restricted	36,428	43,815
Unrestricted	<u>(237,017)</u>	<u>(205,500)</u>
Total Net Position	<u>\$ 368,406</u>	<u>\$ 370,100</u>

The School System's net position decreased \$1.7 million. This decrease may be attributed to the collection of SPLOST proceeds and an increase in capital assets, offset by increases in associated bond debt and pension related liabilities.

Table 2 shows the comparative changes in net position for fiscal years 2017 and 2016.

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

	<u>Activities</u> <u>June 30, 2017</u>	<u>Activities</u> <u>June 30, 2016</u>
Revenues		
Program Revenues		
Charges for Services	\$ 1,041	\$ 946
Operating Grants and Contributions	197,555	188,397
Capital Grants and Contributions	7,846	2,610
Total Program Revenues	<u>\$ 206,442</u>	<u>\$ 191,953</u>
General Revenues		
Taxes		
Property Taxes	\$ 89,408	\$ 90,490
Sales Tax	38,153	36,035
Grants and Contributions		
not Restricted	5,523	4,834
Investment Earnings	284	97
Miscellaneous	5,185	2,277
Gain on Sale of Assets	3	69
Total General Revenues	<u>\$ 138,556</u>	<u>\$ 133,802</u>
Total Revenues	<u>\$ 344,998</u>	<u>\$ 325,755</u>
Program Expenses		
Instruction	\$ 192,562	\$ 169,417
Support Services		
Pupil Services	13,346	10,665
Improvement of Instruction	14,520	13,989
Educational Media Services	5,713	4,865
General Administration	3,889	2,639
School Administration	22,502	20,792
Business Administration	6,599	2,305
Maintenance and Operations of Plant	39,542	37,802
Student Transportation Services	15,681	11,638
Central Support Services	5,605	4,760
Other Support Services	1,359	2,144
Operations of Non-Instructional Services		
Community Services	248	24
Food Services	24,657	19,294
Interest on Short-Term		
and Long-Term Debt	469	(590)
Total Expenses	<u>\$ 346,692</u>	<u>\$ 299,744</u>
Change in Net Position	<u>\$ (1,694)</u>	<u>\$ 26,011</u>

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

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 2017 and 2016.

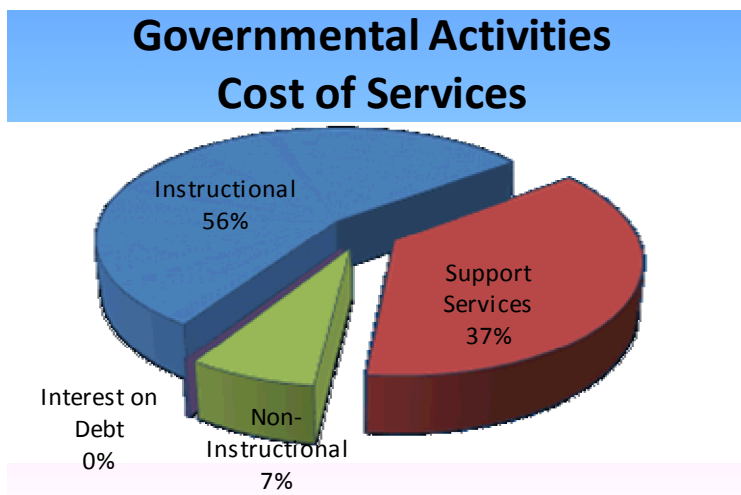
TABLE 3
Governmental Activities
(In Thousands)

	Total Cost of Services		Net Cost of Services	
	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2017	Fiscal Year 2016
Instructional	\$ 192,562	\$ 169,417	\$ 61,292	\$ 47,025
Support Services				
Pupil Services	13,346	10,665	6,597	7,193
Improvement of Instruction	14,520	13,989	3,739	2,565
Educational Media Services	5,713	4,865	1,516	901
General Administration	3,889	2,639	157	(446)
School Administration	22,502	20,792	12,456	11,088
Support Services Business	6,599	2,305	6,535	2,212
Maintenance and Operation of Plant	39,542	37,802	25,752	26,434
Student Transportation	15,681	11,638	12,551	7,735
Central Support Services	5,605	4,760	5,124	4,501
Other Support Services	1,359	2,144	802	483
Operations of Non-Instructional Services				
Community Services	248	24	245	3
Food Services	24,657	19,294	3,015	(1,314)
Interest on Short-Term and Long-Term Debt	469	(590)	469	(590)
Total Expense	<u>\$ 346,692</u>	<u>\$ 299,744</u>	<u>\$ 140,250</u>	<u>\$ 107,790</u>

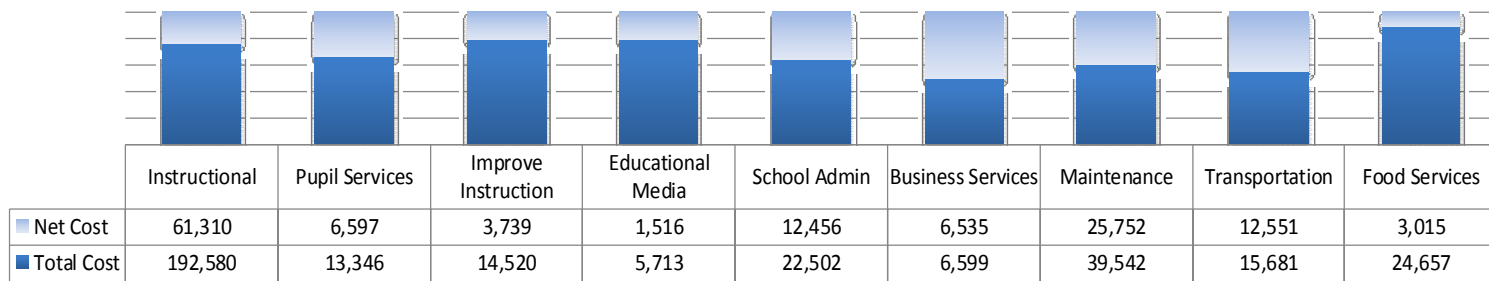
The State's Quality Basic Education Funding (QBE) is not sufficient to provide basic education services or to provide adequate maintenance of the School System's facilities. To provide further funding, the School System levies a millage rate of 19.754 mills in addition to a 1% Education Special Purpose Local Option Sales Tax (SPLOST) authorized by local referendum. The millage rate was approved at the rollback rate of 19.736 mills in July 2017.

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.

Figure 2.

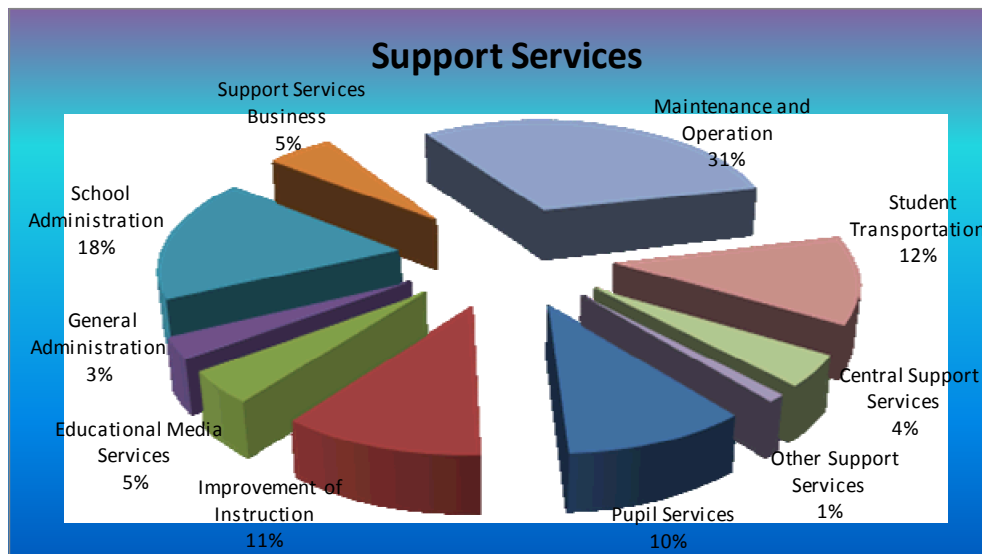


Comparison of Net Cost to Total Cost of Services (in millions)



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.

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 \$492.6 million and expenditures and other financing uses of \$386.6 million. The general fund’s fund balance reflected a decrease of \$14.5 million, and the capital projects funds increased by \$120.4 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 increase is related to bond proceeds for the Phase 5 Bond in February 2017.

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 2017, 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, 2017

For the general fund, the final budgeted revenues of \$309.8 million exceeded the original budget of \$271.3 million by \$38.5 million. Actual revenues were \$9.2 million less than the final budgeted amount. In FY 2017, 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 \$8.9 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 \$14.5 million.

Capital Assets and Debt Administration

At the end of fiscal year 2017, the School System had capital assets of \$594.1 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 2017 and 2016.

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

	Governmental Activities June 30, 2017	Governmental Activities June 30, 2016
Land	\$ 16,395	\$ 16,395
Construction Work in Progress	61,384	82,915
Works of Art	42	42
Building and Building Improvements	477,498	439,420
Equipment	24,933	27,006
Land Improvements	13,892	14,889
Total Capital Assets, Net of Depreciation	<u>\$ 594,144</u>	<u>\$ 580,667</u>

RICHMOND COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017

Debt

At June 30, 2017, the School System had \$155.8 million in general obligation bonds, with \$24.5 million due within one year. Debt comparisons between fiscal year 2017 and 2016 are shown below.

TABLE 5
DEBT
(in Thousands)

	Governmental Activities <u>June 30, 2017</u>	Governmental Activities <u>June 30, 2016</u>
General Obligation Bonds	\$ 155,765	\$ 52,880
Compensated Absences	2,235	1,900
Unamortized Bond Premium	<u>15,503</u>	<u>3,350</u>
Total Debt	<u>\$ 173,503</u>	<u>\$ 58,130</u>

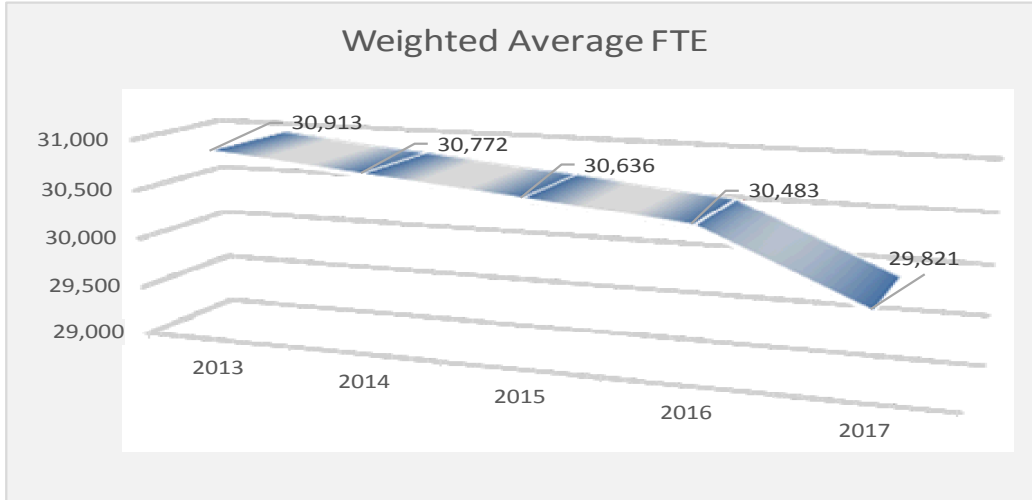
Current Issues

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 2016 to 2017 the weighted average of full time equivalent students decreased by 662 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, 2017



The amended formula adjustment, the reduction in state funding, for fiscal year 2017 was \$2.1 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; however, benefit costs continue to increase with increases in medical insurance and pension contribution rate increases.

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.



Reaching for World Class
Status!

RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2017

EXHIBIT "A"

	GOVERNMENTAL ACTIVITIES
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ 199,674,300
Investments	143,353
Receivables, Net	
Interest	126,337
Taxes	4,980,859
State Government	21,146,757
Federal Government	7,190,654
Other	241,709
Inventories	1,527,241
Capital Assets, Non-Depreciable	77,821,154
Capital Assets, Depreciable (Net of Accumulated Depreciation)	516,323,016
Total Assets	829,175,380
<u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	71,932,616
Total Deferred Outflows of Resources	71,932,616
<u>LIABILITIES</u>	
Accounts Payable	2,509,093
Salaries and Benefits Payable	43,088,128
Claims Incurred but not Reported (IBNR)	191,662
Interest Payable	1,851,775
Contracts Payable	2,299,082
Retainages Payable	1,234,907
Deposits and Unearned Revenues	194,981
Net Pension Liability	292,451,406
Long-Term Liabilities	
Due Within One Year	25,918,758
Due in More Than One Year	147,584,386
Total Liabilities	517,324,178
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Related to Defined Benefit Pension Plans	15,377,432
Total Deferred Inflows of Resources	15,377,432
<u>NET POSITION</u>	
Net Investment in Capital Assets	568,995,359
Restricted for	
Continuation of Federal Programs	6,746,250
Debt Service	28,259,677
Capital Projects	1,421,923
Unrestricted Deficit	(237,016,823)
Total Net Position	\$ 368,406,386

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, 2017

		EXPENSES
<u>GOVERNMENTAL ACTIVITIES</u>		
Instruction	\$	192,561,714
Support Services		
Pupil Services		13,345,691
Improvement of Instructional Services		14,519,626
Educational Media Services		5,713,358
General Administration		3,888,853
School Administration		22,501,625
Business Administration		6,599,396
Maintenance and Operation of Plant		39,541,758
Student Transportation Services		15,680,678
Central Support Services		5,604,934
Other Support Services		1,359,475
Operations of Non-Instructional Services		
Community Services		248,400
Food Services		24,656,877
Interest on Short-Term and Long-Term Debt		469,484
 Total Governmental Activities	 \$	 <u><u>346,691,869</u></u>
 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	
\$ 453,229	\$ 129,075,468	\$ 1,741,338	\$ (61,291,679)
-	6,468,978	279,849	(6,596,864)
-	10,780,257	-	(3,739,369)
-	4,039,200	158,541	(1,515,617)
-	3,731,240	141	(157,472)
-	9,699,237	346,556	(12,455,832)
-	62,193	2,139	(6,535,064)
62,358	9,675,454	4,052,349	(25,751,597)
-	2,904,018	225,439	(12,551,221)
-	99,795	380,859	(5,124,280)
-	135,869	421,414	(802,192)
-	301	3,271	(244,828)
524,855	20,883,281	233,962	(3,014,779)
-	-	-	(469,484)
<u>\$ 1,040,442</u>	<u>\$ 197,555,291</u>	<u>\$ 7,845,858</u>	<u>(140,250,278)</u>
			88,151,495
			89,975
			1,166,869
			37,060,555
			1,092,456
			5,522,849
			283,599
			5,185,122
			<u>3,424</u>
			<u>138,556,344</u>
			(1,693,934)
			<u>370,100,320</u>
		\$	<u><u>368,406,386</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, 2017

EXHIBIT "C"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 36,198,232	\$ 163,475,876	\$ 192	\$ 199,674,300
Investments	143,353	-	-	143,353
Receivables, Net				
Interest	126,337	-	-	126,337
Taxes	1,801,571	3,179,288	-	4,980,859
State Government	21,146,757	-	-	21,146,757
Federal Government	7,190,654	-	-	7,190,654
Interfund	993,044	-	-	993,044
Other	241,709	-	-	241,709
Inventories	1,527,241	-	-	1,527,241
 Total Assets	 \$ 69,368,898	 \$ 166,655,164	 \$ 192	 \$ 236,024,254
<u>LIABILITIES</u>				
Accounts Payable	\$ 2,509,093	\$ -	\$ -	\$ 2,509,093
Salaries and Benefits Payable	43,088,128	-	-	43,088,128
Contracts Payable	-	2,299,082	-	2,299,082
Retainages Payable	-	1,234,907	-	1,234,907
Deposits and Unearned Revenue	194,981	-	-	194,981
Interfund Accounts Payable	-	993,044	-	993,044
 Total Liabilities	 45,792,202	 4,527,033	 -	 50,319,235
<u>FUND BALANCES</u>				
Nonspendable	1,527,241	-	-	1,527,241
Restricted	4,249,734	162,128,131	192	166,378,057
Assigned	2,146,487	-	-	2,146,487
Unassigned	15,653,234	-	-	15,653,234
 Total Fund Balances	 23,576,696	 162,128,131	 192	 185,705,019
 Total Liabilities, Deferred Inflows of Resources, and Fund Balances	 \$ 69,368,898	 \$ 166,655,164	 \$ 192	 \$ 236,024,254

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, 2017

EXHIBIT "D"

Total fund balances - governmental funds (Exhibit "C") \$ 185,705,019

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		61,383,845	
Buildings and improvements		673,400,966	
Equipment		64,671,573	
Land improvements		24,905,918	
Works of art		42,000	
Accumulated depreciation		<u>(246,655,441)</u>	594,144,170

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

Net pension liability			(292,451,406)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			56,555,184
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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	\$	(155,765,000)	
Accrued interest payable		(1,851,775)	
Compensated absences payable		(2,235,409)	
Discount on issuance of bonds		(15,502,735)	
Claims and judgments payable		<u>(191,662)</u>	<u>(175,546,581)</u>

Net position of governmental activities (Exhibit "A")			\$ <u><u>368,406,386</u></u>
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RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

EXHIBIT "E"

	GENERAL FUND	CAPITAL PROJECTS FUND	DEBT SERVICE FUND	TOTAL
REVENUES				
Property Taxes	\$ 90,504,762	\$ -	\$ -	\$ 90,504,762
Sales Taxes	1,092,456	37,060,555	-	38,153,011
State Funds	155,346,266	7,845,858	-	163,192,124
Federal Funds	47,434,716	-	-	47,434,716
Charges for Services	1,040,442	-	-	1,040,442
Investment Earnings	57,882	225,716	1	283,599
Miscellaneous	5,185,122	-	-	5,185,122
Total Revenues	300,661,646	45,132,129	1	345,793,776
EXPENDITURES				
Current				
Instruction	181,558,071	4,021,021	-	185,579,092
Support Services				
Pupil Services	12,524,784	-	-	12,524,784
Improvement of Instructional Services	14,312,475	-	-	14,312,475
Educational Media Services	5,233,779	-	-	5,233,779
General Administration	4,402,198	107,672	-	4,509,870
School Administration	23,858,879	-	-	23,858,879
Business Administration	2,135,357	1,671,521	-	3,806,878
Maintenance and Operation of Plant	29,320,133	342,071	-	29,662,204
Student Transportation Services	12,854,860	1,070,548	-	13,925,408
Central Support Services	4,553,700	171,440	-	4,725,140
Other Support Services	237,956	-	-	237,956
Community Services	43,204	-	-	43,204
Food Services Operation	23,571,407	-	-	23,571,407
Capital Outlay	-	33,702,531	-	33,702,531
Debt Services				
Principal	-	-	28,345,000	28,345,000
Interest	-	-	2,575,562	2,575,562
Total Expenditures	314,606,803	41,086,804	30,920,562	386,614,169
Revenues over (under) Expenditures	(13,945,157)	4,045,325	(30,920,561)	(40,820,393)
OTHER FINANCING SOURCES (USES)				
Proceeds on bonds	-	131,230,000	-	131,230,000
Premiums on bonds sold	-	15,502,735	-	15,502,735
Sale of Capital Assets	3,424	-	-	3,424
Transfers In	-	563,375	30,920,562	31,483,937
Transfers Out	(563,375)	(30,920,562)	-	(31,483,937)
Total Other Financing Sources (Uses)	(559,951)	116,375,548	30,920,562	146,736,159
Net Change in Fund Balances	(14,505,108)	120,420,873	1	105,915,766
Fund Balances - Beginning	38,081,804	41,707,258	191	79,789,253
Fund Balances - Ending	\$ 23,576,696	\$ 162,128,131	\$ 192	\$ 185,705,019

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, 2017

EXHIBIT "F"

Net change in fund balances total governmental funds (Exhibit "E") \$ 105,915,766

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	\$ 31,232,794	
Depreciation expense	<u>(17,755,846)</u>	13,476,948

Taxes reported in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. (1,096,423)

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.

General obligation bonds issued, including a premium of \$15,502,735		(146,732,735)
Bond principal retirements		28,345,000

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.

Net pension expense		(3,766,515)
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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 increase in accrued interest on issuance of bonds	(1,244,114)	
Increase in compensated absences	(335,122)	
Amortization on bond premium	3,350,195	
Net decrease in claims and judgments	<u>393,066</u>	<u>2,164,025</u>

Change in net position of governmental activities (Exhibit "B") \$ (1,693,934)

RICHMOND COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2017

EXHIBIT "G"

	PRIVATE PURPOSE TRUSTS	AGENCY FUNDS
<u>ASSETS</u>		
Cash and Cash Equivalents	\$ 48,370	\$ 855,767
Accounts Receivable		
Other	-	7
	48,370	855,774
Total Assets	\$ 48,370	\$ 855,774
<u>LIABILITIES</u>		
Funds Held for Others	\$ -	\$ 855,774
<u>NET POSITION</u>		
Held in Trust for Private Purposes	48,370	-
Total Liabilities and Net Position	\$ 48,370	\$ 855,774

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, 2017

EXHIBIT "H"

	PRIVATE PURPOSE TRUSTS
ADDITIONS	
Investment earnings	\$ <u>255</u>
DEDUCTIONS	
Other	\$ <u>2,000</u>
Change in Net Position	(1,745)
Net Position - Beginning	<u>50,115</u>
Net Position - Ending	<u><u>\$ 48,370</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 School System (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 2017, the School System adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires governments that enter into tax abatement agreements to disclose the following information; (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; (2) the gross dollar amount of taxes abated during the period; and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The adoption of this statement does not have a significant impact on the School System's financial statements. See note 14 for further disclosure of tax abatements in accordance with this standard.

In fiscal year 2017, the School System adopted Governmental Accounting Standards Board (GASB) Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*. This statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The adoption of this statement does not have a significant impact on the School System's financial statements.

In fiscal year 2017, the School System adopted Governmental Accounting Standards Board (GASB) Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. This statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of this statement does not have a significant impact on the School System's financial statements.

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 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.

PREPAID ITEMS

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

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 the acquisition 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 method for all assets, except land, and is used to allocate the actual or estimated historical cost of capital assets over estimated useful lives.

Capitalization thresholds and estimated useful lives of capital assets reported in the 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. The bond issued in 2017 will be amortized using the effective interest 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 2016 tax digest year (calendar year) on September 13, 2016 (levy date) based on property values as of January 1, 2016. Taxes were due on November 16, 2016 (lien date). Taxes collected within the current fiscal year or within 60 days after year-end on the 2016 tax digest are reported as revenue in the governmental funds for fiscal year 2017. 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, 2017, for maintenance and operations amounted to \$87,145,047.

Tax millage rates levied for the 2016 tax year (calendar year) for the School System were as follows (a mill equals \$1 per thousand dollars of assessed value):

School Operations	<u>19.754</u> mills
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Additionally, Title Ad Valorem Tax revenues, at the fund reporting level, amounted to \$1,166,869 during fiscal year ended June 30, 2017.

SALES TAXES

Education Special Purpose Local Option Sales Tax (ESPLOST), at the fund reporting level, during the year amounted to \$37,060,555 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 no more than 10% of the amount budgeted for expenditures in any budget function for any fund. The Superintendent shall report any such adjustments to the Board. If expenditure of funds in any budget function for any fund is anticipated to be more than 10% of the budgeted amount, the Superintendent shall request Board approval for the budget amendment. 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

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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, 2017, the School System had deposits with a carrying amount of \$169,485,487, and a bank balance of \$176,150,572. The bank balances insured by Federal depository insurance were \$486,029 and the bank balances collateralized with securities held by the pledging financial institution or by the pledging financial institution's trust department or agent not in the School System's name were \$175,664,543.

At June 30, 2017, \$175,664,543 of the School System's bank balance was exposed to custodial credit risk as follows:

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 System's name		<u>175,664,543</u>
Total	\$	<u><u>175,664,543</u></u>

Reconciliation of cash and cash equivalents balances to carrying value of deposits:

Statement of Net Position		
Cash and cash equivalents	\$	199,674,300
Statement of Fiduciary Net Position		
Cash and cash equivalents		<u>904,137</u>
Total cash and cash equivalents		<u>200,578,437</u>
Add:		
Deposits with original maturity of three months or more reported as investments		-
Less:		
Cash on hand		-
Investment pools reported as cash and cash equivalents		
Georgia Fund 1		<u>31,092,950</u>
Total carrying value of deposits - June 30, 2017	\$	<u><u>169,485,487</u></u>

CATEGORIZATION OF CASH EQUIVALENTS

The School System reported cash equivalents of \$31,092,950 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, 2017, was 56 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, 2017, the School System had the following investments:

Investment Type	Fair Value
Other Investments	
Equity Securities -Domestic	\$ <u>143,353</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 measurements in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

At June 30, 2017 the School System had the following investments by fair value level:

Investments by fair value level:	Fair Value	Level 1	Level 2	Level 3
Equity Mutual Funds - Domestic	\$ 143,353	\$ 143,353	\$ -	\$ -

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.

At June 30, 2017, 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 by 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.

At June 30, 2017, the School System did not have any investments to which this risk would apply.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The School System does not have a formal policy for managing concentration of credit risk.

At June 30, 2017, the School System did not have any investments to which this risk would apply.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The School System does not have a formal policy for managing foreign currency risk.

At June 30, 2017, the School System did not have any investments to which this risk would apply.

NOTE 5: CAPITAL ASSETS

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

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	Balances June 30, 2016	Increases	Decreases	Balances June 30, 2017
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Works of Art	\$ 42,000	\$ -	\$ -	\$ 42,000
Land	16,395,309	-	-	16,395,309
Construction in Progress	82,915,403	14,768,770	36,300,328	61,383,845
Total Capital Assets Not Being Depreciated	99,352,712	14,768,770	36,300,328	77,821,154
Capital Assets Being Depreciated				
Buildings and Improvements	622,822,064	50,578,902	-	673,400,966
Equipment	63,054,611	2,185,450	568,488	64,671,573
Land Improvements	24,905,918	-	-	24,905,918
Total Capital Assets Being Depreciated	710,782,593	52,764,352	568,488	762,978,457
Less Accumulated Depreciation for:				
Buildings and Improvements	183,402,589	12,499,922	-	195,902,511
Equipment	36,048,782	4,258,432	568,488	39,738,726
Land Improvements	10,016,712	997,492	-	11,014,204
Total Capital Assets, Being Depreciated, Net	481,314,510	35,008,506	-	516,323,016
Governmental Activity Capital Assets - Net	\$ 580,667,222	\$ 49,777,276	\$ 36,300,328	\$ 594,144,170

Current year depreciation expense by function is as follows:

Instruction		\$ 3,522,303
Support Services		
Pupil Services	\$ 563,573	
Educational Media Services	339,965	
General Administration	283	
School Administration	695,692	
Business Administration	4,293	
Maintenance and Operation of Plant	8,836,200	
Student Transportation Services	1,269,964	
Central Support Services	764,554	
Other Support Services	850,176	
Community Services	6,567	13,331,267
Food Services		902,276
		\$ 17,755,846

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, 2017, consisted of the following:

	Due From Other Funds		Due To Other Funds
General Fund	\$ 993,044		\$ -
Capital Projects Fund	-		993,044
	\$ 993,044		\$ 993,044

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 TRANSFERS

Interfund transfers for the year ended June 30, 2017, consisted of the following:

Transfers To	Transfers From	Amount
Capital Projects Fund	General Fund	\$ 563,375
Debt Service Fund	Capital Projects Fund	30,920,562
		\$ 31,483,937

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

NOTE 7: LONG-TERM LIABILITIES

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

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017	Due Within One Year
General Obligation (G.O.) Bonds	\$ 52,880,000	\$ 131,230,000	\$ 28,345,000	\$ 155,765,000	\$ 24,535,000
Unamortized Bond Premiums	3,350,195	15,502,735	3,350,195	15,502,735	1,383,758
Compensated Absences(1)	1,900,287	1,435,996	1,100,874	2,235,409	-
	\$ 58,130,482	\$ 148,168,731	\$ 32,796,069	\$ 173,503,144	\$ 25,918,758

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

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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 property taxes. General obligation bonds are direct obligations and pledge the full faith and credit of the School System.

During the current year, the School System issued general obligation bonds totaling \$131,230,000 to acquire, renovate, and construct capital facilities.

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	\$ 24,535,000
General Government - Series 2017	2.00% - 5.00%	2017	2022	\$ 131,230,000	\$ 131,230,000

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
2018	\$ 24,535,000	\$ 6,884,875	\$ 1,383,758	\$ -
2019	24,475,000	5,754,625	2,872,157	-
2020	25,790,000	4,573,000	3,017,560	-
2021	27,210,000	3,308,000	3,170,324	-
2022	28,695,000	1,940,375	3,330,821	-
2023	25,060,000	611,500	1,728,115	-
Total Principal and Interest	<u>\$ 155,765,000</u>	<u>\$ 23,072,375</u>	<u>\$ 15,502,735</u>	<u>\$ -</u>

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 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> </u>	<u> </u>	<u> </u>
2015	\$ -	\$ 1,145,828	\$ 1,145,828	\$ -
2016	\$ -	\$ 2,300,317	\$ 1,715,589	\$ 584,728
2017	\$ 584,728	\$ 864,386	\$ 1,257,452	\$ 191,662

UNEMPLOYMENT COMPENSATION

The School System is self-insured with regard to unemployment compensation claims. In connection with this program, a self-insurance reserve has been established within the general fund by the School System. 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.

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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
2015	\$ -	\$ 40,119	\$ 40,119	\$ -
2016	\$ -	\$ 9,367	\$ 9,367	\$ -
2017	\$ -	\$ 22,973	\$ 22,973	\$ -

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

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NOTE 9: FUND BALANCE CLASSIFICATION DETAILS

The School System's financial statements include the following amounts presented in the aggregate at June 30, 2017:

Nonspendable		
Inventories	\$	1,527,241
Restricted		
Continuation of Federal Programs	\$ 4,249,734	
Capital Projects	133,868,646	
Debt Service	28,259,677	166,378,057
Assigned		
Employee Benefits	1,026,848	
School Activities	1,089,524	
Subsequent Period Expenditures	30,115	2,146,487
Unassigned		15,653,234
Fund Balance, June 30, 2017	\$	185,705,019

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, 2017, together with funding available:

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Project	Unearned Executed Contracts (1)	Payments through June 30, 2017 (2)	Funding Available From State (1)
B-013-016-4060	\$ 157	\$ 8,087,777	\$ 112,616
B-12-014-2050	-	2,397,242	63,235
B-12-001-1052	4,982	19,580,410	-
B-12-008-2052	423,111	5,322,141	51,544
B-14-032-4562	269,140	2,088,828	92,010
	-	3,045,836	-
B-14-023-2054	-	2,191,011	68,657
B-14-022-0197	104,585	2,677,823	748,184
B14-031-4054	208,565	880,653	183,920
B-12-011-2056.2	298,157	3,226,399	98,668
B-14-020-3756	476,000	64,000	102,315
B-12-002-5566	-	20,259,741	-
B-12-005-1058	-	4,199,921	9,246
B-14-035-0177	151,453	1,542,852	76,287
B-14-030-2058	-	2,475,040	599,304
B-13-019-0184	70,000	3,334,979	118,017
B-12-003-5058	1,858,229	13,231,466	-
B-12-010-0201	1,820,657	105,005	-
	143,237	114,763	-
	3,589	61,404	-
B-14-025-0290	-	1,416,207	98,922
B-14-027-3062	-	2,643,331	66,807
B-14-037-4062	-	1,882,303	672,019
B-14-033-0390	23,939	1,253,289	44,722
B-14-041-0294	27,689	554,093	73,984
B-12-004-5564	-	8,330,822	124,290
B-08-016-445	-	8,522	-
B-14-038-1064	64,527	661,845	-
B-14-029-2064	-	861,878	-
B-12-007-2574	616,223	76,096	76,303
B-12-013-4064	134,755	982,871	-
B-14-024-0104	-	750,017	21,681
B-14-025-0290	-	1,564,157	101,708
B-14-026-1065	-	1,717,497	35,779
	<u>\$ 6,698,995</u>	<u>\$ 117,590,219</u>	<u>\$ 3,640,215</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

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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, 2017:

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

July 1, 2016 – June 30, 2017 \$945.00 per member per month

For non-certificated school personnel:

July 1, 2016 – December 31, 2016 \$746.20 per member per month

January 1, 2017 – June 30, 2017 \$846.20 per member per month

No additional contribution was required by the Board for fiscal year 2017 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
2017	100%	\$ 33,627,005
2016	100%	\$ 29,436,705
2015	100%	\$ 29,084,396

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 2017. The School System's contractually required contribution rate for the year ended June 30, 2017 was 14.27% of annual School System payroll, of which 14.01% of payroll was required from the School System and 0.26% of payroll was required from the State. For the current fiscal year, employer contributions to the pension plan were \$22,941,015 and \$433,534 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 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 \$45,657 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 \$710,001.

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

At June 30, 2017, the School System reported a liability of \$292,451,406 for its proportionate share of the net pension liability for TRS (\$292,228,603) and ERS (\$222,803).

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:

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School System's proportionate share of the Net Pension Liability	\$	292,451,406
State of Georgia's proportionate share of the Net Pension Liability associated with the School System		<u>3,992,533</u>
Total	\$	<u><u>296,443,939</u></u>

The net pension liability for TRS and ERS was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 was determined using standard roll-forward 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, 2016.

At June 30, 2016, the School System's TRS proportion was 1.416466%, which was a decrease of 0.026869% from its proportion measured as of June 30, 2015. At June 30, 2016, the School System's ERS proportion was 0.004710%, which was an increase of 0.000838% from its proportion measured as of June 30, 2015.

At June 30, 2017, 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 \$4,330,927.

The PSERS net pension liability was measured as of June 30, 2016. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2015. An expected total pension liability as of June 30, 2016 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, 2016.

For the year ended June 30, 2017, the School System recognized pension expense of \$26,697,470 for TRS, \$55,798 for ERS and \$710,001 for PSERS and revenue of \$433,534 for TRS and \$710,001 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, 2017, the School System reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	TRS		ERS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,353,418	\$ 1,445,072	\$ -	\$ 515
Changes of assumptions	7,574,162	-	1,887	-
Net difference between projected and actual earnings on pension plan investments	36,968,122	-	22,653	-
Changes in proportion and differences between School System contributions and proportionate share of contributions	-	13,931,845	25,702	-
School System contributions subsequent to the measurement date	22,941,015	-	45,657	-
Total	\$ 71,836,717	\$ 15,376,917	\$ 95,899	\$ 515

The School System contributions subsequent to the measurement date of \$22,941,015 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 year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	TRS	ERS
2018	\$ 1,009,694	\$ 23,292
2019	\$ 1,009,680	\$ 6,651
2020	\$ 17,865,981	\$ 12,213
2021	\$ 13,237,447	\$ 7,571
2022	\$ 395,983	\$ -
Thereafter	\$ -	\$ -

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

Teachers Retirement System:

Inflation	2.75%
Salary increases	3.25% – 9.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 White Collar Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB (set forward one year for males) for service requirements and dependent beneficiaries. The RP-2000 Disabled Mortality table with future mortality improvement projected to 2025 with Society of Actuaries'

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projection scale BB (set forward two years for males and four years for females) was used for the death after disability retirement. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Employees' Retirement System:

Inflation	2.75%
Salary increases	3.25% – 7.00%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. The RP- 2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back 7 years for males and set forward 3 years for females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

Public School Employees Retirement System:

Inflation	2.75%
Salary increases	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Post-retirement mortality rates were based on the RP-2000 Blue-Collar Mortality Table projected to 2025 with projection scale BB (set forward 3 years for males and 2 years for females) for the period after service retirements and for dependent beneficiaries. The RP-2000 Disabled Mortality projected to 2025 with projection scale BB (set forward 5 years for both males and females) was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-11% less than the actual number of deaths that occurred during the study period for healthy retirees and 9-11% less than expected under the selected table for disabled retirees. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 – June 30, 2014.

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

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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	<u>100.00%</u>	

* 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:

Teachers Retirement System:	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
School System's proportionate share of the Net Pension Liability	\$ 454,857,426	\$ 292,228,603	\$ 158,330,575
 Employees' Retirement System:	 1% Decrease (6.50%)	 Current Discount Rate (7.50%)	 1% Increase (8.50%)
School System's proportionate share of the Net Pension Liability	\$ 301,939	\$ 222,803	\$ 155,363

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 publicly 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:

<u>Fiscal Year</u>	<u>Percentage Contributed</u>	<u>Required Contribution</u>
2017	100%	\$ 267,697
2016	100%	\$ 200,273
2015	100%	\$ 216,646

NOTE 14: TAX ABATEMENTS

Richmond County enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to Richmond County.

For the fiscal year ended June 30, 2017, Richmond County abated property taxes due to the School System that were levied on September 13, 2016 and due on November 16, 2016 totaling \$1,057,977. Included in that amount abated, the following are individual tax abatement agreements:

Tax Abatement Program	Amount Abated
TAD 2	
Ad Valorem Taxes	\$ 173,785
TAD 3	
Ad Valorem Taxes	884,192
	\$ 1,057,977

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SCHEDULE "1"

<u>Year Ended</u>	<u>School System's proportion of the net pension liability</u>	<u>School System's proportionate share of the net pension liability</u>	<u>State of Georgia's proportionate share of the net pension liability associated with the School System</u>	<u>Total</u>	<u>School System's covered-employee payroll</u>	<u>School System's proportionate share of the net pension liability as a percentage of its covered employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2017	1.42%	\$ 292,228,603	\$ 3,992,533	\$ 296,221,136	\$ 165,244,807	176.85%	76.06%
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.

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 EMPLOYEES RETIREMENT SYSTEM OF GEORGIA
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SCHEDULE "2"

<u>Year Ended</u>	<u>School System's proportion of the net pension liability</u>	<u>School System's proportionate share of the net pension liability</u>	<u>School System's covered-employee payroll</u>	<u>School System's proportionate share of the net pension liability as a percentage of covered payroll</u>	<u>Plan fiduciary net position as a percentage of total net pension liability</u>
2017	0.004710%	\$ 222,803	\$ 181,731	122.60%	72.34%
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
2017	0.00%	\$ -	\$ 4,330,927	\$ 4,330,927	\$ 21,691,771	N/A	81.00%
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>
2017	\$ 22,941,015	\$ 22,941,015	\$ -	\$ 160,763,945	14.27%
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>
2017	\$ 45,657	\$ 45,657	\$ -	\$ 181,731	25.12%
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, 2017 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, 2017 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, 2017 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, 2017

SCHEDULE "7"

	NONAPPROPRIATED BUDGETS		ACTUAL
REVENUES	ORIGINAL	FINAL	AMOUNTS
Property Taxes	\$ 89,200,000	\$ 89,200,000	\$ 90,504,762
Sales Taxes	1,250,000	1,250,000	1,092,456
State Funds	153,108,292	153,308,665	155,346,266
Federal Funds	24,559,092	62,236,915	47,434,716
Charges for Services	899,611	900,351	1,040,442
Investment Earnings	106,600	106,600	57,882
Miscellaneous	2,129,820	2,839,323	5,185,122
Total Revenues	\$ 271,253,415	\$ 309,841,854	\$ 300,661,646
EXPENDITURES			
Current			
Instruction	\$ 166,017,345	\$ 187,307,393	\$ 181,558,071
Support Services			
Pupil Services	6,336,333	12,152,688	12,524,784
Improvement of Instructional Services	9,486,823	19,216,327	14,312,475
Educational Media Services	5,182,976	5,154,312	5,233,779
General Administration	4,384,668	4,966,988	4,402,198
School Administration	23,440,763	23,443,995	23,858,879
Business Administration	2,172,150	2,174,999	2,135,357
Maintenance and Operation of Plant	28,054,994	28,584,852	29,320,133
Student Transportation Service	11,081,639	12,076,046	12,854,860
Central Support Services	4,799,460	4,858,430	4,553,700
Other Support Services	64,133	222,531	237,956
Food Services Operation	23,355,640	23,383,140	23,571,407
Community Services Operations	-	-	43,204
Total Expenditures	\$ 284,376,924	\$ 323,541,701	\$ 314,606,803
Excess of Revenues over (under) Expenditures	\$ (13,123,509)	\$ (13,699,847)	\$ (13,945,157)
OTHER FINANCING SOURCES (USES)			
Sale Or Compensation For Loss Of Fixed Assets	\$ -	\$ -	\$ 3,424
Transfers Out	-	-	(563,375)
Other Source	13,123,509	13,699,847	-
Total Other Financing Sources (Uses)	\$ 13,123,509	\$ 13,699,847	\$ (559,951)
Net Change in Fund Balances	\$ -	\$ -	\$ (14,505,108)
Fund Balances - Beginning	38,081,804	38,081,804	38,081,804
Fund Balances - Ending	\$ 38,081,804	\$ 38,081,804	\$ 23,576,696

See notes to the basic financial statements

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

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	21,793,880
Non-Cash Assistance (Commodities)	10.556	16165GA324N1099	<u>1,021,333</u>
Total Child Nutrition Cluster			<u>22,815,213</u>
Education, U. S. Department of			
Direct			
Impact Aid	84.041		<u>401,755</u>
Special Education Cluster			
Pass-Through From Georgia Department of Education			
Special Education			
Grants to States	84.027	H027A150073	6,197,763
Preschool Grants	84.173	H173A150081	<u>138,708</u>
Total Special Education Cluster			<u>6,336,471</u>
Other Programs			
Pass-Through From Georgia Department of Education			
Career and Technical Education - Basic Grants to States	84.048	V048A150010	341,491
Education for Homeless Children and Youth	84.196	S196A150011	36,746
English Language Acquisition Grants	84.365	S365A150010	51,172
Improving Teacher Quality State Grants	84.367	S367A150001	1,764,905
Mathematics and Science Partnerships	84.366	S366B150011	115,562
Title I Grants to Local Educational Agencies	84.010	S010A150010	17,205,429
Twenty-First Century Community Learning Centers	84.287	S287C150010	<u>432,689</u>
Pass-Through From Technical College System of Georgia			
Total Other Programs			<u>19,947,994</u>
Total U. S. Department of Education			<u>26,686,220</u>
Defense, U. S. Department of			
Direct			
Department of the Army			
R.O.T.C. Program	12.UNKNOWN		178,193
Department of the Navy			
R.O.T.C. Program	12.UNKNOWN		174,787
Department of the Marines			
R.O.T.C. Program	12.UNKNOWN		41,309
Department of the Air Force			
R.O.T.C. Program	12.UNKNOWN		<u>50,651</u>
Total U. S. Department of Defense			<u>444,940</u>
Total Expenditures of Federal Awards			<u>\$ 49,946,373</u>

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, 2017

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Board, it is not intended to and does not present the financial position or changes in net assets 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 the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Sub Recipients

During the year ended June 30, 2017 the board did not provide federal assistance to any sub recipient.

Expenditures for the funds earned on the Snack Program (\$161,855) and the School Breakfast Program (\$5,038,568) were not maintained separately and are included in the 2017 National School Lunch Program.

During the year ended June 30, 2017, program income and federal funds related to the Child Nutrition Cluster were comingled and are included in the accompanying schedule of federal awards.

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2017

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	\$ 4,238,417	\$ -	\$ 4,238,417
Education, Georgia Department of			
Quality Basic Education (1)			
Direct Instructional Cost			
Kindergarten Program	12,025,049	-	12,025,049
Kindergarten Program - Early Intervention Program	1,040,681	-	1,040,681
Primary Grades (1-3) Program	29,480,899	-	29,480,899
Primary Grades - Early Intervention (1-3) Program	3,182,959	-	3,182,959
Upper Elementary Grades (4-5) Program	13,772,160	-	13,772,160
Upper Elementary Grades - Early Intervention (4-5) Program	2,558,197	-	2,558,197
Middle School (6-8) Program	22,328,757	-	22,328,757
High School General Education (9-12) Program	21,182,569	-	21,182,569
Vocational Laboratory (9-12) Program	5,034,994	-	5,034,994
Gifted Student - Category VI	3,911,993	-	3,911,993
Remedial Education Program	1,039,684	-	1,039,684
Alternative Education Program	1,590,458	-	1,590,458
English Speakers of Other Languages (ESOL)	742,814	-	742,814
Media Center Program	4,039,124	-	4,039,124
20 Days Additional Instruction	1,274,158	-	1,274,158
Staff and Professional Development	641,705	-	641,705
Indirect Cost			
Central Administration	3,070,462	-	3,070,462
School Administration	9,167,280	-	9,167,280
Facility Maintenance and Operations	8,951,630	-	8,951,630
Categorical Grants			
Pupil Transportation			
Regular	2,150,743	-	2,150,743
Nursing Services	611,279	-	611,279
Mid-term Adjustment Hold-Harmless	8,383	-	8,383
Vocational Supervisors	26,612	-	26,612
Education Equalization Funding Grant	5,522,849	-	5,522,849
Food Services	550,303	-	550,303
Vocational Education	136,429	-	136,429
Amended Formula Adjustment	(2,078,401)	-	(2,078,401)
Preschool Handicapped Program	443,756	-	443,756
Teachers' Retirement	265,474	-	265,474
Total Grants from Georgia Department of Education	156,911,417	-	156,911,417
Office of the State Treasurer			
Public School Employees Retirement	580,924	-	580,924

See notes to the basic financial statements.

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE REVENUE
YEAR ENDED JUNE 30, 2017

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	9,820	-	9,820
Special Education Programs	21,110,682	-	21,110,682
Total	21,120,502	-	21,120,502
Qbe Allotment (Operating Costs)			
Qbe Allotment (Operating Costs)	349,267	-	349,267
Qbe Contra Account (Debit)			
Local Fair Share (Current Year)	(25,465,818)	-	(25,465,818)
Other Grants From Georgia Department Of Education			
Rule 10 Special Education State Grant	540	-	540
CTAE - Audio Visual Technology and Film Grant	30,000	-	30,000
Other Special Revenues	1,574,001	-	1,574,001
Georgia Foundation for Public Education Teacher of the Year Grant	507	-	507
Math and Science Supplements	244,926	-	244,926
Total	1,849,974	-	1,849,974
Georgia State Financing and Investment Commission			
Reimbursement on Construction Projects	-	7,845,858	7,845,858
	<u>\$ 155,346,266</u>	<u>\$ 7,845,858</u>	<u>\$ 163,192,124</u>

(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, 2017

	ORIGINAL ESTIMATED COST (1) (7)	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			\$ 1,133,121	\$ 172,567,085	\$ 173,700,206	Various
(b) Textbooks and Technology			1,958	17,594,605	17,596,563	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	\$ 1,135,079	\$ 222,349,699	\$ 223,484,778	
SPLOST 2012 (5)						
(a) Acquiring, Constructing, Equipping Facilities			\$ 28,565,484	\$ 142,344,694	\$ 170,910,178	Various
(b) Textbooks and Technology			4,422,990	10,656,361	15,079,351	Various
(c) School Buses and Vehicles			1,045,548	5,513,754	6,559,302	Various
(d) Demolitions				549,925	549,925	Various
(e) Interest on General Obligation Debt			1,785,375	18,211,446	19,996,821	October 2017
(f) Expenses for the Imposition of the SPLOST				1,727,889	1,727,889	June 2017
(g) New Elementary School, Auditoriums				-	-	Various
Total SPLOST 2012	\$ 225,000,000	\$ 225,000,000	\$ 35,819,397	\$ 179,004,069	\$ 214,823,466	
SPLOST 2017 (6)						
(a) New Elementary School, Auditoriums			\$ 2,694,078	\$ -	\$ 2,694,078	Various
(b) Acquiring, Constructing, Equipping Facilities			768,915	-	768,915	Various
(c) Textbooks and Technology				-	-	Various
(d) School Buses and Vehicles				-	-	Various
(e) Demolitions				-	-	Various
(f) Interest on General Obligation Debt			790,188	-	790,188	October 2022
(g) Expenses for the Imposition of the SPLOST			14,163	-	14,163	June 2022
Total SPLOST 2017	\$ 225,000,000	\$ 225,000,000	\$ 4,267,344	\$ -	\$ 4,267,344	
GRAND TOTAL	\$ 675,000,000	\$ 677,508,974	\$ 41,221,820	\$ 401,353,768	\$ 442,575,588	

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, (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, and (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 purpose of the SPLOST issued in 2017 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, constructing, installing and equipping 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; 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; (c) acquiring text books and technology hardware and software and equipment in connection with the foregoing; (d) acquiring, constructing, installing and equipping 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; (e) demolishing existing buildings and facilities located on school property that are no longer useful for public school purposes; (f) to pay capitalized interest on the general obligation debt to be incurred and, (g) to pay or reimburse the expenses of the Board necessary to accomplish the foregoing, including the expenses of the Board incurred in connection with calling the election and imposing the SPLOST.
- (7) The original estimated cost for the 2012 and 2017 SPLOSTs include estimated proceeds from the imposition of a 1% sales tax, state capital outlay funding, and other local funds.

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

To the Superintendent and Members of the
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, 2017, 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 March 23, 2018.

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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, as described in 2017-01.

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*.

The School System's Response to Findings

The School System's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Serotta Maddocks Evans & Co.

SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia
March 23, 2018

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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, 2017. Richmond County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

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.

SEROTTA MADDOCKS EVANS & CO., CPA'S

Augusta, Georgia
March 23, 2018

RICHMOND COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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, 2017

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. A significant deficiency disclosed during the audit of financial statements is disclosed in the Independent Auditors' Report of 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*. No material weaknesses are reported.
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 federal award 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 Grants to Local Educational Agencies (84.010)
 - Special Education Cluster:
 - Grants to States (CFDA No. 84.027)
 - Preschool Grants (CFDA No. 84.173)
8. The threshold used for distinguishing between Type A and Type B programs was \$1,498,391.
9. The Richmond County Board of Education was determined to be a low-risk auditee.

RICHMOND COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

B. Findings - Financial Statement Audit

- **2017-1: Timely reconciliation of cash accounts**

Criteria: Bank statements should be reconciled monthly. Reconciling the accounts on a monthly basis means that errors or other problems will be recognized and resolved on a timely basis.

Condition: Bank statements were accumulated for several months before they were reconciled to the appropriate general ledger accounts.

Cause: The School System did not devote sufficient resources to performing the reconciliations.

Effect: Cash and revenue were understated by approximately \$1,900,000.

Recommendation: We recommend that all bank accounts be reconciled each month prior to the preparation of the monthly financial statements.

Management Response: Additional staff have been allocated to the preparation of bank reconciliations to ensure they are completed monthly. This will ensure timely recording of all transactions.

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

NONE