

FAYETTE COUNTY BOARD  
OF EDUCATION

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION  
YEAR ENDED JUNE 30, 2010  
AND  
INDEPENDENT AUDITORS' REPORT

RFP# 09 - 031

FAYETTE COUNTY BOARD OF EDUCATION  
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 YEAR ENDED JUNE 30, 2010

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## INDEPENDENT AUDITORS' REPORT

Honorable Members of the Board  
Fayette County Board of Education  
Fayetteville, West Virginia

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fayette County Board of Education (the Board) as of and for the year ended June 30, 2010, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Board as of June 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2011 on our consideration of the Board'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 12 and the budgetary comparison information on pages 48 through 53 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying schedule of expenditures of federal awards on page 55 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the accompanying other supplementary information on the schedule of changes in school activity funds on page 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



Charleston, West Virginia

February 22, 2011

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

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Our discussion and analysis of the Fayette County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2010. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

### Financial Highlights

- The Board's net assets exceeded liabilities by \$25,789,980 (*net assets*) at the close of the most recent fiscal year. Of this amount, \$725,032 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net assets decreased by \$4,890,114. This decrease is attributable to an increase in annual required contribution for the Other Post Employment Benefit (OPEB) expense and related liability.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$2,702,014, a decrease of \$4,733,847 in comparison with the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was a deficit balance of \$2,643,377. This unreserved fund balance deficit in the General Current Expense Fund was caused by the fact that the Board is now being required by WVC 5-16D-6 to report the annual portion of the accrued actuarial liability due the West Virginia Retiree Health Benefit Trust Fund (RHBT) for OPEB as a current liability in the fund basis statements. As reflected in the fund basis statements, the accrued actuarial liability for these costs for the Board was \$7,598,051. However, in calculating a deficit for the purposes of WVC 11-8-26, the portion of the deficit created as a result of recording the accrued actuarial liability due to RHBT is to not be taken into account. Therefore, by excluding this liability, the Board's unreserved fund balance at year-end would be a positive balance of \$4,954,674.

### Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements** - The district-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Board's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating. The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The district-wide financial statements are included following this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Board, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Board can be divided into two categories: governmental funds and fiduciary funds.

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general current expense fund, the special revenue fund, the special revenue - ARRA fund, the capital projects - bond construction fund, the permanent improvement fund and the capital projects fund, all of which are considered major funds.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statement because the Board cannot use these funds to finance its operations.

The Board uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found in the financial statements following this report.

**Notes to the basic financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found after the financial statements following this report.

**District-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$25,789,980 at the close of the most recent fiscal year.

	<b>2010</b>	<b>2009</b>	<b>Increase</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>(Decrease)</b>
	<b>Activities</b>	<b>Activities</b>	
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Current and other assets	\$ 18,614,828	\$ 17,243,159	\$ 1,371,669
Capital assets	<u>24,024,622</u>	<u>23,681,296</u>	<u>343,326</u>
<b>Total assets</b>	<u>\$ 42,639,450</u>	<u>\$ 40,924,455</u>	<u>\$ 1,714,995</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities:</b>			
Current and other liabilities	\$ 15,551,411	\$ 8,835,735	\$ 6,715,676
Long-term liabilities outstanding	<u>1,298,059</u>	<u>1,408,627</u>	<u>(110,568)</u>
<b>Total liabilities</b>	<u>16,849,470</u>	<u>10,244,362</u>	<u>6,605,108</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	22,726,563	22,272,669	453,894
Restricted	2,338,385	1,843,673	494,712
Unrestricted	<u>725,032</u>	<u>6,563,751</u>	<u>(5,838,719)</u>
<b>Total net assets</b>	<u>25,789,980</u>	<u>30,680,093</u>	<u>(4,890,113)</u>
<b>Total liabilities and net assets</b>	<u>\$ 42,639,450</u>	<u>\$ 40,924,455</u>	<u>\$ 1,714,995</u>

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

- The largest portion of the Board's net assets 88% reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles); less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Board's net assets 10% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for special projects and capital projects.
- The remaining balance of *unrestricted net assets* 2% may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

At the end of the current fiscal year, the Board is able to report positive balances in all three categories of net assets. The same situation held true for the prior fiscal year. Restricted net assets increased by \$494,712 during the year ended June 30, 2010. The Board's net assets decreased by \$(4,890,113) during the current year.

The key elements of the increase of the Board's net assets for the years ended June 30, 2010 and 2009 are as follows:

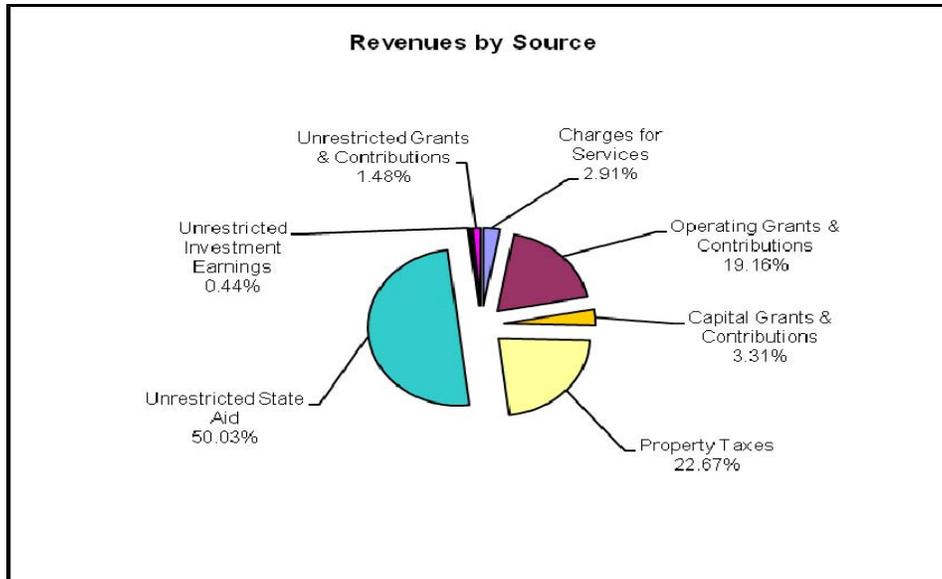
	<b>2010</b>	<b>2009</b>	<b>Increase</b>
	<b>Governmental</b>	<b>Governmental</b>	<b>(Decrease)</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 2,094,252	\$ 255,371	\$ 1,838,881
Operating grants and contributions	13,783,135	10,945,395	2,837,740
Capital grants and contributions	2,384,355	5,158,836	(2,774,481)
General revenues:			
Property taxes	16,307,114	15,546,471	760,643
Unrestricted state aid	35,992,126	39,237,720	(3,245,594)
Unrestricted investment earnings	313,344	393,731	(80,387)
Unrestricted grants and contributions	1,061,684	1,333,268	(271,584)
<b>Total revenues</b>	<b>71,936,010</b>	<b>72,870,792</b>	<b>(934,782)</b>
<b>Expenses:</b>			
Instruction	47,239,850	43,238,703	4,001,147
Supporting services:			
Students	3,009,925	1,846,539	1,163,386
Instructional staff	2,127,478	2,206,427	(78,949)
District admin.	1,391,446	1,811,964	(420,518)
School admin.	4,265,702	4,050,073	215,629
Business services	1,783,593	1,187,876	595,717
Operation and Maintenance	7,333,729	6,764,749	568,980
Transportation	5,809,060	5,376,331	432,729
Total supporting services	25,720,933	23,243,959	2,476,974
Food services	3,881,060	3,766,233	114,827
Community services	49,095	59,974	(10,879)
Interest on long-term debt	13,470	14,265	(795)
<b>Total expenses</b>	<b>76,904,408</b>	<b>70,323,134</b>	<b>6,581,274</b>
<b>Change in net assets before transfers</b>	<b>(4,968,398)</b>	<b>2,547,658</b>	<b>(7,516,056)</b>
<b>Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Change in net assets</b>	<b>(4,968,398)</b>	<b>2,547,658</b>	<b>(7,516,056)</b>
<b>Net assets - beginning</b>	<b>30,680,093</b>	<b>28,132,435</b>	<b>2,547,658</b>
<b>Restatement of net assets</b>	<b>78,285</b>	<b>-</b>	<b>78,285</b>
<b>Net assets - beginning, as restated</b>	<b>30,758,378</b>	<b>28,132,435</b>	<b>2,625,943</b>
<b>Net assets - ending</b>	<b>\$ 25,789,980</b>	<b>\$ 30,680,093</b>	<b>\$ (4,890,113)</b>

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

The largest increases continue to be from federal and state aid as well as property taxes. These increases were due to:

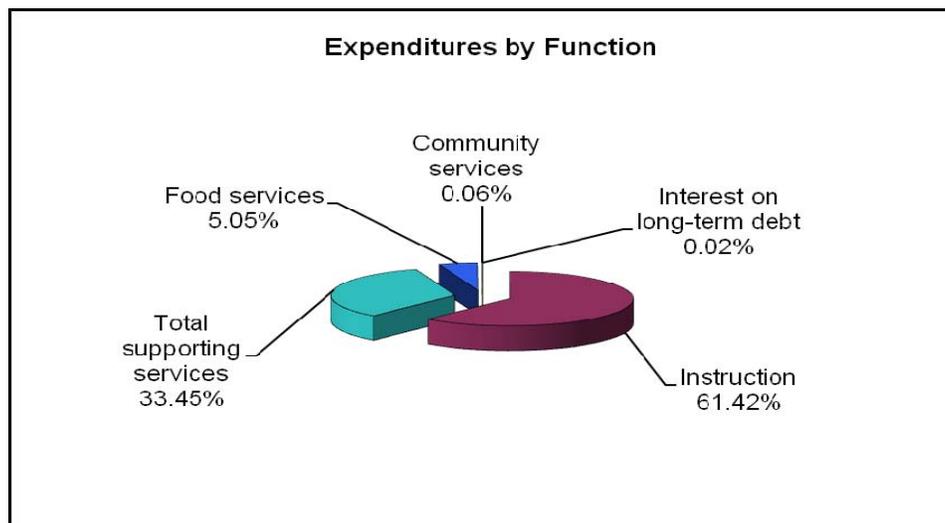
- Increase in charges for services of \$1,838,881. This was primarily the result of a methodology change in allocating child nutrition service revenue to this program function versus operating grants in the prior years.
- Increase in property taxes of \$760,643. This is due to an increase in the assessed valuations in the county for the 2010 fiscal year.
- Increase in operating grants of \$2,837,740. This was due to the receipt of federal stimulus ARRA monies and the State of West Virginia fiscal stabilization funds which were an offset to a decrease in unrestricted state aid.
- Decrease in capital grants of \$(2,774,481). This was due to the receipt of certain SBA monies in 2009 for the construction of the school that was not received in 2010.
- Decrease in unrestricted state aid of \$(3,245,594). This was due primarily to a reduction in the amount received which was offset by an increase in federal ARRA fiscal stabilization funds included in operating grants from the State of West Virginia.
- Increase in instruction expense of \$4,001,147. This increase was primarily a result of the increase in OPEB expense for the fiscal year 2010.
- All remaining expenses remained relatively consistent with the prior year.

The following chart shows the Board's revenues for fiscal year ended June 30, 2010 by source:



FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

The following chart shows the Board's expenditures for fiscal year ended June 30, 2010 by function:



### Financial Analysis of the Board's Funds

As noted earlier, the Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$2,702,014.

In addition, the following other changes in fund balances should be noted:

- Restatement of fund balances in the General Fund of \$78,285. The detail of these restatements can be found in the notes to the financial statements.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the Board's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the Board's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. The \$363,629 fund balance of the general fund is primarily designated or reserved for the following purpose:

- Reserve for encumbrances \$884,623
- Reserve for excess levies \$2,122,383
- Designated funds \$413,536
- Undesignated \$(3,056,913)

### General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$1,285,011 or 2% in total general fund expenditures.

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

**Capital Asset and Debt Administration**

**Capital assets** - The Board's investment in capital assets for its governmental activities as of June 30, 2010, amounts to \$24,024,622 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was approximately \$343,326, which represents the net amount of capital additions in excess of depreciation expense.

Major capital asset events during the current fiscal year included the following:

- An increase in construction in progress of approximately \$1,037,335.
- An increase in vehicles of \$617,263 due to the purchase of buses and other county vehicles.

	<b>2010 Governmental Activities</b>	<b>2009 Governmental Activities</b>
Land	\$ 159,213	\$ 132,000
Land and land improvements	42,323	60,752
Buildings and improvements	7,508,935	8,251,316
Furniture and equipment	1,179,456	1,411,752
Vehicles	2,873,723	2,601,839
Construction in process	12,260,972	11,223,637
Total capital assets	\$ 24,024,622	\$ 23,681,296

Additional information on the Board's capital assets can be found in the Notes to the basic financial statements.

**Long-term debt.** At the end of the current fiscal year, the Board had total capital lease obligations of \$1,298,059. The obligation for compensated absences for vacations was \$ 396,341 at June 30, 2010.

	<b>2010 Governmental Activities</b>	<b>2009 Governmental Activities</b>
Capital lease obligations	\$ 1,298,059	\$ 1,408,627
Compensated absences	396,341	308,766
Total debt outstanding	\$ 1,694,400	\$ 1,717,393

Additional information on the Board's long-term debt can be found in the notes to the basic financial statements.

**Factors bearing on the Board's Future**

At the time these financial statements were prepared, the Board was aware of circumstances that could significantly affect its financial health in the future:

- Due to the State of West Virginia's implementation of GASB Statement 45, West Virginia State Code required the Board to participate in a new Other Post Employment Benefit multi-employer trust fund for sick leave liability. As such, the Board received billings from the trust fund which when paid will increase the Board's cash expenditures. No expenditures have been made since it has not been considered a contractual obligation at this point. To date the State of West Virginia has not established a funding source to offset this future payment. With the Board's implementation of GASB Statement 45 in fiscal year 2009, the liability for these payments is reflected on the Board's fund statements and effectively decreased the fund balance. As of June 30, 2010 the Board had a liability of approximately \$7.6 million of which \$6.3 million represents the Boards share for State Aid eligible employees.

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2010

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- During the fiscal year ended June 30, 2010, the Board began pursuing legal action against the State of West Virginia to seek legislative funding through the Public School Support Program to offset the costs of providing other post employment benefits to employees otherwise funded through the Program. If successful, the Board would receive funding sufficient to satisfy the current liability entitled "other post employment benefits payable" on the accompanying financial statement and to pay any future amounts billed by PEIA for state aid eligible employees.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Office, 111 Fayette Avenue, Fayetteville, West Virginia 25840, (304) 574-1176.

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,441,331
Taxes receivable, net of allowance for uncollectible taxes	1,017,307
Food services receivable	218,723
Other receivables	137,121
Prepaid expenses	295,056
Deferred Charges - issuance costs	68,273
Due from other governments:	
State aid receivable	23,749
PEIA allocation receivable	956,045
Reimbursements receivable	3,457,223
Capital Assets:	
Land	159,213
Land and land improvements	2,560,271
Buildings and improvements	35,689,497
Furniture and equipment	11,394,957
Vehicles	6,400,997
Construction in process	12,260,972
Less accumulated depreciation	(44,441,285)
Total capital assets, net of depreciation	24,024,622
<b>Total assets</b>	42,639,450
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Salaries payable and related payroll liabilities	3,312,983
PEIA premiums payable	1,713,898
Compensated absences	396,341
Accounts payable	948,696
Other post employment benefit payable - state aid funded employees	7,598,051
Deferred revenues	1,581,442
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	111,376
Due beyond one year:	
Bonds, capital leases, and contracts	1,186,683
<b>Total liabilities</b>	16,849,470
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	22,726,563
Restricted for:	
Special projects	579,320
Capital projects	1,759,065
Unrestricted	725,032
<b>Total net assets</b>	\$ 25,789,980

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Assets Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 47,239,850	\$ -	\$ 13,071,878	\$ 1,543,982
Supporting services:				
Students	3,009,925	-	83,251	98,364
Instructional staff	2,127,478	-	58,843	69,525
District administration	1,391,446	-	38,484	45,470
School administration	4,265,702	-	117,994	139,413
Business services	1,783,593	-	49,240	58,178
Operation and maintenance of facilities	7,333,729	-	202,811	239,628
Student transportation	5,809,060	-	160,634	189,795
Food services	3,881,060	2,094,252	-	-
Community services	49,095	-	-	-
Interest on long-term debt	13,470	-	-	-
Total governmental activities	\$ 76,904,408	\$ 2,094,252	\$ 13,783,135	\$ 2,384,355
General revenues:				
Property taxes				16,307,114
Unrestricted state aid				35,992,126
Unrestricted investment earnings				313,344
Unrestricted grants and contributions				1,061,684
Transfers in				2,553,724
Transfers (out)				(2,553,724)
Total general revenues and transfers				53,674,268
Change in net assets				(4,968,398)
Net assets - beginning, as restated				30,758,378
Net assets - ending				\$ 25,789,980

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

FAYETTE COUNTY BOARD OF EDUCATION  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2010

	General Current Expense Fund	Special Revenue Fund	Special Revenue ARRA Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
<b>ASSETS</b>						
Cash and cash equivalents	\$ 12,441,331	\$ -	\$ -	\$ -	\$ -	\$ 12,441,331
Taxes receivable, net	1,017,307	-	-	-	-	1,017,307
Food service receivable, net	-	218,723	-	-	-	218,723
Other receivables	137,121	-	-	-	-	137,121
Prepaid expenses	295,056	-	-	-	-	295,056
Due from other governments:						
State aid receivable	12,249	11,500	-	-	-	23,749
PEIA allocation receivable	956,045	-	-	-	-	956,045
Reimbursements receivable	-	1,421,620	834,923	-	1,200,680	3,457,223
Due from other funds	-	710,409	-	593,344	307,370	1,611,123
<b>Total assets</b>	<b>\$ 14,859,109</b>	<b>\$ 2,362,252</b>	<b>\$ 834,923</b>	<b>\$ 593,344</b>	<b>\$ 1,508,050</b>	<b>\$ 20,157,678</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Salaries payable and related payroll liabilities	\$ 3,154,921	\$ 146,740	\$ 11,322	\$ -	\$ -	\$ 3,312,983
Other post employment benefits payable - state aid funded	7,598,051	-	-	-	-	7,598,051
PEIA premiums payable	1,713,898	-	-	-	-	1,713,898
Accounts payable	325,875	101,923	178,569	-	342,329	948,696
Deferred revenue	736,644	1,534,269	-	-	-	2,270,913
Due to other funds	966,091	-	645,032	-	-	1,611,123
<b>Total liabilities</b>	<b>14,495,480</b>	<b>1,782,932</b>	<b>834,923</b>	<b>-</b>	<b>342,329</b>	<b>17,455,664</b>
<b>Fund Balances:</b>						
Reserved for:						
Encumbrances	884,623	295,307	280,483	6,515	1,079,520	2,546,448
Excess levies	2,122,383	-	-	-	-	2,122,383
Capital projects	-	-	-	586,829	237,416	824,245
Unreserved:						
Designated	413,536	326,234	-	-	-	739,770
Undesignated	(3,056,913)	(42,221)	(280,483)	-	(151,215)	(3,530,832)
<b>Total fund balances</b>	<b>363,629</b>	<b>579,320</b>	<b>-</b>	<b>593,344</b>	<b>1,165,721</b>	<b>2,702,014</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,859,109</b>	<b>\$ 2,362,252</b>	<b>\$ 834,923</b>	<b>\$ 593,344</b>	<b>\$ 1,508,050</b>	<b>\$ 20,157,678</b>

FAYETTE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2010

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Total governmental fund balance	\$ 2,702,014
Amounts reported for governmental activities in the statement of net assets differ due to:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	24,024,622
Deferred charges are not reported in the funds	68,273
Property taxes receivable and food service billings receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore deferred in the funds	689,471
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Capital leases payable	(1,298,059)
Compensated absences	(396,341)
Net assets of governmental activities	<u>\$ 25,789,980</u>

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2010

	General Current Expense Fund	Special Revenue Fund	Special Revenue ARRA Fund	Capital Projects - Bond Construction Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
<b>Revenues:</b>							
Property taxes	\$ 16,801,862	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,801,862
Other local sources	566,481	419,002	-	-	-	-	985,483
State sources	36,013,659	2,522,904	-	-	-	1,864,526	40,401,089
Federal sources	559,551	8,389,994	5,050,373	-	-	-	13,999,918
Miscellaneous sources	248,995	14,943	-	-	-	-	263,938
<b>Total revenues</b>	<b>54,190,548</b>	<b>11,346,843</b>	<b>5,050,373</b>	<b>-</b>	<b>-</b>	<b>1,864,526</b>	<b>72,452,290</b>
<b>Expenditures:</b>							
Instruction	35,775,564	5,886,598	4,251,111	-	-	75,967	45,989,240
Supporting services:							
Students	2,105,387	561,556	342,982	-	-	-	3,009,925
Instructional staff	662,958	1,236,196	228,324	-	-	-	2,127,478
Central administration	1,339,205	28,211	-	-	-	-	1,367,416
School administration	4,231,012	8,858	-	-	-	-	4,239,870
Support service central	1,763,335	13,953	-	-	-	-	1,777,288
Operation and maintenance of facilities	7,307,591	11,109	965	-	-	-	7,319,665
Student transportation	5,537,189	548,389	118	-	-	-	6,085,696
Food services	10,035	3,802,955	6,495	-	-	-	3,819,485
Community services	48,737	358	-	-	-	-	49,095
Capital outlay	28,480	142,271	110,910	-	279,423	794,142	1,355,226
Debt service:							
Principal retirement	124,038	-	-	-	-	-	124,038
<b>Total expenditures</b>	<b>58,933,531</b>	<b>12,240,454</b>	<b>4,940,905</b>	<b>-</b>	<b>279,423</b>	<b>870,109</b>	<b>77,264,422</b>
Excess (deficiency) of revenues over expenditures	(4,742,983)	(893,611)	109,468	-	(279,423)	994,417	(4,812,132)
<b>Other financing sources (uses):</b>							
Transfers in	448,136	1,387,253	-	-	-	718,335	2,553,724
Transfers (out)	(2,105,588)	(336,565)	(109,468)	(2,103)	-	-	(2,553,724)
<b>Total other financing sources (uses)</b>	<b>(1,657,452)</b>	<b>1,050,688</b>	<b>(109,468)</b>	<b>(2,103)</b>	<b>-</b>	<b>718,335</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(6,400,435)</b>	<b>157,077</b>	<b>-</b>	<b>(2,103)</b>	<b>(279,423)</b>	<b>1,712,752</b>	<b>(4,812,132)</b>
<b>Fund balances - beginning</b>	<b>6,685,779</b>	<b>422,243</b>	<b>-</b>	<b>2,103</b>	<b>872,767</b>	<b>(547,031)</b>	<b>7,435,861</b>
<b>Restatements of fund balance</b>	<b>78,285</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>78,285</b>
<b>Fund balances - beginning, as restated</b>	<b>6,764,064</b>	<b>422,243</b>	<b>-</b>	<b>2,103</b>	<b>872,767</b>	<b>(547,031)</b>	<b>7,514,146</b>
<b>Fund balances - ending</b>	<b>\$ 363,629</b>	<b>\$ 579,320</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 593,344</b>	<b>\$ 1,165,721</b>	<b>\$ 2,702,014</b>

FAYETTE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2010

Amounts reported for governmental activities in the statement of activities are different due to:

Net change in fund balances - total governmental funds \$ (4,812,132)

Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceed depreciation in the current period.

Depreciation expense	(1,386,770)
Capital outlays	1,730,096

Certain receivables will be collected this year but are not available soon enough to pay for the current period's expenditures. This is the amount by which such receivables increased (decreased).

Property taxes receivable	(474,635)
Food Service receivable	(20,114)
Medicaid and Erate receivable	(21,532)

The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net assets.

110,568

Compensated absences are reported as liabilities in the statement of net assets, but are only reported in government funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased.

Accrued vacation payable	(87,575)
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Amortization of bond issuance costs are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.

(6,304)

Change in net assets of governmental activities	<u><u>\$ (4,968,398)</u></u>
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FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
JUNE 30, 2010

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 875,415
<b>Total assets</b>	<u>\$ 875,415</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 875,415
<b>Total liabilities</b>	<u>\$ 875,415</u>

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting Entity**

The Fayette County Board of Education (the Board) is a corporation created under the authority of West Virginia Code §18-5-1 et seq. and the Board officials are comprised of five members nominated and elected by the voters of the county for four year terms. The Board officials are responsible for the supervision and control of the county school district and have the authority, subject to State statutes and the rules and regulations of the West Virginia State Board of Education, to control and manage all of the public schools and school interests in the county.

GASB Statement Number 14 (as amended by GASB Statement Number 39) establishes the criteria for determining the governmental reporting entity and the component units that should be included within the reporting entity. Under provisions of this statement, the Board is considered to be a primary government, since it is a separate legal entity, has its own elected governing body, and is fiscally independent of other local governments. The Board has no component units, defined by GASB Statement 14 (as amended by GASB Statement Number 39) as other legally separate organizations for which the elected board members are financially accountable.

**B. District-wide and fund financial statements**

The *district-wide financial statements* (the statement of net assets and the statement of activities) display information about the School Board as a whole. These statements include the financial activities of the overall government, except for fiduciary fund activities. Fiduciary funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a function and therefore are clearly identifiable to a particular function.

Depreciation expenses for capital assets that can be specifically identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (such as a school building that may be used for instructional services, student and instructional staff support services, school administration, and child nutrition services) is distributed proportionally among the various functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

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NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, restricted state aid, tuition, and other fees and charges paid by students. Revenues that are not considered as program revenues are classified as general revenue and include property taxes, unrestricted state aid, unrestricted investment earnings, gain on sale of capital assets, and federal and state grants not restricted to a specific purpose.

The *fund financial statements* provide information about the individual funds maintained by the School Board. All funds maintained by the school district are considered to be major funds for reporting purposes and are discretely presented in the accompanying financial statements. The funds maintained by the Board are:

General Current Expense Fund: The General Current Expense Fund is the operating fund of the Board and accounts for all revenues and expenditures not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to other funds are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Current Expense Fund.

Special Revenue Fund: The Special Revenue Fund is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditure for specific purposes.

Special Revenue – American Reinvestment and Recovery Act (ARRA) Fund: A separate special revenue fund to account for all revenues and expenditures attributable to ARRA funds that are legally restricted to expenditure for specific purposes.

Capital Projects Funds: Capital Projects Funds are used to account for all resources used for the acquisition of capital facilities by the Board. These funds can include: a bond construction fund, used to account for the proceeds from the issuance of general obligation bonds; a permanent improvement fund established under the authority of West Virginia Code §18-9B-14 to account for the proceeds of resources used for the support of various building and permanent improvement projects, and; one or more capital projects funds used to account for the resources used in the construction of a specific capital facility.

Fiduciary/Agency Fund: Agency funds are used to account for assets that the Board holds for others in an agency capacity. This includes the school activity funds which account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**C. Measurement Focus and Basis of Accounting**

The *district-wide statements* (Statement of Net Assets and the Statement of Activities) were prepared using the economic resources measurement focus and the full 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 are received. Revenues and expenses resulting from exchange and exchange-like transactions are recognized when the exchange takes place; revenues and expenses resulting from non-exchange transactions, such as property taxes, federal and state grants, state aid to schools, and donations, are recognized in accordance with the requirements of GASB Statement Number 33. Property taxes are recognized in the fiscal year for which the taxes are levied; state aid to schools is recognized in the year for which the legislative appropriation is made; and grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

The *governmental fund financial statements* were prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Board considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded generally when the related fund liability is incurred, except for unmatured 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing resources.

*Fiduciary agency funds* are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Board holds for others in an agency capacity.

**D. Encumbrances**

Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding at year end are reported as reservations of fund balances since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**E. Cash and Investments**

Cash on hand and deposits with banking institutions either in checking or savings accounts or other highly liquid investments with an original maturity of three months or less are presented as cash in the accompanying financial statements.

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the West Virginia Municipal Bond Commission (MBC) for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof; certificates of deposit; and repurchase agreements. Funds of the Board are temporarily invested by the MBC specifically on behalf of the Board as part of the MBC's consolidated investment pool. Deposits with the State Consolidated Investment Pool are held by the West Virginia Board of Treasury Investments (BTI). The deposits with the MBC are held for debt service requirements of the Board. The deposits with the BTI and MBC are not separately identifiable as to specific types of securities. Investment income is prorated to the Board at rates specified by the BTI and MBC. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying basic financial statements. These investments are considered cash and cash equivalents due to their liquid nature. The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature.

All deposit accounts and investments of the Board at June 30, 2010 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool/BTI	\$ 12,260,779	\$ 12,260,779	\$ 12,260,779
Deposits with Financial Institutions			
- Individual Schools	875,414	875,414	889,561
Deposits with Financial Institutions			
- Board	180,552	180,552	2,686,883
 Total cash and cash equivalents	 \$ 13,316,745	 \$ 13,316,745	 \$ 15,837,223

The Board had no fixed-term investments at June 30, 2010.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits with financial institutions were entirely covered by federal deposit insurance or secured by adequate bond or other securities held by the banking institution in the board's name. Custodial credit risk is the risk that, in event of a bank failure, the Board's deposits may not be returned to it. The Board has limited its custodial credit risk by assuring that these deposits with financial institutions are adequately collateralized.

Cash on deposit with the State Treasurer is comprised of the following investment pools and are subject to the following BTI policies and limits. Cash on deposit with the MBC is held by the BTI in the Government Money Market Pool.

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI's pools, the WV Money Market and WV Government Money Market Pools have been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, five are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, Loan Pool, and School Fund Account. The Board did not have any monies invested in the WV Short Term Bond Pool.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA-by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P1	A-1	\$ 855,844	29.75%
Corporate bonds and notes	Aa1	AA	10,000	0.35
	Aa2	AA	<u>10,000</u>	<u>0.35</u>
Total corporate bonds and notes			20,000	0.70
U.S. agency bonds	Aaa	AAA	246,990	8.59
U.S. Treasury notes *	Aaa	AAA	65,153	2.26
U.S. Treasury bills *	Aaa	AAA	476,670	16.57
Negotiable certificates of deposit	P1	A-1	281,000	9.77
U.S. agency discount notes	P1	A-1	606,048	21.07
Money market funds	Aaa	AAA	150,026	5.21
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	101,280	3.52
U.S. agency notes	Aaa	AAA	<u>73,700</u>	<u>2.56</u>
Total repurchase agreements			<u>174,980</u>	<u>6.08</u>
			<u>\$ 2,876,711</u>	<u>100.00%</u>

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2010, the WV Money Market Pool investments had a total carrying value of \$2,876,711,000, of which the Board's ownership represents 0.43.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund pools and accounts are subject to interest rate risk.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**WV Money Market Pool** - The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	2010	
	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 174,980	1
U.S. Treasury notes	65,153	140
U.S. Treasury bills	476,670	35
Commercial paper	855,844	18
Certificates of deposit	281,000	45
U.S. agency discount notes	606,048	52
Corporate bonds and notes	20,000	19
U.S. agency bonds/notes	246,990	55
Money market funds	150,026	1
	\$ 2,876,711	33

Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Deposits** - Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$60,000,000. The Reserve Pool contains funds totaling approximately \$30,137,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

**F. Food Service Receivables**

The account receivable for the Food Service Program has been reduced by \$55,262 for uncollectible accounts. The allowance was calculated based upon historical data maintained by the Board.

**G. Interfund Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

**H. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

**I. Capital Assets**

Capital assets, which include land, buildings and improvements, furniture and equipment, and vehicles are reported in the district-wide financial statements. The board defines capital assets as assets with an initial individual cost of \$5,000 or more for land, furniture, vehicles, and equipment, and \$100,000 for buildings, and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase is not capitalized.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings and improvements, furniture and equipment, and vehicles of the Board are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Site Improvements	20 – 35
Furniture and Equipment	5 – 20
Vehicles	8 – 12

Various grantors have a reversionary interest in certain fixed assets purchased with federal awards. The disposition of such fixed assets and ownership of any proceeds therefore is subject to federal regulations.

**J. Compensated Absences**

It is the Board’s policy to permit employees to accumulate earned but unused vacation. Vacation benefits can be accumulated up to unlimited days, and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred.

**K. Other Post Employment Benefits (OPEB)**

The Governmental Accounting Standards Board (GASB) issued Statement 45 in 2004 to establish standards for the measurement, recognition, and reporting of OPEB expenses/expenditures and related liabilities.

Other post employment benefits in West Virginia consist mainly of: Allowing employees hired prior to July 1, 2001 to convert unused annual, sick and/or personal leave to paid-up PEIA premiums, and allowing retirees to purchase PEIA health insurance at a deeply discounted premium rate.

As a result, the West Virginia Legislature passed HB 4654 in 2006 adding a new article to the State Code, WVC §5-16D-1 et seq. The article, among other things: Created the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of administering retiree post-employment health care benefits; vested the responsibility for operation of the fund with the PEIA Board of Finance; required the Board of Finance to adopt actuarial assumptions and determine the annual required contribution (ARC) rates sufficient to maintain the fund in accordance with the state plan for other post-employment benefits; required the board to have an actuarial valuation conducted at least biannually; required the Board of Finance to set the total ARC sufficient to maintain the fund in an actuarially sound manner in accordance with accounting principles generally accepted in the United States of America; required the Board of Finance to bill all participating employers their share of the ARC, and; required participating employers to make annual contributions to the fund in, at least, the amount of the minimum annual employer premium payment rates established by the board.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Upon retirement, the public employees who elected to participate in the PEIA insurance plan are eligible to credit unused sick or annual leave towards insurance coverage, according to the following formulas:

- Retired employees who elected to participate in the PEIA insurance plan prior to July 1, 1988: Those without dependents may credit two days of unused sick or annual leave towards one month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one month of insurance coverage.
- Retired employees who elected to participate in the PEIA insurance plan between July 1, 1988 and June 30, 2001: those without dependents may credit two days of unused sick or annual leave towards one-half month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one-half month of insurance coverage.
- Employees hired on or after July 1, 2001 may not apply any unused sick or annual leave towards the cost of health insurance premiums.

In the alternative to applying unused sick and annual leave to health insurance, all employees participating in the PEIA insurance plan, and who are members of the State Teachers' Defined Benefit Retirement System, may apply unused sick and annual leave towards an increase in the employee's retirement benefits with those days constituting additional credited service. The cost for the employees who elect this option is reflected as a liability of the State Teachers' Retirement System and not included as an OPEB obligation.

All retired employees are eligible to obtain health insurance coverage through PEIA with the retired employee's premium contribution established by the Finance Board. The Finance Board has allowed retirees to obtain health insurance coverage at essentially the same premium rate as active employees with the difference between the retirees' premium contributions and the cost of providing health care to retirees subsidized by the State. It is this subsidy that has created the major portion of the OPEB actuarial liability.

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NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Based on the latest actuarial evaluation of the RHBT, the annual required contribution (ARC) for the State and the boards of education for fiscal year ended June 30, 2010 was determined to be:

	<u>Total</u>	<u>Amount/ Policy Holder</u>
Total Annual Required Contribution	\$ 791,943,000	\$ 10,810.62
Pay as you go – Retiree Subsidy	<u>(122,799,496)</u>	<u>(1,676.31)</u>
Remaining ARC	<u>\$ 669,143,504</u>	<u>\$ 9,134.31</u>

The following summarizes the Board’s OPEB activity:

Total OPEB expense for 2010		\$ 8,317,317
Less:		
State appropriation allocation for 2010		-
Pay as you go payments and other credits for 2010		1,387,879
Portion of 2009 OPEB remaining, as restated		<u>668,613</u>
Cumulative OPEB at year end		<u>\$ 7,598,051</u>
Portion attributable to personnel funded through the PSSP		<u>\$ 6,291,186</u>
Portion attributable to remaining personnel		<u>\$ 1,306,865</u>

It is the opinion of the Board that the State is constitutionally required to appropriate sufficient funds to cover the cost of the ARC for personnel funded through the Public School Support Program (PSSP); however, no additional funds have been appropriated for this purpose as of the date of this report. Furthermore, the Board has elected, pursuant to the provisions of WVC 5-16D-6, not to remit to the RHBT any amount in excess of the minimum annual required premium payment.

**L. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital lease payments are reported in the general current expense.

**M. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent that portion of fund equity committed by official Board action prior to June 30 of each year for specific purposes. Said specific purposes and amounts are recorded in the official Board minutes for the fiscal year ended June 30, 2010.

**N. Net Assets**

Net assets are classified into four categories according to external donor restrictions or availability of assets for satisfaction of Board obligations. The Board's net assets are classified as follows:

- **Invested in capital assets, net of related debt** – This represents the Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any 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 invested capital assets, net of related debt.
- **Restricted net assets, expendable** – This includes resources in which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Restricted net assets, nonexpendable** – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. The Board does not have any restricted nonexpendable assets at June 30, 2010.

NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Unrestricted net assets** – This represents resources derived from other than capital assets or restricted net assets. These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

**O. Elimination and Reclassifications**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

**P. Accounting Estimates**

The preparation of financial statements in conformity with the accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**Q. Restricted Resources**

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are generally applied first.

**R. Recent Statements Issued By the GASB**

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective for fiscal years beginning after June 15, 2009. This statement provides clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement also establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The Board has not yet determined the effect that the adoption of GASB Statement No. 54 may have on its financial statements.

NOTE 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

**A. Budgets and Budgetary Accounting**

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the modified accrual basis of accounting for all governmental funds but do not include amounts for other post employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

1. Pursuant to State statute, the Board is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Board and determine the amount that is to be raised from the levy of taxes for the fiscal year commencing July 1. The Board adjourns the meeting and submits its Schedule of Proposed Levy rates to the State Auditor's Office for approval. The Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.
2. The Board is required to submit its proposed budget for the subsequent year to the State Board of Education for approval by the date established in the budget calendar. The Board is also required to hold a public hearing on its proposed budget before it is submitted for approval. The proposed budget must be made available for public inspection for at least 10 days before the public hearing is held.

Revisions to the budget are authorized only with the prior written approval of the West Virginia State Board of Education.

**B. Excess of Expenditures Over Appropriations:**

For the year ended June 30, 2010, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

GENERAL CURRENT EXPENSE FUND:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 3,811,135
Students	155,373
School administration	402,586
Business	63,604
Operation and maintenance of facilities	237,673
Student transportation	314,144

NOTE 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

The Fund incurred expenditures in excess of revenues which was wholly the result of the liability for OPEB which is not required to be budgeted. The overexpenditures in these programs were funded by a reallocation within the program or a reduction of expenditures in the remaining instructional programs, available beginning fund balance, revenues received in excess of the anticipated amounts budgeted, and/or the contingency account.

**C. Deficiencies in Net Changes in Fund Balances and Deficit Fund Balances:**

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2010:

<u>Fund</u>	<u>Amount</u>
General Current Expense Fund	\$ 6,400,435
Bond Construction Fund	2,103
Permanent Improvement Fund	279,423

The primary source of the deficiency for the General Current Expense Fund was the result of the increase in the OPEB expense and related liability. Funds sufficient to provide for the excess expenditures were made available from other sources within each fund and the deficiency had no impact on the financial results of the Funds.

NOTE 3 -- RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts, theft, or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The Board, pursuant to the provision of State Law, participates in the following risk management programs administered by the State of West Virginia.

**BOARD OF RISK AND INSURANCE MANAGEMENT**

The Board participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk insurance pool for all State agencies, component units, boards of education, and other local governmental agencies who wish to participate. The Board pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM is paid by the participants. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims. The BRIM risk pool retains the risk of the first \$2 million per property event and purchases excess insurance on losses above that level.

NOTE 3 -- RISK MANAGEMENT (Continued)

PUBLIC EMPLOYEES' INSURANCE AGENCY

The Board provides employees health and basic life insurance benefits through the Public Employees Insurance Agency (PEIA). PEIA was established by the State of West Virginia to provide a program of health and life insurance for employees of State agencies, institutions of higher learning, boards of education and component units of the State. In addition, local governmental agencies and certain charitable and public service organizations may request to be covered. PEIA provides a general employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, and basic life and accidental death. Fund underwriting and rate setting policies are established by the PEIA Finance Board. The cost of coverage as determined by the Finance Board is paid by the participants.

Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage. Insureds may purchase up to an additional \$500,000 of life insurance coverage. Premiums are established by PEIA and are paid monthly. The PEIA risk pool retains the risk for the health and prescription features of its indemnity plan, has fully transferred the risks of coverage for the Managed Care Organization Plan to the plan provider, and has transferred risk of life insurance coverage to a third party insurer.

WORKERS' COMPENSATION

West Virginia has a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies begun to offer coverage to private-sector employers beginning July 1, 2009 and can begin to offer to government employers July 1, 2010. Nearly every employer in the State, including all boards of education, who have a payroll must have coverage. The cost of all coverage, as determined by BrickStreet, is paid by the employers.

BrickStreet retains the risk related to the compensation of injured employees under the program.

NOTE 4 -- PROPERTY TAXES

All property in the State is classified as follows for ad valorem tax purposes:

- Class I All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer; all notes, bonds and accounts receivable, stocks and any other evidences of indebtedness.
- Class II All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bona fide tenants.
- Class III All real and personal property situated outside of municipalities, exclusive of Class I and II property.
- Class IV All real and personal property situated inside of municipalities, exclusive of Class I and II property.

According to West Virginia Code §11-8-6c, the maximum rates that county boards of education may impose on the various classes of property are:

Class I	22.95¢ per \$100 of assessed valuation
Class II	45.90¢ per \$100 of assessed valuation
Class III	91.80¢ per \$100 of assessed valuation
Class IV	91.80¢ per \$100 of assessed valuation

Pursuant to West Virginia Code §11-8-6f, however, the rates of levy for county boards are to be reduced uniformly statewide and proportionately for all classes of property so that the total statewide property tax revenues to be realized from the regular levy tax collections for the forthcoming year will not increase by more than one percent of the current year's projected property tax revenues, exclusive of increases due to new construction, improvements to existing real property, or newly acquired personal property, unless the State Legislature holds a public hearing. The amounts to be paid by the Assessor's valuation fund are also to be excluded from the calculation.

County boards of education are also authorized to impose an additional (excess) levy not to extend beyond five years if approved by at least a majority of the voters. In addition County boards of education are also authorized to impose a bond levy that coincides with a bond issuance approved by the voters of the county. The rate of the bond levy cannot exceed certain statutory requirements set forth in the West Virginia State Code. The rates of levy cannot exceed the maximum rates specified above and must be proportional for all classes of property.

FAYETTE COUNTY BOARD OF EDUCATION  
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NOTE 4 -- PROPERTY TAXES (Continued)

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2010 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense Rate	Excess Levy
Class I	\$ -	19.40¢	22.95¢
Class II	\$ 401,653,900	38.80¢	45.90¢
Class III	\$ 568,968,134	77.60¢	91.80¢
Class IV	\$ 211,406,917	77.60¢	91.80¢

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments. The first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; and the second installment is payable on the first day of the following March, and becomes delinquent on April first.

Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of up to two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, interest at the rate of nine percent per annum is added from the date they become delinquent.

FAYETTE COUNTY BOARD OF EDUCATION  
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NOTE 5-- EXCESS LEVY

The Board had an excess levy in effect during the fiscal year ended June 30, 2010. The levy was authorized by the voters of the county at an election held on May 13, 2008 for the fiscal years ended June 30, 2010 through June 30, 2014 to provide funds for the following purposes:

A). Free Textbooks	\$ 823,000
B). Student Security – Safe Schools, Homeland Security	50,000
C). Student Admission to Athletic Events – Middle/High School Admission to Home Athletic Events	71,811
D). Instructional Support – Supplies, Materials, Equipment & Pilot Programs	225,000
E). Public Library Support – Ansted, Fayetteville, Gauley Bridge, Meadow Bridge, Montgomery, Mt. Hope, Oak Hill	21,500
F). Special Education Support	40,000
G). WVU Extension, 4-H & Energy Express	24,237
H). Student Health Services – Fayette County Board of Health & Medical Assistance	30,000
I). Student Activities & Athletics – Student Curricular/Extracurricular Support & student Attendance Incentive	85,000
J). Music Support – Band, Chorus & Elementary/Middle School Music	60,000
K). Art Support	25,000
L). Family & Consumer Science Support - Home Economics	10,000
M). Industrial Arts & Career Technical Education Support – Vocational Education	10,000
N). Business Education Support	13,000
O). Physical Development & Health Education Support – Healthy Schools, PE, Health & FitnessGram	25,000
P). Driver Education Support	30,000
Q). Science/Math Support	88,000
R). Reading Support	100,000
S). 21 <sup>st</sup> Century Technical Curriculum Support – Maintenance/Upgrades of Hardware & Software	900,000
T). Maintenance of Buildings/Capital Improvements – Buildings/Grounds Upgrades & Major Improvement Projects (Roof Replacements, HVAC Systems, etc.)	1,000,000
U). Preschool	50,000
V). Professional Salary Support	2,070,000
W). Service Salary Support	1,030,000
X). Employee Dental/Vision insurance	<u>750,000</u>
 TOTAL (Annual Amount)	 <u>\$ 7,531,548</u>

A total of \$ 8,385,922 was received by the Board from the excess levy during the fiscal year ended June 30, 2010.

FAYETTE COUNTY BOARD OF EDUCATION  
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NOTE 6-- CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 132,000	\$ 27,213	\$ -	\$ 159,213
Construction in process	11,223,637	1,037,335	-	12,260,972
Total non-depreciable capital assets	<u>11,355,637</u>	<u>1,064,548</u>	-	<u>12,420,185</u>
Capital assets, depreciable:				
Land and land improvements	2,560,271	-	-	2,560,271
Buildings and improvements	35,689,497	-	-	35,689,497
Furniture and equipment	11,346,672	48,285	-	11,394,957
Vehicles	5,783,734	617,263	-	6,400,997
Total depreciable capital assets	<u>55,380,174</u>	<u>665,548</u>	-	<u>55,045,722</u>
Less accumulated depreciation for:				
Land and land improvements	(2,499,519)	(18,429)	-	(2,517,948)
Buildings and improvements	(27,438,181)	(742,381)	-	(28,180,562)
Furniture and equipment	(9,934,920)	(280,581)	-	(10,215,501)
Vehicles	(3,181,895)	(345,379)	-	(3,527,274)
Total accumulated depreciation	<u>(43,054,515)</u>	<u>(1,386,770)</u>	-	<u>(44,441,285)</u>
Total depreciable capital assets, net	<u>12,325,659</u>	<u>(721,222)</u>	-	<u>11,604,437</u>
Total capital assets, net	<u>\$ 23,681,296</u>	<u>\$ 343,326</u>	\$ -	<u>\$ 24,024,622</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Instruction	\$ 888,008
Supporting Services:	
Central administration	24,030
School administration	25,832
Operation and maintenance of facilities	14,064
Transportation	340,627
Food services	94,209
Total Depreciation expense - governmental activities	<u>\$ 1,386,770</u>

NOTE 7 -- LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2010 is as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
Compensated absences	\$ 308,766	\$ 87,575	\$ -	\$ 396,341	\$ 396,341	\$ -
Capital lease payable	1,408,627	-	110,568	1,298,059	111,376	1,186,683
Long-term liabilities	<u>\$ 1,717,393</u>	<u>\$ 87,575</u>	<u>\$ 110,568</u>	<u>\$ 1,694,400</u>	<u>\$ 507,717</u>	<u>\$ 1,186,683</u>

FAYETTE COUNTY BOARD OF EDUCATION  
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NOTE 8 -- LEASES

The Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used to expand, renovate, and equip the gymnasium at Fayetteville High School and those assets are leased from Bank of America, N.A. for a period of fourteen years beginning June 30, 2004. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

The Board has also entered into a second capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of QZABs. The funding is to be used for construction of New River Elementary School and to renovate the lab space at Valley High School and those assets are leased from United Bank for a period of sixteen years beginning February 22, 2008. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

The following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments as of June 30, 2010 for the Board's capital leases:

	<u>Fayetteville</u> <u>High School</u>	<u>New River</u> <u>Elementary &amp;</u> <u>Valley High</u>	<u>Totals</u>
Year Ending June 30			
2011	\$ 66,352	\$ 67,298	\$ 133,650
2012	67,853	67,298	135,151
2013	69,387	67,298	136,685
2014	70,956	67,298	138,254
2015	72,560	67,298	139,858
2016 - 2020	227,734	336,488	564,222
2021 - 2024	-	269,190	269,190
Total minimum lease payments	574,842	942,168	1,517,010
Less: amount representing interest	120,922	98,029	218,951
Present value of net minimum lease payments	\$ 453,920	\$ 844,139	\$ 1,298,059
Current portion of capital lease obligation, including interest	\$ 66,352	\$ 67,298	\$ 133,650
Capital lease obligation, net of current portion, including interest	508,490	874,870	1,383,360
	\$ 574,842	\$ 942,168	\$ 1,517,010

The assets acquired by the capital leases had a net book value of \$1.5 million at June 30, 2010.

NOTE 9 -- EMPLOYEE RETIREMENT SYSTEM

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer, retirement benefit plans, the Teachers' Defined Benefit Retirement System (TDBS) or the Teachers' Defined Contribution Retirement System (TDCRS). For the year ended June 30, 2010, the Board's total payroll for all employees was \$40,720,254 and was \$37,958,927 for all employees covered by the two retirement programs.

Of the total amount appropriated by the State for retirement, the portion equal to the employers' average required contribution rate for both the defined benefit and the defined contribution plans is considered to be the employers' contribution for the current cash flow requirements for personnel funded under the Public School Support Program and is reflected as revenue in the Board's financial statements. The balance is considered to be the State's contribution toward the past service unfunded liability and is not included either as a revenue or an expenditure in the Board's financial statements.

Trend Information - Ten-year historical trend information relating to the accumulation of assets and the unfunded liability, as applicable, of both plans is available from the Consolidated Public Retirement Board which can be obtained directly from the Consolidated Public Retirement Board, Building 5, Room 1000, State Capitol Complex, Charleston, West Virginia 25305-0720.

Conversion of leave for post-retirement - Upon retirement, an employee's annual and sick leave may be converted to a greater retirement benefit or payment of health insurance premiums. The cost of the increased retirement benefit or payment of health insurance premiums must be absorbed by the last agency employing the retiree.

**A. Teachers' Defined Benefit Retirement System (TDBS)**

Plan Description - The TDBS plan is a cost-sharing, multiple-employer public employee defined benefit retirement system which was established on July 1, 1941 and was closed to new members from July 1, 1991. Beginning July 1, 2005, all new employees became members of this plan. To qualify for full benefits, a member must be age sixty with at least five years of credited service, or be age fifty-five with at least thirty years of credited service or any age with at least thirty-five years of credited service. A member may receive a disability benefit after completing ten years of service if the member is disabled for six months, unable to perform their regular occupation, and the Consolidated Public Retirement Board expects the disability to be permanent.

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NOTE 9 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Upon retirement, members select one of five benefit payment options. If a member terminates employment with at least five years of credited service, he may freeze his membership until he qualifies for retirement or he may withdraw his contributions from the plan. The employers' contributions remain with the plan. Retirement benefits are based on two percent of the average of the member's five highest fiscal years of total earnings from covered employment during the members last fifteen years of service.

The normal form of benefit is a single life annuity paid monthly, in an amount equal to 2% of the final average salary times years of credited service. Other forms of benefits may be elected subject to actuarial reduction: Cash Refund Annuity, 50% or 100% Contingent Joint and Survivor Annuities, and ten year Certain and Life Annuities. Pre-retirement death benefits are paid to the spouse of a deceased member who had attained the age of fifty and completed twenty-five years of credited service. The annuity payment is computed as if the member had retired on the date of death with a 100% Joint and Survivor pension. If the member's age and service are less than that required, the sum of the accumulated member's and employer's contributions with interest is paid to the member's beneficiary or estate.

Funding status - According to the 2009 Actuarial Valuation Report, the plan's actuarially calculated unfunded liability was approximately \$5.1 billion as of July 1, 2009.

Contribution Requirements and Payments Made: This is a fully qualified plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants contribute 6% of their gross compensation and the board of education contributes 15% of covered members' gross compensation to the retirement plan, for a total of 21% annually for those who became members prior to July 1, 1991. Participants who became members after July 1, 2006 contribute 6% of their gross compensation and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 13.5% annually.

The employers' contributions are derived from state appropriations and Board funds. Federally funded grant programs provide the funding for the employer contributions for salaries paid from federal grants.

Required contributions for the year ended June 30, 2010 and the two previous years are as follows:

Year ended June 30	<u>2008</u>	<u>2009</u>	<u>2010</u>
Required contributions	\$345,412,000	\$404,547,000	\$487,886,000
As a % of current year covered payroll	23.30%	25.89%	29.57%

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NOTE 9 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Total payments reflected in the Board's financial statements to the TDBS plan for the fiscal year ended June 30, 2010 were as follows:

Employee contributions (6%)	\$ 2,915,984
Employer contributions (15% or 7.5%)	<u>3,689,641</u>
Total contributions	<u>\$ 6,605,625</u>

**B. Teachers' Defined Contribution Retirement System (TDCRS)**

Plan Description - All Board employees hired after July 1, 1991 but before July 1, 2005, participate in the TDCRS retirement system. Employees in the TDBS could freeze their benefits in the old plan and become a member of this plan. Members with less than five years of service in the TDBS plan could change to this plan and transfer the funds that were deposited in the TDBS plan to this plan. Once a member transferred to the TDCRS plan, the member was not allowed to rejoin the TDBS plan.

Effective July 1, 2005, the TDCRS Plan was closed to new membership. All employees hired after that date became members of the TDBS which was reopened for participation on July 1, 2005. Existing members of the TDCRS Plan were given the option to transfer membership to the TDBS during the 2009-09 fiscal year. To earn full benefits at retirement, however, members electing to transfer are required to contribute the 1.5% difference between the two plans' employee contribution rates.

A unique feature of the Teachers' Defined Contribution Plan is that each member chooses the investment options and may make changes at the beginning of each calendar quarter. Seven investment options are provided from which a participant may choose in multiples of five percent. The investment options are: Vanguard Money Market Fund, Bond Fund of America, Franklin Income Fund, Fidelity Growth Opportunities, Washington Mutual Investors, Federated Max-Cap, and Valic Individually Allocated Fixed Annuity.

Employees are eligible to participate from the date of employment. Employee contributions are fully vested and employer contributions and earnings vest with the member as follows: one-third after six years, two-thirds after nine years, and 100% after twelve years. The member is fully vested at death or disability. As of June 30, 2010, this plan had approximately \$222.0 million in assets. Retirement or disability benefits are based solely on the accumulation of dollars in the members' individual account at the time of retirement. The accounting administration of the TDCRS plan is the responsibility of Milliman and Robertson, an independent third party administrator.

FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

NOTE 9 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Funding Status - There is no unfunded liability for a defined contribution plan since a member's total maximum lifetime benefit is limited to that which has accumulated in their account from employee and employer contributions and all investment earnings thereon. Any forfeited, unvested employer contributions are, by statute, to be transferred to the TDBS system.

Contribution Requirements and Payments Made - This is a fully qualified plan in accordance with the Internal Revenue Service requirements, therefore all employee contributions are tax deferred. Members contribute 4.5% of their gross compensation and employers contribute 7.5% of covered members' gross compensation to the retirement plan, for a total of 12% annually.

Total payments reflected in the Board's financial statements to the TDCRS plan for the fiscal year ended June 30, 2010 were as follows:

Employees' contributions (4.5%)	\$ 60,918
Employer's contributions (7.5%)	<u>101,530</u>
Total contributions	<u>\$ 162,448</u>

NOTE 10 -- COMMITMENTS AND CONTINGENCIES

The Board is involved in a number of legal proceedings and claims, involving students, employees and citizens who have sued the Board for damages. While it is not possible to determine the ultimate outcome of any lawsuit with certainty, management believes that the ultimate outcome will not have a material adverse effect on the financial position of the Board. The Board's insurance through the State Board of Risk and Insurance Management appears adequate to fully cover any potential liability.

During the fiscal year ended June 30, 2009, the Board began pursuing legal action against the State of West Virginia to seek legislative funding through the Public School Support Program to offset the costs of providing other post employment benefits to employees otherwise funded through the Program. If successful, the Board would receive funding sufficient to satisfy the current liability entitled "other post employment benefits payable - state aid eligible employees," on the accompanying financial statement and to pay any future amounts billed by PEIA for state aid eligible employees.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010

NOTE 10 -- COMMITMENTS AND CONTINGENCIES (Continued)

Under the terms of certain federal grant programs, periodic audits may be made, and certain costs may be questioned as not being appropriate expenses. Laws and regulations governing the grant programs and allowability of program costs are complex and subject to interpretation. Accordingly, such audits could lead to disallowances requiring reimbursements to the grantor agencies, which could be material to the Board's financial statements. Management of the Board believes that the Board is in compliance with applicable laws and regulations, in all material respects. Based on prior experience, the Board believes such disallowances, if any, would be immaterial.

NOTE 11 -- RESTATEMENT OF BEGINNING FUND BALANCE AND NET ASSETS

During the year ended June 30, 2010, the Board became aware of an adjustment to the liability for other post employment benefits in the General Current Expense Fund, which reduced the amount by \$78,285 for the year ended June 30, 2009 and is reflected in the beginning fund balance as follows:

	General Current Expense Fund
Fund balance at June 30, 2009, as previously stated	\$ 6,685,779
Adjustment for OPEB payable attributable to fiscal year 2009	<u>78,285</u>
Fund balance at June 30, 2009, restated	<u>\$ 6,764,064</u>

Due to this fund restatement, beginning net assets in the district-wide financial statements were also restated as follows:

	District- Wide
Net assets at June 30, 2009, as previously stated	\$ 30,680,093
Adjustment for OPEB payable attributable to fiscal year 2009	<u>78,285</u>
Net assets at June 30, 2009, restated	<u>\$ 30,758,378</u>

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010

NOTE 12 -- UNRESERVED FUND BALANCE - DESIGNATED

The Board has designated a portion of the unreserved balance of the General Current Expense Fund at June 30, 2010 to be expended for the following purposes:

<u>Purpose</u>	<u>Amount</u>
VHS Volleyball	\$ 500
Technology Management	74,085
Recycling Project	1,792
English as 2 <sup>nd</sup> Language	6,679
Truancy	1,530
FY10 MOE Reduction	268,512
Medicaid Reimbursements	<u>60,438</u>
Total Unreserved Fund Balance - Designated	<u>\$ 413,536</u>

NOTE 13 -- INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Fund	Special Revenue - ARRA Fund	\$ 645,032
Special Revenue Fund	General Current Expense Fund	\$ 65,377
Permanent Improvement Fund	General Current Expense Fund	\$ 593,344
Capital Projects Fund	General Current Expense Fund	\$ 307,370

Interfund Transfers

During the year ended June 30, 2010, funds from the General Current Expense Fund were transferred for \$1,314,432 to the Special Revenue Fund for Child Nutrition. Additionally, funds from the Special Revenue and Special Revenue - ARRA Funds were transferred for \$446,034 to the General Current Expense Fund for indirect costs. The Capital Projects Fund - Bond Construction Fund transferred \$2,103 to the General Current Expense Fund to closeout the residual balance in the fund. The General Current Expense Fund transferred \$718,335 to the Capital Projects Fund for the Board's local share of construction costs. The General Current Expense Fund transferred \$72,821 to the Special Revenue Fund to cover the Board's share of certain other projects.

FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010

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NOTE 14 -- MAJOR SOURCES OF REVENUE

The largest single source of revenue received by the Board is state aid funds through the Public School Support Program. In addition, the Board receives financial assistance from federal and state governments in the form of grants and received a large amount of revenue from local property taxes collected by the County Sheriff. A reduction in the amount of any of these revenues could have an adverse effect on the operations of the Board.

NOTE 15 -- WEST VIRGINIA ACCREDITATION

As of June 30, 2010, the Board had failed to meet several accreditation standards to receive full accreditation by the West Virginia Department of Education. The standards revolve around student performance, county practices to provide learning activities, and other administrative functions. As such, the West Virginia State Board of Education took over operations of the Board effective February 22, 2010. As such, the West Virginia State Board of Education appoints a consulting team to oversee all aspects of the Board's operations until corrective action has taken place.

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL CURRENT EXPENSE FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 16,510,994	\$ 16,778,994	\$ 16,801,862	\$ 22,868
Other local sources	75,000	363,518	566,481	202,963
State sources	37,372,498	35,554,323	36,013,659	459,336
Federal sources	700,000	760,865	559,551	(201,314)
Miscellaneous sources		225,844	248,995	23,151
<b>Total revenues</b>	<b>54,658,492</b>	<b>53,683,544</b>	<b>54,190,548</b>	<b>507,004</b>
<b>Expenditures:</b>				
Instruction	33,526,665	31,964,429	35,775,564	(3,811,135)
Supporting services:				
Students	1,623,400	1,950,014	2,105,387	(155,373)
Instructional staff	875,920	1,052,050	662,958	389,092
Central administration	1,161,436	1,438,191	1,339,205	98,986
School administration	3,842,100	3,828,426	4,231,012	(402,586)
Business	1,449,530	1,699,731	1,763,335	(63,604)
Operation and maintenance of facilities	5,814,293	7,069,918	7,307,591	(237,673)
Student transportation	4,699,800	5,223,045	5,537,189	(314,144)
Food services	-	10,035	10,035	-
Community services	45,737	48,737	48,737	-
Capital outlay	750,000	789,316	28,480	760,836
Principal retirement	124,038	124,038	124,038	-
<b>Total expenditures</b>	<b>53,912,919</b>	<b>55,197,930</b>	<b>58,933,531</b>	<b>(3,735,601)</b>
Excess (deficiency) of revenues over expenditures	745,573	(1,514,386)	(4,742,983)	(3,228,597)
<b>Other financing sources (uses):</b>				
Transfers in	550,000	552,103	448,136	(103,967)
Transfers (out)	(1,295,573)	(2,036,194)	(2,105,588)	(69,394)
<b>Total other financing sources (uses)</b>	<b>(745,573)</b>	<b>(1,484,091)</b>	<b>(1,657,452)</b>	<b>(173,361)</b>
<b>Change in fund balances</b>	<b>-</b>	<b>(2,998,477)</b>	<b>(6,400,435)</b>	<b>(3,401,958)</b>
<b>Fund balances - beginning</b>	<b>2,942,000</b>	<b>6,685,779</b>	<b>6,685,779</b>	<b>-</b>
<b>Restatement of fund balance</b>		<b>78,285</b>	<b>78,285</b>	<b>-</b>
<b>Fund balances - beginning, as restated</b>	<b>2,942,000</b>	<b>6,764,064</b>	<b>6,764,064</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 2,942,000</b>	<b>\$ 3,765,587</b>	<b>\$ 363,629</b>	<b>\$ (3,401,958)</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Other local sources	\$ 476,356	\$ 476,356	\$ 419,002	\$ (57,354)
State sources	1,422,788	2,443,666	2,522,904	79,238
Federal sources	7,791,479	11,811,860	8,389,994	(3,421,866)
Miscellaneous sources	-	35,880	14,943	(20,937)
<b>Total revenues</b>	<b>9,690,623</b>	<b>14,767,762</b>	<b>11,346,843</b>	<b>(3,420,919)</b>
<b>Expenditures:</b>				
Instruction	129,728	7,179,423	5,886,598	1,292,825
Supporting services:				
Students	728,112	672,572	561,556	111,016
Instructional staff	-	2,047,476	1,236,196	811,280
Central administration	-	60,752	28,211	32,541
School administration	-	8,134	8,858	(724)
Business	-	7,089	13,953	(6,864)
Operation and maintenance of facilities	-	57,904	11,109	46,795
Student transportation	477,506	599,067	548,389	50,678
Food services	3,786,983	3,971,465	3,802,955	168,510
Community services	-	-	358	(358)
Capital outlay	-	419,777	142,271	277,506
<b>Total expenditures</b>	<b>5,122,329</b>	<b>15,023,659</b>	<b>12,240,454</b>	<b>2,783,205</b>
Excess (deficiency) of revenues over expenditures	4,568,294	(255,897)	(893,611)	(637,714)
<b>Other financing sources (uses):</b>				
Transfers in	1,282,066	1,318,394	1,387,253	68,859
Transfers (out)	-	(397,545)	(336,565)	60,980
<b>Total other financing sources (uses)</b>	<b>1,282,066</b>	<b>920,849</b>	<b>1,050,688</b>	<b>129,839</b>
<b>Change in fund balances</b>	<b>5,850,360</b>	<b>664,952</b>	<b>157,077</b>	<b>(507,875)</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>422,243</b>	<b>422,243</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 5,850,360</b>	<b>\$ 1,087,195</b>	<b>\$ 579,320</b>	<b>\$ (507,875)</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - SPECIAL REVENUE - ARRA FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Federal sources	\$ -	\$ 6,307,378	\$ 5,050,373	\$ (1,257,005)
<b>Total revenues</b>	<b>-</b>	<b>6,307,378</b>	<b>5,050,373</b>	<b>(1,257,005)</b>
<b>Expenditures:</b>				
Instruction	-	5,015,994	4,251,111	764,883
Supporting services:				
Students	-	509,244	342,982	166,262
Instructional staff	-	400,379	228,324	172,055
Operation and maintenance of facilities	-	965	965	-
Student transportation	-	-	118	(118)
Food services	-	14,995	6,495	8,500
Capital outlay	-	-	110,910	(110,910)
<b>Total expenditures</b>	<b>-</b>	<b>5,941,577</b>	<b>4,940,905</b>	<b>1,000,672</b>
Excess (deficiency) of revenues over expenditures	-	365,801	109,468	(256,333)
<b>Other financing sources (uses):</b>				
Transfers (out)	-	(164,073)	(109,468)	54,605
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(164,073)</b>	<b>(109,468)</b>	<b>54,605</b>
<b>Change in fund balances</b>	<b>-</b>	<b>201,728</b>	<b>-</b>	<b>(201,728)</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ 201,728</b>	<b>\$ -</b>	<b>\$ (201,728)</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - CAPITAL PROJECTS - BOND CONSTRUCTION FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Other local sources	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of revenues over expenditures	-	-	-	-
<b>Other financing sources (uses):</b>				
Transfers (out)	-	(2,103)	(2,103)	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(2,103)</b>	<b>(2,103)</b>	<b>-</b>
<b>Change in fund balances</b>	<b>-</b>	<b>(2,103)</b>	<b>(2,103)</b>	<b>-</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>2,103</b>	<b>2,103</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - PERMANENT IMPROVEMENT FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Miscellaneous sources	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Capital outlay	-	872,767	279,423	593,344
<b>Total expenditures</b>	<b>-</b>	<b>872,767</b>	<b>279,423</b>	<b>593,344</b>
Excess (deficiency) of revenues over expenditures	-	(872,767)	(279,423)	593,344
<b>Fund balances - beginning</b>	<b>-</b>	<b>872,767</b>	<b>872,767</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 593,344</b>	<b>\$ 593,344</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
 YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
State sources	\$ -	\$ 2,040,555	\$ 1,864,526	\$ (176,029)
<b>Total revenues</b>	<b>-</b>	<b>2,040,555</b>	<b>1,864,526</b>	<b>(176,029)</b>
<b>Expenditures:</b>				
Instruction		132,487	75,967	56,520
Capital outlay	-	2,102,049	794,142	1,307,907
<b>Total expenditures</b>	<b>-</b>	<b>2,234,536</b>	<b>870,109</b>	<b>1,364,427</b>
Excess (deficiency) of revenues over expenditures	-	(193,981)	994,417	1,188,398
<b>Other financing sources (uses):</b>				
Transfers in	-	718,335	718,335	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>718,335</b>	<b>718,335</b>	<b>-</b>
Net Change in fund balances	-	524,354	1,712,752	1,188,398
<b>Fund balance - beginning</b>	<b>-</b>	<b>(547,031)</b>	<b>(547,031)</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ (22,677)</b>	<b>\$ 1,165,721</b>	<b>\$ 1,188,398</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 OTHER SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS  
 YEAR ENDED JUNE 30, 2010

	Cash Balance 7/1/2009	Revenues Received	Expenditures Paid	Cash Balance 6/30/2010
<b>High Schools</b>				
Fayette Institute of Technology	\$ 157,731	\$ 438,406	\$ 402,069	\$ 194,068
Fayetteville High School	89,086	121,514	140,423	70,177
Meadow Bridge High School	66,298	97,203	102,667	60,834
Midland Trail High School	54,712	113,190	116,446	51,456
Mt. Hope High School	30,820	67,929	62,366	36,383
Oak Hill High School	55,805	126,300	141,458	40,647
Valley High School	101,671	139,020	159,157	81,534
<b>Total high schools</b>	<u>556,123</u>	<u>1,103,562</u>	<u>1,124,586</u>	<u>535,099</u>
<b>Middle and Junior High Schools</b>				
Ansted Middle School	36,956	17,595	22,369	32,182
Collins Middle School	74,286	172,765	178,883	68,168
Nuttall Middle School	13,508	12,288	13,553	12,243
<b>Total middle and junior high schools</b>	<u>124,750</u>	<u>202,648</u>	<u>214,805</u>	<u>112,593</u>
<b>Elementary Schools</b>				
Ansted Elementary School	10,618	18,696	18,093	11,221
Danese Elementary School	2,877	21,728	10,028	14,577
Divide Elementary School	21,781	12,186	14,823	19,144
Fayetteville Elementary School	26,800	14,256	9,693	31,363
Gatewood Elementary School	13,218	5,016	4,861	13,373
Gauley Bridge Elementary	3,323	10,389	9,132	4,580
Meadow Bridge Elementary School	18,292	21,796	19,084	21,004
Mt. Hope Elementary School	17,532	13,142	12,278	18,396
Oak Hill East Elementary School	5,846	-	5,846	-
Oak Hill Elementary School	39,275	-	39,275	-
New River Elementary School	-	83,373	47,588	35,785
Rosedale Elementary School	15,405	15,374	18,278	12,501
Scarboro Elementary School	4,599	-	4,599	-
Valley Elementary School	26,284	33,192	13,697	45,779
<b>Total elementary schools</b>	<u>205,850</u>	<u>249,148</u>	<u>227,275</u>	<u>227,723</u>
<b>Total</b>	<u>\$ 886,723</u>	<u>\$ 1,555,358</u>	<u>\$ 1,566,666</u>	<u>\$ 875,415</u>

FAYETTE COUNTY BOARD OF EDUCATION  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-Through</u> <u>Entity Identifying</u> <u>Number</u>	<u>Expenditures</u>
U.S. Department of Agriculture			
Passed-through West Virginia Department of Agriculture			
Child Nutrition Cluster			
National School Lunch Program - Donated Food Commodities	10.555	88	\$ 140,515
Passed-through West Virginia Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	88	457,404
National School Lunch Program	10.555	88	1,321,087
ARRA - Child Nutrition Discretionary Grants	10.579	88	6,495
Fresh Fruit and Vegetable Program	10.582	88	34,399
Total U.S. Department of Agriculture			<u>1,959,900</u>
U.S. Department of Education			
Passed-through West Virginia Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027	43	1,738,718
Special Education - Preschool Grants	84.173	43	88,124
ARRA - Special Education - Grants to States	84.391	43	1,210,091
ARRA - Special Education - Preschool Grants	84.392	43	21,516
Title I Cluster			
Title I - Grants to Local Education Agencies	84.010	41	2,907,418
ARRA - Title I - Grants to Local Educational Agencies	84.389	41	1,713,135
Career and Technical Education - Basic Grants to States	84.048	50	171,670
Adult Basic Education	84.002	61	110,426
Safe and Drug-Free Schools and Communities - State Grants	84.186	48	603
Reading First Act	84.357	41	93,796
Rural Education	84.358	59	177,319
Improving Teacher Quality State Grants	84.367	40	1,033,869
ARRA - Education Technology State Grants	84.386	58	38,991
Passed-through West Virginia Office of the Governor			
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	52	1,949,235
Passed-through West Virginia School Building Authority			
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund - Government Services	84.397	25	110,910
Total U.S. Department of Education			<u>11,365,821</u>
Corporation for National and Community Service			
Passed-through West Virginia Department of Education			
Learn and Serve America - School and Community Based Programs	94.004	44	6,760
Total Corporation for National and Community Service			<u>6,760</u>
U.S. Department of Defense			
ROTC	12.000	39	54,541
Total U.S. Department of Defense			<u>54,541</u>
Total Expenditures of Federal Awards			<u>\$ 13,387,022</u>

The Accompanying Notes Are An Integral  
Part Of The Schedule Of Expenditures Of Federal Awards

FAYETTE COUNTY BOARD OF EDUCATION  
OTHER SUPPLEMENTARY INFORMATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2010

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NOTE 1 -- BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Board and is prepared on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

NOTE 2 -- DONATED FOOD COMMODITIES VALUE

Donated food commodities represent surplus agricultural commodities received from the U. S. Department of Agriculture (CFDA # 10.555), passed-through from the West Virginia Department of Agriculture. Commodities are valued based on amounts as established by the U.S. Department of Agriculture.

For the year ended June 30, 2010, total expenditures were \$140,515.

NOTE 3 -- CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBERS

Certain projects received from grantors do not have a Catalog of Federal Domestic Assistance (CFDA) number; therefore, management assigned an identifying number consisting of the awarding agency's two digit prefix followed by the contract number. Project 12.000 is identified in this manner on the SEFA.



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

Honorable Members of the Board  
Fayette County Board of Education  
Fayetteville, West Virginia

We have audited the financial statements of the governmental activities and each major fund of Fayette County Board of Education (the Board) as of and for the year ended June 30, 2010 which collectively comprise the Board's basic financial statements, and have issued our report thereon dated February 22, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Board's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

We noted certain matters that we have reported to management of the Board in a separate letter dated February 22, 2011.

This report is intended solely for the information and use of the Board members, management, pass-through entities, federal awarding agencies, and grantor or regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Seattle & Stalnak, PLLC".

Charleston, West Virginia  
February 22, 2011



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Members of the Board  
Fayette County Board of Education  
Fayetteville, West Virginia

Compliance

We have audited the compliance of the Fayette County Board of Education (the Board) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Board's major programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board'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. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Board complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2010-01.

### Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Board'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-01. 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.

This report is intended solely for the information and use of the Board members, management, pass-through entities, federal awarding agencies, and grantor or regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia

February 22, 2011

FAYETTE COUNTY BOARD OF EDUCATION  
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
 YEAR ENDED JUNE 30, 2010

Program	Findings/Noncompliance	Questioned Cost
<b>2009-02</b>	<b>PERIOD OF AVAILABILITY</b>	
84.027 / 84.173 U.S. Department of Education - Special Education Cluster	The period of availability compliance requirements of the Special Education Cluster of Programs require the Board to determine whether transactions charged to the federal award after the end of the grant year were for disbursements which occurred within the period of availability and that the subsequent payment was made within the allowed time period. For 2 of the 25 expenditures tested for the period of availability, the Board expended grant funds for activities that were outside the period of availability. The two expenditures that were outside the period of availability totaled \$1,890. The total of all payments tested was \$73,979. The total federal expenditures for the Special Education Cluster for the year ended June 30, 2009 was \$1,573,473. Management indicated that the errors were due to a miscommunication between the program director and the State oversight agency. The obligation which occurred outside the period of availability may have been charged to the wrong fiscal year and/or may be a disallowed cost. The Board should ensure that policies and procedures relating to payment approval and posting are followed to ensure that federal expenditures are not charged to the incorrect fiscal year.	\$1,890

**Status:** Resolved

FAYETTE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

**Financial Statements**

Type of auditors' report issued: Unqualified Opinion

Internal control over financial reporting:

Material weakness(es) identified?            yes   X   no

Significant deficiency(ies) identified not considered to be material weaknesses?            yes   X   none reported

Noncompliance material to financial statements noted?            yes   X   no

**Federal Awards**

Internal control over major programs:

Material weakness(es) identified?            yes   X   no

Significant deficiency(ies) identified that are not considered to be material weaknesses?   X   yes            none reported

Type of auditors' report issued on compliance for major programs: Unqualified Opinion

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?   X   yes            no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553/10.555</u>	<u>Child Nutrition Cluster</u>
<u>84.010/84.389</u>	<u>Title I - Cluster*</u>
<u>84.027/84.173/84.391/84.392</u>	<u>Special Education Cluster*</u>
<u>84.394/84.397</u>	<u>ARRA - State Fiscal Stabilization Fund - Cluster*</u>

\* Includes federally identifiable American Recovery and Reinvestment Act Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?            yes   X   No

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

NONE

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

SECTION III

FEDERAL AWARD FINDINGS  
AND QUESTIONED COSTS SECTION

FAYETTE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2010

**2010-01 ALLOWABLE COSTS – INDIRECT COST RATE**

<b>Federal Program Information:</b>	<b>Federal Agency and Program Name</b>	<b>CFDA#</b>
	U.S. Department of Education	
	Special Education - Grants to States	84.027
	Special Education - Preschool Grants	84.173
	ARRA -Special Education - Grants to States	84.391
	ARRA - Special Education - Preschool Grants	84.392
	Title I - Grants to Local Educational Agencies	84.010
	ARRA - Title I - Grants to Local Educational Agencies	84.389
	Adult Basic Education	84.002
	Reading First Act	84.357
	Rural Education	84.358
	Improving Teacher Quality State Grants	84.367
	Corporation for National and Community Service	
	Learn and Serve America - School and Community Based Programs	94.004

**Criteria:** The Board calculates a restricted and unrestricted indirect cost rate which is approved by the State of West Virginia. The Board is responsible for ensuring indirect cost rates are applied in accordance with approved indirect cost rate agreements, or special award provisions or limitations, if different from those stated in negotiated rate agreements.

**Condition:** The Board applied the incorrect restricted indirect costs rate authorized for the year ended June 30, 2010 to all applicable fiscal year 2010 federal grants which resulted in excess in direct costs charged to the Federal programs.

**Questioned Costs:** The following questioned costs represent the excess indirect costs charged to each Federal program above the allowable indirect cost rate:

Special Education Cluster	\$ 7,123
Title I Cluster	53,424
Adult Basic Education	627
Reading First Act	1,998
Rural Education	2,956
Improving Teacher Quality State Grants	13,466
Learn and Serve America - School and Community Based Programs	209
Total questioned costs	<u>\$ 79,803</u>

**Context:** All of the noted programs expended \$9,089,023 in federal expenditures to which indirect costs were applied. Indirect costs charged to these programs were \$442,455, of which \$79,803 was in excess of the allowable indirect cost rates.

**Cause:** Management indicated that the errors were due to a misunderstanding in which rate to apply, the rate in the year of expenditure or the rate in the year of the grant.

**Effect:** The indirect costs charged may potentially be unallowable under federal grant agreements.

**Recommendation:** Management should ensure that policies and procedures relating to allocation of indirect costs are followed and that the correct indirect cost rate is applied to future Federal grants.

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

**2010-01 ALLOWABLE COSTS – INDIRECT COST RATE (Continued)**

**Views of  
Responsible  
Officials and  
Planned Corrective  
Actions:**

*Management was using the indirect cost rate of the year the grant was received. The Treasurer has received training on the proper application of indirect costs rates by the West Virginia Department of Education Finance Office. The treasurer now has procedures in place to ensure the proper indirect cost rate is applied to appropriate grant awards.*