

FAYETTE COUNTY BOARD  
OF EDUCATION

FINANCIAL STATEMENTS WITH ADDITIONAL INFORMATION  
YEAR ENDED JUNE 30, 2011  
AND  
INDEPENDENT AUDITORS' REPORT

RFP# 09-031

FAYETTE COUNTY BOARD OF EDUCATION  
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 YEAR ENDED JUNE 30, 2011

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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, 2011, 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, 2011, 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 March 7, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 51 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying schedule of expenditures of federal awards 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 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and the schedule of changes in school activity funds are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Charleston, West Virginia  
March 7, 2012

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

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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, 2011. 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 approximately \$17.4 million (*net assets*) at the close of the most recent fiscal year.
- The Board's total net assets decreased by approximately \$7.9 million. 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 deficit of approximately (\$5.0) million, a decrease of approximately \$7.2 million in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance (deficit) for the general current expense fund was approximately (\$8.6) million. This deficit unassigned fund balance in the general current expense fund was caused by the fact that county boards are 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 approximately \$14.1 million. 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 unassigned fund balance at year-end would be a positive balance of approximately \$5.5 million.

**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, 2011

*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 five 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 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 approximately \$17.4 million at the close of the most recent fiscal year.

	<b>2011</b>	<b>2010</b>
	<b>Governmental</b>	<b>Governmental</b>
	<b>Activities</b>	<b>Activities</b>
	<hr/>	<hr/>
<b>ASSETS</b>		
Current and other assets	\$ 16,518,413	\$ 18,614,828
Capital assets	24,371,597	24,024,622
<b>Total assets</b>	<hr/> <b>\$ 40,890,010</b> <hr/>	<hr/> <b>\$ 42,639,450</b> <hr/>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Current and other liabilities	\$ 21,973,059	\$ 15,551,411
Long-term liabilities outstanding	1,508,221	1,298,059
<b>Total liabilities</b>	<hr/> <b>23,481,280</b> <hr/>	<hr/> <b>16,849,470</b> <hr/>
<b>Net assets</b>		
Invested in capital assets, net of related debt	22,710,580	22,726,563
Restricted	3,331,273	2,338,385
Unrestricted	(8,633,123)	725,032
<b>Total net assets</b>	<hr/> <b>17,408,730</b> <hr/>	<hr/> <b>25,789,980</b> <hr/>
 <b>Total liabilities and net assets</b>	 <hr/> <b>\$ 40,890,010</b> <hr/>	 <hr/> <b>\$ 42,639,450</b> <hr/>

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

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- The largest portion of the Board's net assets (over 100%) 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 19% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for special projects.
- The remaining balance of unrestricted net assets deficit (deficit of approximately 50%) represents cash and other receivable balances and 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 June 30, 2011, the Board had a net asset deficit of approximately \$8.6 million.
- The Board's current and other assets decreased by approximately \$2.1 million. This decrease was primarily the result of a decrease in taxes receivable and reimbursements receivable due to construction in the prior year.
- The Board's capital assets increased by approximately \$347 thousand, net of accumulated depreciation. This increase is primarily the result of capital asset additions over depreciation expense during the year.
- The Board's current liabilities increased by approximately \$6.4 million which was the result of an increase in the OPEB liability as discussed previously.
- The Board's long-term liabilities increased by approximately \$210 thousand. This increase was the result of the new capital lease entered into offset by the annual capital lease payments.

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

The Board's net assets decreased by \$7,874,648 during the current year. The key elements of the decrease of the Board's net assets for the year ended June 30, 2011 are as follows:

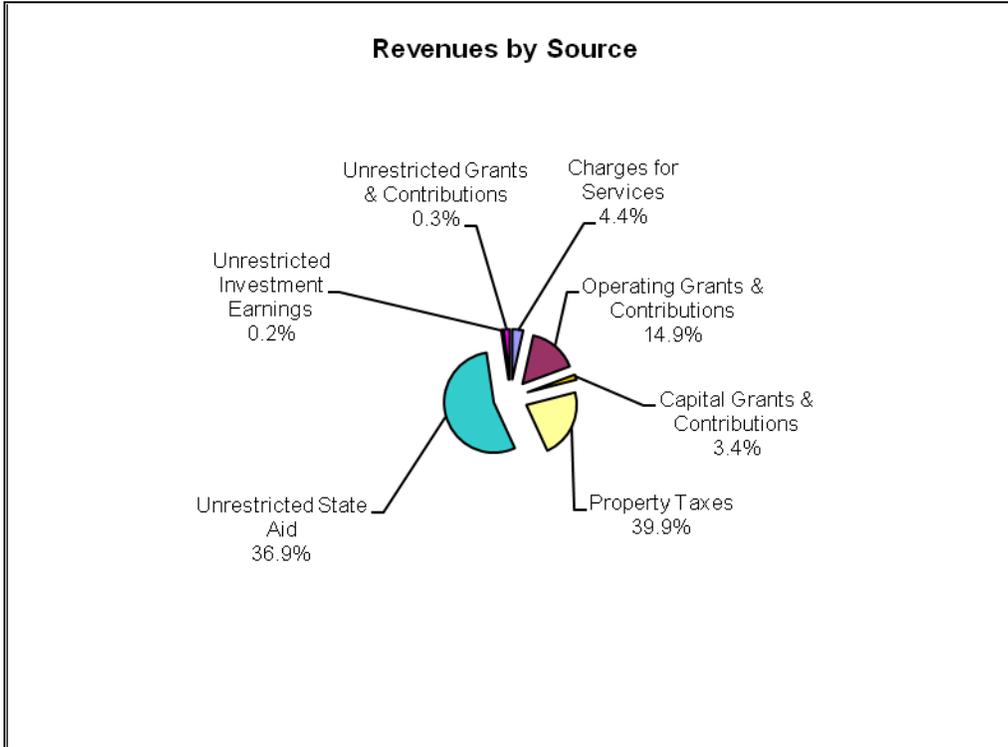
	<b>2011</b> <b>Governmental</b> <b>Activities</b>	<b>2010</b> <b>Governmental</b> <b>Activities</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 2,727,310	\$ 2,094,252
Operating grants and contributions	12,455,012	13,783,135
Capital grants and contributions	1,304,708	2,384,355
General revenues:		
Property taxes	17,443,875	16,307,114
Unrestricted state aid	42,862,498	35,992,126
Unrestricted investment earnings	308,664	313,344
Unrestricted grants and contributions	1,534,997	1,061,684
Gain (loss) on sale of assets	22,721	-
<b>Total revenues</b>	<b>78,659,785</b>	<b>71,936,010</b>
<b>Expenses:</b>		
Instruction	52,733,257	47,239,850
Supporting services:		
Students	3,414,593	3,009,925
Instructional staff	2,739,986	2,127,478
District admin.	1,344,612	1,391,446
School admin.	5,027,700	4,265,702
Business services	1,900,701	1,783,593
Operation and Maintenance	7,940,011	7,333,729
Transportation	6,921,401	5,809,060
Total supporting services	29,289,004	25,720,933
Food services	4,395,488	3,881,060
Community services	88,737	49,095
Interest on long-term debt	27,945	13,470
<b>Total expenses</b>	<b>86,534,431</b>	<b>76,904,408</b>
<b>Change in net assets</b>	<b>(7,874,646)</b>	<b>(4,968,398)</b>
<b>Net assets - July 1 (2011 restated)</b>	<b>25,283,376</b>	<b>30,758,378</b>
<b>Net assets - June 30</b>	<b>\$ 17,408,730</b>	<b>\$ 25,789,980</b>

The key elements of the changes in the Board's statement of activities for the year ended June 30, 2011 are as follows:

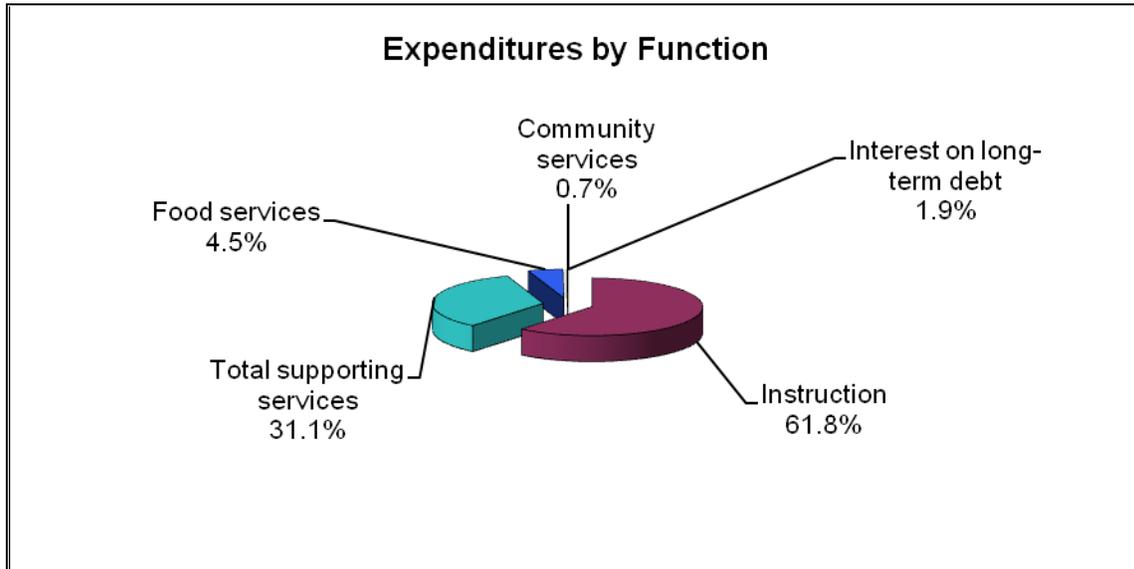
- The Board's operating grants and contributions decreased by approximately \$1.3 million due to the decline of federal stimulus ARRA monies and the State of West Virginia fiscal stabilization funds which were an offset to a decrease in unrestricted state aid.
- The Board's capital grants decreased by approximately \$1.1 million due to several West Virginia School Building Authority (SBA) projects under construction during 2010 which were finished during the prior year.
- The Board's property taxes increased by approximately \$1.1 million due to an increase in the assessed values and an increase in collections.
- The Board's unrestricted state aid revenue increased by approximately \$6.9 million as a result of the State of West Virginia's additional payment on behalf to the Consolidated Retirement Board for the unfunded retirement.
- Overall, total expenses increased by approximately \$9.6 million primarily due to an increase in the payment on behalf to the Consolidated Retirement Board for the unfunded retirement by the State of West Virginia and other increase in salaries and benefits.

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

The following chart shows the Board's revenues for fiscal year ended June 30, 2011 by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2011 by function:



FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

**Financial Analysis of the Board's Funds**

As noted earlier, the School 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, *unassigned 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 deficit of approximately \$5.0 million. The net change in fund balance was a decrease of approximately \$7.2 million which was due primarily to the increase in the OPEB liability.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into nonspendable, restricted, committed, assigned, and unassigned portions. Nonspendable, restricted, committed, and assigned indicate the portion of the Board's fund balances that are not available for appropriation. The unassigned fund balance is available expendable financial resources in governmental funds that is available for appropriation. The Board had a deficit unassigned fund balance of approximately \$8.6 million which was primarily a result of the OPEB liability and related expense.

**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 \$4,609,374 or 7% in total general fund expenditures.

**Capital Asset and Debt Administration**

**Capital assets** - The Board's investment in capital assets for its governmental activities as of June 30, 2011, amounts to approximately \$24.4 million (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 \$347 thousand.

	<b>2011 Governmental Activities</b>	<b>2010 Governmental Activities</b>
Land	\$ 159,213	\$ 159,213
Land and land improvements	253,818	42,323
Buildings and improvements	18,535,505	7,508,935
Furniture and equipment	940,788	1,179,456
Vehicles	3,030,965	2,873,723
Construction in process	1,451,308	12,260,972
Total capital assets	\$ 24,371,597	\$ 24,024,622

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 approximately \$1.7 million. The obligation for compensated absences for vacations was approximately \$463 thousand at June 30, 2011.

	<b>2011 Governmental Activities</b>	<b>2010 Governmental Activities</b>
Capital lease obligations	\$ 1,661,017	\$ 1,298,059
Compensated absences	463,251	396,341
Total debt outstanding	\$ 2,124,268	\$ 1,694,400

FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2011

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Beginning July 1, 2007, because of the State of West Virginia implementation of GASB Statement 45, West Virginia State Code required the Board to participate in a new OPEB 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. The Board's OPEB liability increased from approximately \$7.6 million as of July 1 to approximately \$14.1 million as of June 30 an increase of approximately \$6.5 million. This was the direct result of the current year annual required contribution for the OPEB liability. This liability is considered both a fund statement liability and a district wide liability.

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, 2011 the Board had a liability of approximately \$14.1 million of which \$11.2 million represents the Board's share for State Aid eligible employees.
- 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" on the accompanying financial statement and to pay any future amounts billed by PEIA for state aid eligible employees.
- Subsequent to year end, the West Virginia legislature amended West Virginia State Code in regards to the subsidy amount that the State will subsidize for retiree health care and identified a funding source for part of the OPEB liability. As such, this amendment is anticipated to reduce the Board's future OPEB liability; however, the Board has not received any information to allow them to calculate the impact of this change in West Virginia State Code.
- The Board received approximately \$526 thousand in federal ARRA Title One funds, \$620 thousand in federal ARRA Special Education funds, \$2.3 million in federal fiscal stabilization funds, and \$286 thousand in federal ARRA School Improvement funds during fiscal year 2011. The Board anticipates expending approximately \$1.3 million in ARRA funds during the fiscal year 2012.

### **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, WV 25840, (304)574-1176.

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF NET ASSETS  
JUNE 30, 2011

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 12,505,765
Prepaid expenses	235,540
Taxes receivable, net of allowance for uncollectible taxes	397,830
Food services receivable	170,411
Other receivables	66,922
Deferred Charges - issuance costs	61,968
Due from other governments:	
State aid receivable	140,286
PEIA allocation receivable	962,322
Reimbursements receivable	1,977,369
Capital Assets:	
Land	159,213
Buildings and improvements	47,156,835
Land improvements	2,766,024
Furniture and equipment	10,634,595
Vehicles	6,917,361
Construction in process	1,451,308
Less accumulated depreciation	(44,713,739)
Total capital assets, net of depreciation	24,371,597
<b>Total assets</b>	40,890,010
 <b>LIABILITIES AND NET ASSETS</b>	
<b>Liabilities:</b>	
Salaries payable and related payroll liabilities	4,052,395
PEIA premiums payable	1,030,122
Compensated absences	463,251
Accounts payable	1,140,700
Deferred revenue	1,042,759
Other post employment benefit payable	14,091,036
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	152,796
Due beyond one year:	
Bonds, capital leases, and contracts	1,508,221
<b>Total liabilities</b>	23,481,280
 <b>Net Assets:</b>	
Invested in capital assets, net of related debt	22,710,580
Restricted for:	
Excess levy	2,046,628
Special projects	594,109
Capital projects	690,536
Unrestricted	(8,633,123)
<b>Total net assets</b>	\$ 17,408,730

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2011

Functions	Expenses	Program Revenues			Net (Expense), Revenue & Changes in Net Assets Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 52,733,257	\$ -	\$ 11,540,292	\$ 838,797	\$ (40,354,168)
Supporting services:					
Students	3,414,593	-	105,569	54,276	(3,254,748)
Instructional staff	2,739,986	-	84,760	43,577	(2,611,649)
District administration	1,344,612	-	41,619	21,397	(1,281,596)
School administration	5,027,700	-	155,562	79,979	(4,792,159)
Business services	1,900,701	-	58,875	30,269	(1,811,557)
Operation and maintenance of facilities	7,940,011	-	245,651	126,296	(7,568,064)
Student transportation	6,921,401	-	214,184	110,117	(6,597,100)
Food services	4,395,488	2,727,310	8,500	-	(1,659,678)
Community services	88,737	-	-	-	(88,737)
Interest on long-term debt	27,945	-	-	-	(27,945)
Total governmental activities	\$ 86,534,431	\$ 2,727,310	\$ 12,455,012	\$ 1,304,708	\$ (70,047,401)
General revenues:					
Property taxes					17,443,875
Unrestricted state aid					42,862,498
Unrestricted investment earnings					308,664
Unrestricted grants and contributions					1,534,997
Gain (loss) on sale of assets					22,721
Transfers in					(1,938,835)
Transfers (out)					1,938,835
Total general revenues, other items, and transfers					62,172,755
Change in net assets					(7,874,646)
Net assets - beginning (restated)					25,283,376
Net assets - ending					\$ 17,408,730

The Accompanying Notes Are An Integral  
Part Of These Financial Statements

FAYETTE COUNTY BOARD OF EDUCATION  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2011

	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	\$ 12,505,765	\$ -	\$ -	\$ -	\$ -	\$ 12,505,765
Prepaid expenses	235,540	-	-	-	-	235,540
Taxes receivable, net	397,830	-	-	-	-	397,830
Food service receivable, net	-	170,411	-	-	-	170,411
Other receivables	66,922	-	-	-	-	66,922
Due from other governments:						
State aid receivable	130,129	10,157	-	-	-	140,286
PEIA allocation receivable	962,322	-	-	-	-	962,322
Reimbursements receivable	-	1,291,831	624,076	-	61,462	1,977,369
Due from other funds	-	448,850	-	549,308	79,766	1,077,924
<b>Total assets</b>	<b>\$ 14,298,508</b>	<b>\$ 1,921,249</b>	<b>\$ 624,076</b>	<b>\$ 549,308</b>	<b>\$ 141,228</b>	<b>\$ 17,534,369</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Salaries payable and related payroll liabilities	\$ 4,052,395	\$ -	\$ -	\$ -	\$ -	\$ 4,052,395
PEIA premiums payable	1,030,122	-	-	-	-	1,030,122
Accounts payable	818,278	214,595	107,827	-	-	1,140,700
OPEB liability	14,091,036	-	-	-	-	14,091,036
Deferred revenue	20,031	1,112,545	-	-	-	1,132,576
Due to other funds	561,675	-	516,249	-	-	1,077,924
<b>Total liabilities</b>	<b>20,573,537</b>	<b>1,327,140</b>	<b>624,076</b>	<b>-</b>	<b>-</b>	<b>22,524,753</b>
<b>Fund Balances:</b>						
Nonspendable	235,540	-	-	-	-	235,540
Restricted	2,046,628	594,109	-	549,308	-	3,190,045
Committed	-	-	-	-	141,228	141,228
Unassigned	(8,557,197)	-	-	-	-	(8,557,197)
<b>Total fund balances</b>	<b>(6,275,029)</b>	<b>594,109</b>	<b>-</b>	<b>549,308</b>	<b>141,228</b>	<b>(4,990,384)</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,298,508</b>	<b>\$ 1,921,249</b>	<b>\$ 624,076</b>	<b>\$ 549,308</b>	<b>\$ 141,228</b>	<b>\$ 17,534,369</b>

FAYETTE COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011

Total governmental fund balance	\$ (4,990,384)
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 fund balance sheet	24,371,597
Deferred charges are not reported in the funds	
Property taxes receivable, food service billings receivable, and Medicaid receivables 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 fund balance sheet.	89,817
Certain bond costs are deferred and amortized over the life of the bond.	61,968
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Capital lease payable	(1,661,017)
Compensated absences	(463,251)
Net assets of governmental activities	<u>\$ 17,408,730</u>

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2011

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	General Current Expense Fund	Special Revenue Fund	Special Revenue - ARRA Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
<b>Revenues:</b>						
Property taxes	\$ 18,040,514	\$ -	\$ -	\$ -	\$ -	\$ 18,040,514
Other Local sources	756,816	443,385	-	-	-	1,200,201
State sources	42,862,498	3,079,635	-	-	664,343	46,606,476
Federal sources	1,185,295	8,165,622	4,038,609	-	-	13,389,526
Miscellaneous sources	-	-	-	98,000	-	98,000
<b>Total revenues</b>	<b>62,845,123</b>	<b>11,688,642</b>	<b>4,038,609</b>	<b>98,000</b>	<b>664,343</b>	<b>79,334,717</b>
<b>Expenditures:</b>						
Instruction	41,373,270	5,792,025	3,090,510	-	39,843	50,295,648
Supporting services:						
Students	2,444,862	626,434	343,297	-	-	3,414,593
Instructional staff	1,053,517	1,447,650	238,819	-	-	2,739,986
Central administration	1,318,388	5,263	-	-	-	1,323,651
School administration	4,933,298	15,629	53,031	-	-	5,001,958
Business	1,899,596	1,105	-	-	-	1,900,701
Operation and maintenance of facilities	7,869,572	52,026	4,796	-	-	7,926,394
Student transportation	6,523,267	514,838	42,582	-	-	7,080,687
Food services	14,071	4,287,369	8,500	-	-	4,309,940
Community services	63,737	25,000	-	-	-	88,737
Capital outlay	567,937	304,803	131,643	142,036	1,633,115	2,779,534
Debt service:						
Principal retirement	127,768	-	-	-	-	127,768
Interest and fiscal charges	21,640	-	-	-	-	21,640
<b>Total expenditures</b>	<b>68,210,923</b>	<b>13,072,142</b>	<b>3,913,178</b>	<b>142,036</b>	<b>1,672,958</b>	<b>87,011,237</b>
Excess (deficiency) of revenues over expenditures	(5,365,800)	(1,383,500)	125,431	(44,036)	(1,008,615)	(7,676,520)
<b>Other financing sources (uses):</b>						
Transfers in	332,989	1,605,846	-	-	-	1,938,835
Capital lease proceeds	-	-	-	-	490,726	490,726
Transfers (out)	(1,605,847)	(207,557)	(125,431)	-	-	(1,938,835)
<b>Total other financing sources (uses)</b>	<b>(1,272,858)</b>	<b>1,398,289</b>	<b>(125,431)</b>	<b>-</b>	<b>490,726</b>	<b>490,726</b>
<b>Net change in fund balances</b>	<b>(6,638,658)</b>	<b>14,789</b>	<b>-</b>	<b>(44,036)</b>	<b>(517,889)</b>	<b>(7,185,794)</b>
<b>Fund balances - beginning</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>Restatement of fund balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(506,604)</b>	<b>(506,604)</b>
<b>Fund balances - beginning, as restated</b>	<b>363,629</b>	<b>579,320</b>	<b>-</b>	<b>593,344</b>	<b>659,117</b>	<b>2,195,410</b>
<b>Fund balances - ending</b>	<b>\$ (6,275,029)</b>	<b>\$ 594,109</b>	<b>\$ -</b>	<b>\$ 549,308</b>	<b>\$ 141,228</b>	<b>\$ (4,990,384)</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, 2011

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

Net change in fund balances - total governmental funds \$ (7,185,794)

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	(1,555,873)
Capital outlays	1,978,127

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, rather they are reported as deferred revenues. (599,654)

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. 127,768

Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.

Cost of assets disposed	(1,358,698)
Accumulated depreciation of assets disposed	1,283,419

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	(66,910)
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Capital lease proceeds are reported as liabilities in the statement of net assets instead of as financing transfers in the governmental activities. (490,726)

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. (6,305)

Change in net assets of governmental activities \$ (7,874,646)

FAYETTE COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS  
JUNE 30, 2011

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 810,870</u>
<b>Total assets</b>	<u><u>\$ 810,870</u></u>
 <b>LIABILITIES</b>	
Due to other funds	<u>\$ 810,870</u>
<b>Total liabilities</b>	<u><u>\$ 810,870</u></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.

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.

Permanent Improvement Fund: The Permanent Improvement Fund is used to account for the accumulation of resources and subsequent expenditures for capital improvement activities. The proceeds of the fund must be used only for the support of building and capital improvement projects and cannot be transferred out.

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.

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

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.

**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.

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

**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 in the appropriate fund balance category (restricted, committed or assigned) since they do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

**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.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

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

All deposit accounts and investments of the Board at June 30, 2011 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool/BTI	\$ 9,782,426	\$ 9,782,426	\$ 9,782,426
Deposits with Financial Institutions			
- Individual Schools	810,870	810,870	942,010
Deposits with Financial Institutions			
- Board	2,723,339	2,723,339	4,231,517
 Total cash and cash equivalents	 \$ 13,316,635	 \$ 13,316,635	 \$ 14,955,953

The Board had no fixed-term investments at June 30, 2011.

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 is 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 BTI's 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 BTI's Consolidated Fund. Of the BTI's Consolidated Fund pools and accounts in which the Board invests, all are subject to credit risk.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

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

**WV Money Market Pool — Credit Risk** — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2011, the WV Money Market Pool has 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. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

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 P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2011, the WV Money Market Pool investments had a total carrying value of \$3,018,560,000, of which the Board's ownership represents .32%.

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

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, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	2011	
	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 84,357	1
U.S. Treasury notes	298,345	137
U.S. Treasury bills	231,051	34
Commercial paper	1,069,576	35
Certificates of deposit	140,000	58
U.S. agency discount notes	697,164	45
Corporate bonds and notes	127,000	20
U.S. agency bonds and notes	170,788	66
Money market funds	200,279	1
	\$ 3,018,560	46

*Other Investment Risks* — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the BTI's 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 BTI's statement of fiduciary net assets is invested in a pool managed by the securities lending agent. 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 BTI's Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

*Deposits* — 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. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. 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 \$104,678 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. Inventories**

Inventories are valued at cost or, if donated, at fair value when received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

**I. 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.

**J. 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.

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.

**K. Compensated Absences**

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

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

**L. 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.

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.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

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

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.

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, 2011 was determined to be:

	<u>Total</u>	<u>Amount / Policy Holder</u>
Total Annual Required Contribution	\$ 816,274,000	\$ 10,844
Pay as you go – Retiree Subsidy	<u>(145,671,196)</u>	<u>(1,935)</u>
Remaining ARC	<u>\$ 670,602,804</u>	<u>\$ 8,909</u>

The following summarizes the Board's OPEB activity:

Total OPEB Liability, beginning of year	\$ 7,598,051
Total OPEB expense	7,602,603
Less:	
Pay as you go payments and other credits	<u>1,109,618</u>
OPEB liability at year end June 30, 2011	<u>\$ 14,091,036</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.

Portion attributable to personnel funded through the PSSP	\$11,272,829
Portion attributable to remaining personnel	2,818,207

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

**M. 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.

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.

**N. Fund Equity**

Effective July 1, 2010, the Board adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the Board is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent. Fund balances are reported in the following categories:

Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.

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

- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2011. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

**O. 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.

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

- **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, 2011.
- **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.

**P. 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.

**Q. 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.

**R. 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.

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

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

The Governmental Accounting Standards Board has issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for fiscal years beginning after December 15, 2011. This statement addresses how to account for and report service concession arrangements (SCAs) by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators. The Board has not yet determined the effect that the adoption of GASB Statement No. 60 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, effective for fiscal years beginning after June 15, 2012. This statement improves financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of the entity. The Board has not yet determined the effect that the adoption of GASB Statement No. 61 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance included in the FASB and AICPA pronouncements issued on or before November 30, 1989. This statement will improve financial reporting by contribution to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. The Board has not yet determined the effect that the adoption of GASB Statement No. 62 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for fiscal years beginning after December 15, 2011. The objective of this statement is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in the statement of financial position and related disclosures. The Board has not yet determined the effect that the adoption of GASB Statement No. 63 may have on its financial statements.

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

The Governmental Accounting Standards Board has also issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions*, effective for fiscal years beginning after June 15, 2011. The objective of this statement is to improve financial reporting by clarifying whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. The Board has not yet determined the effect that the adoption of GASB Statement No. 64 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.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 2 -- STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

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

For the year ended June 30, 2011, 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.

<u>Function</u>	<u>General Current Expense Fund Amount</u>	<u>Special Revenue – ARRA Fund Amount</u>
Instruction	\$ 8,081,668	\$ -
Support Services - Students	311,086	-
Support Services - School administration	1,135,396	-
Support Services - Operation & Maintenance of Facilities	1,026,016	-
Support Services - Student Transportation	1,021,683	-
Food Service	606	-
Capital Outlay	-	6,582

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. Furthermore, the primary result of the over expenditure was a result of the West Virginia Department of Education not requiring Boards to budget for the complete OPEB liability only the amount remitted.

**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, 2011:

<u>Fund</u>	<u>Amount</u>
General Current Expense Fund	\$ 6,638,658
Permanent Improvement Fund	44,036
Capital Projects Fund	517,889

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

FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2011

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

The following funds have a deficit fund balance at June 30, 2011:

<u>Fund</u>	<u>Amount</u>
General Current Expense Fund	\$ 6,275,029

The fund incurred expenditures in excess of revenues which was wholly the result of the liability for OPEB.

NOTE 3 -- CHANGE IN ACCOUNTING POLICY

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 24 – As of July 1, 2010, the Board implemented GASB Statement No. 24, “Accounting and Financial Reporting for Certain Grants and Other Financial Assistance”. This statement requires the Board to record as a revenue and expenditure on behalf payments made by the State to the Consolidated Public Retirement Board for the unfunded liability of the Teachers Retirement System and disclose those amounts in the accompanying notes to the financial statements.

GASB 54 – As of July 1, 2010, the Board implemented GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.” This statement changed the terminology used to describe fund balances in the governmental funds and expanded the disclosure of those new definitions in the accompanying notes to the financial statements of the Board for the year ended June 30, 2011.

NOTE 4 -- 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.

NOTE 4 -- RISK MANAGEMENT (Continued)

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.

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

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 the third-party insurance provider, is paid by the employers. The third-party insurance provider retains the risk related to the compensation of injured employees under the program.

NOTE 5 -- 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 5 -- 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, 2011 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense Rate	Excess Levy
Class I	\$ -	19.40¢	22.95¢
Class II	\$ 424,700,098	38.80¢	45.90¢
Class III	\$ 604,327,710	77.60¢	91.80¢
Class IV	\$ 230,354,948	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 6 -- EXCESS LEVY

The Board had an excess levy in effect during the fiscal year ended June 30, 2011. 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	750,000
	TOTAL (Annual Amount)	<u>\$ 7,531,548</u>

A total of \$ 8,754,363 was received by the Board from the excess levy during the fiscal year ended June 30, 2011.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
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NOTE 7 -- CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2011 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 159,213	\$ -	\$ -	\$ 159,213
Construction in process	12,260,972	1,112,197	(11,921,861)	1,451,308
Total non-depreciable capital assets	<u>12,420,185</u>	<u>1,112,197</u>	<u>(11,921,861)</u>	<u>1,610,521</u>
Capital assets, depreciable:				
Land and land improvements	2,560,271	239,482	(33,729)	2,766,024
Buildings and improvements	35,689,497	12,020,941	(553,603)	47,156,835
Furniture and equipment	11,394,957	11,004	(771,366)	10,634,595
Vehicles	6,400,997	516,364	-	6,917,361
Total depreciable capital assets	<u>56,045,722</u>	<u>12,787,791</u>	<u>(1,358,698)</u>	<u>67,474,815</u>
Less accumulated depreciation for:				
Land and land improvements	(2,517,948)	(977,486)	33,729	(3,461,705)
Buildings and improvements	(28,180,562)	(27,987)	536,718	(27,671,831)
Furniture and equipment	(10,215,501)	(191,278)	712,972	(9,693,807)
Vehicles	(3,527,274)	(359,122)	-	(3,886,396)
Total accumulated depreciation	<u>(44,441,285)</u>	<u>(1,555,873)</u>	<u>1,283,419</u>	<u>(44,713,739)</u>
Total depreciable capital assets, net	<u>11,604,437</u>	<u>11,231,918</u>	<u>(75,279)</u>	<u>22,761,076</u>
Total capital assets, net	<u>\$ 24,024,622</u>	<u>\$ 12,344,115</u>	<u>\$(11,997,140)</u>	<u>\$ 24,371,597</u>

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

Instruction	\$ 1,052,927
Supporting Services:	
Central administration	20,961
School administration	25,742
Operation and maintenance of facilities	13,617
Transportation	357,078
Food services	85,548
Total Depreciation expense - governmental activities	<u>\$ 1,555,873</u>

NOTE 8 -- LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2011 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	\$ 396,341	\$ 66,910	\$ -	\$ 463,251	\$ 463,251	\$ -
Capital lease payable	<u>1,298,059</u>	<u>490,726</u>	<u>127,768</u>	<u>1,661,017</u>	<u>152,796</u>	<u>1,508,221</u>
Long-term liabilities	<u>\$ 1,694,400</u>	<u>\$ 557,636</u>	<u>\$ 127,768</u>	<u>\$ 2,124,268</u>	<u>\$ 616,047</u>	<u>\$ 1,508,221</u>

FAYETTE COUNTY BOARD OF EDUCATION  
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NOTE 9 -- 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.

During 2011, the Board entered into a third capital lease-purchase agreement. The funding is to be used to purchase HVAC units for the Fayette Institute of Technology and those assets are leased from the Bank of Mt. Hope for a period of ten years beginning February 2011. 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 the funding for the lease payments for the next fiscal year is not available.

FAYETTE COUNTY BOARD OF EDUCATION  
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NOTE 9 -- LEASES (Continued)

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, 2011 for the Board's capital leases:

Year Ending June 30	<u>Totals</u>
2012	\$ 196,038
2013	197,573
2014	199,141
2015	200,745
2016	202,386
2017 - 2021	774,166
2022 - 2024	201,893
Total minimum lease payments	1,971,942
Less: amount representing interest	310,925
Present value of net minimum lease payments	\$ 1,661,017
Current portion of capital lease obligation, including interest	\$ 196,038
Capital lease obligation, net of current portion, including interest	1,775,904
	\$ 1,971,942

The assets acquired by the capital leases had a net book value of \$1.9 million at June 30, 2011.

NOTE 10 -- 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, 2011, the Board's total payroll for all employees was \$41,362,526 and was \$38,274,263 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.

NOTE 10 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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.

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.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

NOTE 10 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Funding status - According to the 2010 Actuarial Valuation Report, the plan's actuarially calculated unfunded liability was approximately \$4.8 billion as of July 1, 2010.

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, 2011 and the two previous years are as follows:

Year ended June 30	<u>2009</u>	<u>2010</u>	<u>2011</u>
Required contributions	\$404,547,000	\$487,886,000	\$471,171,000
As a % of current year covered payroll	25.89%	29.57%	28.55%

The financial statements include amounts paid for/on behalf of the county by the State of West Virginia for the unfunded liability portion of retirement benefits. The for/on behalf payment for the year ended June 30, 2011 was \$2,847,442.

Total payments reflected in the Board's financial statements to the TDBS plan for the fiscal year ended June 30, 2011 were as follows:

Employee contributions (6%)	\$ 2,227,628
Employer contributions (15% or 7.5%)	<u>3,611,785</u>
Total contributions	<u>\$ 5,839,413</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.

NOTE 10 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

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: Orchard SecureFoundation Balanced, Orchard Lifetime 2015 Fund II, Orchard Lifetime 2025 Fund II, Orchard Lifetime 2035 Fund II, Orchard Lifetime 2045 Fund II, Orchard Lifetime 2055 Fund II, American Funds EuroPacific R5, Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, Scout Mid Cap, Westcore Select, JHancock Large Cap Equity I, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund 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 \$260.0 million in assets for pension benefits. 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.

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.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

NOTE 10 -- EMPLOYEE RETIREMENT SYSTEM (Continued)

Total payments reflected in the Board's financial statements to the TDCRS plan for the fiscal year ended June 30, 2011 were as follows:

Employees' contributions (4.5%)	\$ 51,627
Employer's contributions (7.5%)	<u>86,045</u>
Total contributions	<u>\$ 137,672</u>

NOTE 11 -- FUND BALANCE

The detailed components of the various fund balance categories as of June 30, 2011 are as follows:

Fund Balance	General Current Expense Fund	Special Revenue Fund	Special Revenue ARRA Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
<b>Nonspendable:</b>						
Prepaid Items	\$ 235,540	\$ -	\$ -	\$ -	\$ -	\$ 235,540
<b>Restricted for:</b>						
Special Projects	-	594,109	-	-	-	594,109
Excess Levy	2,046,628	-	-	-	-	2,046,628
Capital Projects	-	-	-	549,308	-	549,308
<b>Committed:</b>						
Capital Projects	-	-	-	-	141,228	141,228
<b>Unassigned:</b>	<u>(8,557,197)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,557,197)</u>
<b>Total Fund Balance:</b>	<u>\$ (6,275,029)</u>	<u>\$ 594,109</u>	<u>\$ -</u>	<u>\$ 549,308</u>	<u>\$ 141,228</u>	<u>\$ (4,990,384)</u>

NOTE 12 -- COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Encumbrances

The Board had encumbrances totaling \$1,517,694 as of June 30, 2011 in the following funds:

General Current Expense Fund	Special Revenue Fund	Special Revenue – ARRA Fund	Capitol Projects Fund
<u>\$ 771,480</u>	<u>\$ 621,202</u>	<u>\$ 61,214</u>	<u>\$ 63,798</u>

NOTE 12 -- COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS  
(Continued)

Pending Litigation

The Board is involved in a number of legal proceedings and claims, primarily involving students, employees and citizens who have sued the Board for damages. While it is not possible to determine the ultimate outcome of any of the lawsuits with certainty, management believes that the ultimate outcome will not have a material adverse effect on the financial position of the Board. Management believes that the Board's insurance through the BRIM appears adequate to 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 "Portion attributable to personnel funded through PSSP" in Note 11, and to pay any future amounts billed by PEIA for state aid eligible employees.

Contingences

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.

The Board owns various buildings which are known to contain asbestos and/or other environmental issues. The Board is not required by federal, state or local law to remove the asbestos from its buildings. The Board is required under federal environmental health and safety regulations to manage the presence of asbestos and other environmental issues in its buildings in a safe condition. The Board addresses its responsibility to manage the presence of asbestos and other environmental issues in its buildings on a case by case basis. Significant problems of dangerous asbestos conditions are abated as the conditions become known. The Board also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

NOTE 12 -- COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS  
 (Continued)

Subsequent Events

Subsequent to year end, the West Virginia legislature amended West Virginia State Code in regards to the subsidy amount that the State will subsidize for retiree health care and identified a funding source for part of the OPEB liability. As such, this amendment is anticipated to reduce the Board's future OPEB liability; however, the Board has not received any information to allow them to calculate the impact of this change in West Virginia State Code.

NOTE 13 -- RESTATEMENT OF BEGINNING FUND BALANCE AND NET ASSETS

During the year ended June 30, 2011, the Board became aware of an adjustment to the reimbursements receivable in the Capital Projects Fund, which reduced the amount by \$506,604 for the year ended June 30, 2010 and is reflected in the beginning fund balance as follows:

	<u>Capital Projects Fund</u>
Fund balance at June 30, 2010, as previously stated	\$ 1,165,721
Adjustment for reimbursement receivable attributable to fiscal year 2010	<u>(506,604)</u>
Fund balance at June 30, 2010, restated	<u>\$ 659,117</u>

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

	<u>District- Wide</u>
Net assets at June 30, 2010, as previously stated	\$25,789,980
Adjustment for reimbursement receivable attributable to fiscal year 2010	<u>(506,604)</u>
Net assets at June 30, 2010, restated	<u>\$25,283,376</u>

FAYETTE COUNTY BOARD OF EDUCATION  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2011

NOTE 14 -- INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances as of June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Fund	General Current Expense Fund	<u>\$ 448,850</u>
Permanent Improvement Fund	General Current Expense Fund	<u>\$ 33,059</u>
Permanent Improvement Fund	Special Revenue - ARRA Fund	<u>\$ 516,249</u>
Capital Projects Fund	General Current Expense Fund	<u>\$ 79,766</u>

During the year ended June 30, 2011, funds from the General Current Expense Fund were transferred for \$1,605,847 to the Special Revenue Fund for Child Nutrition. Additionally, funds from the Special Revenue and Special Revenue - ARRA Funds of \$207,557 and \$125,431, respectively, were transferred to the General Current Expense Fund for indirect costs.

NOTE 15 -- 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 16 -- WEST VIRGINIA ACCREDITATION

As of June 30, 2011, 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 the 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 SUPPLEMENTAL INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL CURRENT EXPENSE FUND  
YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 17,697,157	\$ 18,264,424	\$ 18,040,514	\$ (223,910)
Other Local sources	24,000	742,644	756,816	14,172
State sources	34,369,774	34,474,474	42,862,498	8,388,024
Federal sources	752,000	1,202,187	1,185,295	(16,892)
<b>Total revenues</b>	<b>52,842,931</b>	<b>54,683,729</b>	<b>62,845,123</b>	<b>8,161,394</b>
<b>Expenditures:</b>				
Instruction	32,674,895	33,291,602	41,373,270	(8,081,668)
Supporting services:				
Students	1,563,500	2,133,776	2,444,862	(311,086)
Instructional staff	960,280	1,264,062	1,053,517	210,545
Central administration	1,078,225	1,348,135	1,318,388	29,747
School administration	3,796,300	3,797,902	4,933,298	(1,135,396)
Business	1,813,950	1,925,987	1,899,596	26,391
Operation and maintenance of facilities	5,761,200	6,843,556	7,869,572	(1,026,016)
Student transportation	4,565,400	5,501,584	6,523,267	(1,021,683)
Food services	-	13,465	14,071	(606)
Community services	162,774	162,774	63,737	99,037
Capital outlay	440,200	1,143,254	567,937	575,317
Debt service:				
Principal retirement	125,038	125,038	127,768	(2,730)
Interest and fiscal charges	-	-	21,640	(21,640)
<b>Total expenditures</b>	<b>52,941,762</b>	<b>57,551,135</b>	<b>68,210,923</b>	<b>(10,659,788)</b>
Excess (deficiency) of revenues over expenditures	(98,831)	(2,867,406)	(5,365,800)	(2,498,394)
<b>Other financing sources (uses):</b>				
Transfers in	527,594	911,048	332,989	(578,059)
Transfers (out)	(1,573,575)	(1,573,575)	(1,605,847)	(32,272)
<b>Total other financing sources (uses)</b>	<b>(1,045,981)</b>	<b>(662,527)</b>	<b>(1,272,858)</b>	<b>(610,331)</b>
<b>Change in fund balances</b>	<b>(1,144,812)</b>	<b>(3,529,933)</b>	<b>(6,638,658)</b>	<b>(3,108,725)</b>
<b>Fund balances - beginning</b>	<b>1,144,812</b>	<b>3,529,933</b>	<b>363,629</b>	<b>(3,166,304)</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (6,275,029)</b>	<b>\$ (6,275,029)</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
 YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Other Local sources	\$ 487,380	\$ 904,649	\$ 443,385	\$ (461,264)
State sources	2,116,179	2,692,600	3,079,635	387,035
Federal sources	7,603,397	10,803,434	8,165,622	(2,637,812)
<b>Total revenues</b>	<b>10,206,956</b>	<b>14,400,683</b>	<b>11,688,642</b>	<b>(2,712,041)</b>
<b>Expenditures:</b>				
Instruction	5,077,800	7,450,825	5,792,025	1,658,800
Supporting services:				
Students	664,331	935,510	626,434	309,076
Instructional staff	876,212	1,998,988	1,447,650	551,338
Central administration	-	29,637	5,263	24,374
School administration	-	17,668	15,629	2,039
Business	-	1,105	1,105	-
Operation and maintenance of facilities	-	56,328	52,026	4,302
Student transportation	691,157	697,699	514,838	182,861
Food services	3,904,288	4,405,219	4,287,369	117,850
Community services	-	25,000	25,000	-
Capital outlay	-	305,026	304,803	223
<b>Total expenditures</b>	<b>11,213,788</b>	<b>15,923,005</b>	<b>13,072,142</b>	<b>2,850,863</b>
Excess (deficiency) of revenues over expenditures	(1,006,832)	(1,522,322)	(1,383,500)	138,822
<b>Other financing sources (uses):</b>				
Transfers in	1,573,575	1,573,575	1,605,846	32,271
Transfers (out)	(566,743)	(316,756)	(207,557)	109,199
<b>Total other financing sources (uses)</b>	<b>1,006,832</b>	<b>1,256,819</b>	<b>1,398,289</b>	<b>141,470</b>
<b>Change in fund balances</b>	<b>-</b>	<b>(265,503)</b>	<b>14,789</b>	<b>280,292</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>265,503</b>	<b>579,320</b>	<b>313,817</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 594,109</b>	<b>\$ 594,109</b>

FAYETTE COUNTY BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTAL INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - SPECIAL REVENUE - ARRA FUND  
 YEAR ENDED JUNE 30, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Federal sources	\$ 2,096,766	\$ 5,357,906	\$ 4,038,609	\$ (1,319,297)
<b>Total revenues</b>	2,096,766	5,357,906	4,038,609	(1,319,297)
<b>Expenditures:</b>				
Instruction	2,096,766	4,015,482	3,090,510	924,972
Supporting services:				
Students	-	516,723	343,297	173,426
Instructional staff	-	278,052	238,819	39,233
School administration	-	194,110	53,031	141,079
Operation and maintenance of facilities	-	8,750	4,796	3,954
Student transportation	-	211,228	42,582	168,646
Food services	-	8,500	8,500	-
Capital outlay	-	125,061	131,643	(6,582)
<b>Total expenditures</b>	2,096,766	5,357,906	3,913,178	1,444,728
Excess (deficiency) of revenues over expenditures	-	-	125,431	125,431
<b>Other financing sources (uses):</b>				
Transfers (out)	-	-	(125,431)	(125,431)
<b>Total other financing sources (uses)</b>	-	-	(125,431)	(125,431)
<b>Change in fund balances</b>	-	-	-	-
<b>Fund balances - beginning</b>	-	-	-	-
<b>Fund balances - ending</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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
Miscellaneous sources	\$ -	\$ -	\$ 98,000	\$ 98,000
<b>Total revenues</b>	-	-	98,000	98,000
<b>Expenditures:</b>				
Capital outlay	-	593,344	142,036	451,308
<b>Total expenditures</b>	-	593,344	142,036	451,308
Excess (deficiency) of revenues over expenditures	-	(593,344)	(44,036)	549,308
<b>Other financing sources (uses):</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-	-
<b>Change in fund balances</b>	-	(593,344)	(44,036)	549,308
<b>Fund balances - beginning</b>		593,344	593,344	-
<b>Fund balances - ending</b>	\$ -	\$ -	\$ 549,308	\$ 549,308

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, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
<b>Revenues:</b>				
State sources	\$ -	\$ 2,970,872	\$ 664,343	\$ (2,306,529)
<b>Total revenues</b>	-	2,970,872	664,343	(2,306,529)
<b>Expenditures:</b>				
Instruction	-	39,844	39,843	1
Capital outlay	-	2,931,028	1,633,115	1,297,913
<b>Total expenditures</b>	-	2,970,872	1,672,958	1,297,914
Excess (deficiency) of revenues over expenditures	-	-	(1,008,615)	(1,008,615)
<b>Other financing sources (uses):</b>				
Capital lease proceeds	-	490,726	490,726	-
<b>Total other financing sources (uses)</b>	-	490,726	490,726	-
<b>Net Change in fund balances</b>	-	490,726	(517,889)	(1,008,615)
<b>Fund balance - beginning (restated)</b>	-	(490,726)	659,117	1,149,843
<b>Fund balance - ending</b>	\$ -	\$ -	\$ 141,228	\$ 141,228

FAYETTE COUNTY BOARD OF EDUCATION  
OTHER SUPPLEMENTAL INFORMATION  
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS  
YEAR ENDED JUNE 30, 2011

	Cash Balance 7/1/2010	Revenues Received	Expenditures Paid	Cash Balance 6/30/2011
<b>High Schools/Other:</b>				
Fayette Institute of Technology	\$ 194,068	\$ 501,357	\$ 529,981	\$ 165,444
Fayetteville High School	70,177	131,519	124,868	76,828
Meadow Bridge High School	60,834	124,973	135,724	50,083
Midland Trail High School	51,456	93,346	97,980	46,822
Mt. Hope High School	36,383	51,937	55,869	32,451
Oak Hill High School	40,647	150,978	137,896	53,729
Valley High School	81,534	109,423	113,122	77,835
<b>Total high schools / other</b>	<b>535,099</b>	<b>1,163,533</b>	<b>1,195,440</b>	<b>503,192</b>
<b>Middle and Junior High Schools:</b>				
Ansted Middle School	32,182	29,552	36,030	25,704
Collins Middle School	68,168	129,228	120,428	76,968
Nuttall Middle School	12,243	16,681	15,697	13,227
<b>Total middle and junior high schools</b>	<b>112,593</b>	<b>175,461</b>	<b>172,155</b>	<b>115,899</b>
<b>Elementary Schools:</b>				
Ansted Elementary School	11,221	26,895	21,118	16,998
Danese Elementary School	14,577	11,941	22,246	4,272
Divide Elementary School	19,144	14,261	22,102	11,303
Fayetteville Elementary School	31,363	24,201	26,378	29,186
Gatewood Elementary School	13,373	3,772	3,851	13,294
Gauley Bridge Elementary	4,579	12,012	7,270	9,321
Meadow Bridge Elementary School	21,004	12,381	17,502	15,883
Mt. Hope Elementary School	18,396	20,575	26,384	12,587
New River Elementary School	35,785	42,421	38,463	39,743
Rosedale Elementary School	12,501	28,506	24,500	16,507
Valley Elementary School	45,780	20,534	43,629	22,685
<b>Total elementary schools</b>	<b>227,723</b>	<b>217,499</b>	<b>253,443</b>	<b>191,779</b>
<b>Total</b>	<b>\$ 875,415</b>	<b>\$ 1,556,493</b>	<b>\$ 1,621,038</b>	<b>\$ 810,870</b>

FAYETTE COUNTY BOARD OF EDUCATION  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying 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	\$ 158,273
Passed-through West Virginia Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	88	528,226
National School Lunch Program	10.555	88	1,384,180
ARRA - Child Nutrition Discretionary Grants	10.579	88	8,500
Fresh Fruit and Vegetable Program	10.582	88	58,117
Total U.S. Department of Agriculture			<u>2,137,296</u>
U.S. Department of Education			
Passed-through West Virginia Department of Education			
Special Education Cluster			
Special Education - Grants to States	84.027	43	1,509,470
Special Education - Preschool Grants	84.173	43	62,101
ARRA - Special Education - Grants to States	84.391	43	576,508
ARRA - Special Education - Preschool Grants	84.392	43	43,730
Title I Cluster			
Title I - Grants to Local Educational Agencies	84.010	41	3,047,917
ARRA - Title I - Grants to Local Educational Agencies	84.389	41	526,309
Career and Technical Education - Basic Grants to States	84.048	50	134,694
Adult Basic Education	84.002	61	91,421
Safe and Drug-Free Schools and Communities - State Grants	84.186	48	400
Safe and Drug-Free Schools and Communities - National Programs	84.184	48	49,335
Reading First Act	84.357	41	42,110
Rural Education	84.358	59	201,512
English Language Acquisition Grants	84.365	45	1,850
Improving Teacher Quality State Grants	84.367	40	891,135
Education Jobs Fund	84.410	52	251,160
ARRA - School Improvement Grants	84.388	41	286,422
ARRA - Education Technology State Grants	84.386	58	27,968
Passed-through West Virginia Office of the Governor			
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund - Education State Grants	84.394	52	2,096,766
Passed-through West Virginia School Building Authority			
State Fiscal Stabilization Fund Cluster			
ARRA - State Fiscal Stabilization Fund - Government Services	84.397	25	221,245
Total U.S. Department of Education			<u>10,062,053</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	12,533
Total Corporation for National and Community Service			<u>12,533</u>
U.S. Department of Defense			
ROTC	12.000	39	56,924
Total U.S. Department of Defense			<u>56,924</u>
Total Expenditures of Federal Awards			<u>\$ 12,268,806</u>

FAYETTE COUNTY BOARD OF EDUCATION  
OTHER SUPPLEMENTARY INFORMATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2011

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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, 2011, total expenditures were \$158,273.



CERTIFIED PUBLIC ACCOUNTANTS

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, 2011 which collectively comprise the Board's basic financial statements, and have issued our report thereon dated March 7, 2012. 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 opinions 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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 considered to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-01 that we consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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### 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 March 7, 2012.

The Board's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's response and, accordingly, we express no opinion on it.

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  
March 7, 2012



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 could have a direct and material effect on each of the Board's major federal programs for the year ended June 30, 2011. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. 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 2011-02.

### Internal Control Over Compliance

Management of the Board is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Board's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 2011-02. 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.

The Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Board's responses and, accordingly, we express no opinion on the responses.

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

March 7, 2012

FAYETTE COUNTY BOARD OF EDUCATION  
 AUDITEE'S SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
 YEAR ENDED JUNE 30, 2011

Program	Findings/Noncompliance	Questioned Cost
<b>2010 - 01</b>	<b>ALLOWABLE COSTS - INDIRECT COST RATE</b>	
84.027 / 84.173 / 84.391 / 84.392 / 84.010 / 84.389 / 84.002 / 84.357 / 84.358 / 84.367		
94.004		
U.S. Department of Education Special Education - Grants to States Special Education - Preschool Grants ARRA -Special Education - Grants to States ARRA - Special Education - Preschool Grants Title I - Grants to Local Educational Agencies ARRA - Title I - Grants to Local Educational Agencies Adult Basic Education Reading First Act Rural Education Improving Teacher Quality State Grants	<p>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. 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. 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. The indirect costs charged may potentially be unallowable under federal grant agreements.</p> <p>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.</p> <p><b>Status:</b> Resolved</p>	\$79,803
Corporation for National and Community Service Learn and Serve America - School and Community Based Programs		

FAYETTE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

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?   X   yes    \_\_\_\_\_ 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>84.367</u>	<u>Improving Teacher Quality State Grants</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>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: \$368,064

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes      X   No

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

SECTION II

FINANCIAL STATEMENT

FINDINGS SECTION

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

**2011-01 INTERNAL CONTROL**

**Criteria:** Management of the Board is responsible for establishing an internal control structure that reduces to an acceptable level the risk of errors and fraud occurring and not being detected. Furthermore, management is responsible for preparation of the financial statements and related footnote disclosures.

**Condition:** The fund and district wide financial statements required a restatement of the beginning fund balance and net asset balance as a result of an error in the prior year receivable balance.

**Context:** The receivable balance and beginning fund balance in the Capital Projects Fund required a reduction of approximately \$506 thousand. This entry was also required in the district wide financial statements. Total assets were approximately \$40.9 million in the district wide financial statements and approximately \$17.5 million in the fund financial statements.

**Cause:** Management did not have adequate internal control in ensure that the financial statements and related note disclosures were not materially misstated.

**Effect:** The financial statements required audit adjustments and additional note disclosures and revisions to accurately reflect the financial position of the Board.

**Recommendation:** We recommend that management develop internal control policies and procedures to ensure that the financial statements and related note disclosures are accurate and reflective of the actual results of the financial position of the Board.

**Views of Responsible Officials and Planned Corrective Actions:** *The receivable balance in FY10 had to be restated because the project in question did not have an account code established for the county portion of a SBA funded project. This office now has the procedures in place that allows for establishing 2 account codes for capital projects funded by the SBA, one for the SBA portion and the other for the county portion. When these accounts are established, the cash is transferred into the county portion account to allow for proper expenditure.*

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

SECTION III

FEDERAL AWARD FINDINGS  
AND QUESTIONED COSTS SECTION

FAYETTE COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2011

**2011-02    HIGHLY QUALIFIED TEACHERS**

**Federal Program Information:**

<u>Federal Agency and Program Name</u>	<u>CFDA#</u>	<u>Grant Numbers</u>
U.S. Department of Education		
Pass-thru the West Virginia Department of Education		
Title I – Grants to Local Educational Agencies - Basic Grant	84.010	C343644
Title I – Grants to Local Educational Agencies - Neglected & Delinquent	84.010	C34746,C329072
Title I – Grants to Local Educational Agencies - School Improvement Grant	84.010	C330374, C330376, C330373
ARRA - Title I – Grants to Local Educational Agencies - Grant	84.389	C318801
ARRA - Title I – Grants to Local Educational Agencies - Neglected & Delinquent	84.389	C324144

**Criteria:** Beginning after the first day of the 2002-03 school year, an Local Educational Agency (LEA) had to ensure that any teacher whom it hired to teach a core academic subject and who worked in a program supported with Title I, Part A funds was highly qualified as defined in 34 CFR section 200.56. This requirement applied to teachers in Title I targeted assistance programs who taught a core academic subject and were paid with Title I, Part A funds and to all teachers who taught a core academic subject in a Title I schoolwide program school. By the end of the 2005-06 school year, the LEA had to ensure that all teachers of core academic subjects, whether or not they work in a program supported with Title I, Part A funds, are highly qualified. 'Core academic subjects' is defined as English, reading or language arts, mathematics, science, foreign languages, civics and government, economics, arts, history, and geography. A special education teacher is a 'highly qualified teacher' under the Elementary and Secondary Education Act (ESEA) if the teacher meets the requirements for a 'highly qualified special education teacher' in 34 CFR section 300.18 (Title I, Section 1119(a) of ESEA (20 USC 6319(a)); 34 CFR sections 200.55 and 200.56 (34 CFR section 200.56(d)).

**Condition:** We noted that some of the teachers within Title I positions did not meet the requirements to be highly qualified.

**Questioned Costs:** Unknown

**Context:** Two of the fifteen teachers tested did not meet the criteria of being highly qualified. The two teachers were charged \$88,399 to the Title I program out of a total of approximately \$3.6 million in total Title I Federal expenditures.

**Cause:** Management indicated that due to needs arising within the schools and positions becoming vacant, there are not always highly qualified candidates available to fill the position. While efforts are made to get these non-highly qualified staff members to meet the criteria, it is an on-going process that is not complete at all times.

**Effect:** Non-compliance with highly qualified requirements could have an effect on amounts received for future Title I grants.

**Recommendation:** Management should ensure that all Title I teachers meet the criteria of highly qualification.

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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2011-02 Highly qualified Teachers (Continued)

Views of Responsible  
Officials and Planned  
Corrective Actions:

*Procedure for Increasing the Percentage of Highly Qualified  
Teachers in Fayette County Schools  
And  
Increasing the Percentage of Core Classes Taught By Highly Qualified Teachers*

The following plan will guide the county's effort to identify and address needs in meeting NCLB requirements for highly qualified teachers.

1. **Analyze data and identify deficiencies**

**Timeline:** August/September

**Person(s) Responsible:**

- Superintendent
- Director of Personnel
- County WVEIS Contact
- Principals

A. **Ensure data accuracy**

Principals' meeting

- Communicate the necessity for accurate data to be entered into WVEIS
- Verify course codes entered for classes (SCH.310)  
[http://wveis.k12.wv.us/surveys/course\\_endorse.cfm](http://wveis.k12.wv.us/surveys/course_endorse.cfm)
- Verify teacher certification codes
- Ensure that all certification codes are included for each teacher
- Verify each teacher's social security number (STU.240)
- Verify each teacher's grade level assignments
- Compare certification codes with course codes – must match

State review – verification

- Course codes
- Social security numbers of teachers
- All certifications for each teacher
- Grade level assignments

B. **Identify problem areas**

**Timeline:** October

**Person(s) Responsible:**

- County staff (Title I, II, III, special education, personnel, WVEIS) will analyze data and report the data to principals.

1. **Determine the percentage of highly qualified teachers in the areas of:**

- Core classes
- Particular subjects or programmatic levels
- Future retirements
- Potential transfers and/or reduction in force
- Special education
- K-8 certification teachers employed at the middle school
- Teachers of English language learners

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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2011–02 Highly qualified Teachers (Continued)

Views of Responsible  
Officials and Planned  
Corrective Actions:

2. **Report qualification needs to teachers who are identified as not meeting the highly qualified status**
  - Schedule a meeting with the teacher by way of a letter with a copy sent to the principal.
  - Possible solutions may include encouraging the teacher to take more course work or transfer

C. **Review additional data**

**Timeline:** December

**Person(s) Responsible:**

- County staff – superintendent, personnel, Title I, II, III, curriculum, and special education

1. **Percentage of increased highly qualified teachers will be reported to:**

- County administrators
- WVDE
- Federal Programs
- Curriculum Director

2. **Personnel season – written communication**

- Retirement incentives
- Review retirement data for upcoming needs
- Potential transfers and/or “RIF” positions (elementary, middle, high)
- Directors of Title I, II, Special Education, Personnel will review teaching assignments of Title I, Title II, and special education teachers
- Directors of Personnel and Title III will review teaching assignment of English language learners

2. **Options to increase highly qualified teachers in core academic classes**

**Timeline:** Ongoing

**Person(s) Responsible:**

- Director of Personnel
- Director of Federal Programs
- Director of Curriculum

A. **Recruiting**

- Increase the scope of recruitment (i.e. college job fairs and website)
- Encourage teachers to consider expanding their certificate to embrace high need areas
- Tuition reimbursement to assist teachers in completing course work
- Require “permit teachers” to become highly qualified within a specific amount of time
- Alternative Teaching Certificate (where applicable; permits or out of field authorization)

B. **Retaining**

- Peer coaching during school hours
- Continuous and sustained professional development (see below)
  - Formative assessments
  - Differentiated instruction
  - High yield instructional strategies
  - Culture that values all students
  - Data analysis to target student achievement

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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2011-02 Highly qualified Teachers (Continued)

Views of Responsible  
Officials and Planned  
Corrective Actions:

- *Provide mentors for beginning teachers*
- *Assistance to teachers changing subjects or programmatic grade levels.*
- *New teacher induction/new principal induction*

C. **Retraining**

- *Tuition reimbursement*
  - *To encourage teachers to become highly qualified in another core subject*
  - *General educators to become highly qualified in special education*

3. **Implementation of the plan**

**Timeline:** *Ongoing*

**Person(s) Responsible:**

- *Director of Personnel*
- *Director of Federal Programs*

A. **Policies and procedures**

- *Administrative guidelines for highly qualified teachers/highly qualified paraprofessionals*
  - *Vacancy is identified*
  - *Principal request posting of position*
  - *Applicants submit required documentation*
  - *Credentials are evaluated*
  - *Qualifying names are provided to principal*
  - *Highly qualified teachers/paraprofessionals will be employed*
- *Tuition Reimbursement*
  - *Title I required 5% set aside for Title I Schools – after WVDE denies reimbursement*
  - *Title II for qualifying teachers in school not served by Title I – after WVDE denies reimbursement*
- *Parents Right to Know*
  - *Notification of teacher qualifications*
  - *School handbooks*
  - *Parent-School Compact*
  - *County website*
  - *Notification to parents of students who have been taught for a period of four consecutive weeks by a teacher who is not highly qualified – Title I schools*
  - *Principal's attestation statement – to attest the certification and qualifications of teachers in their school – Title I schools*

4. **Budgeting for the plan**

- *Title II funds are used to assist teachers to become highly qualified*
- *Title II funds are used to support:*
  - *Tuition reimbursement*
  - *Personnel hiring process*
  - *Professional development*
- *Title I funds are used to assist teachers to become highly qualified in Title I schools*

FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

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**2011-02 Highly qualified Teachers (Continued)**

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

**5. *Communicate the plan to stakeholders***

- *Tuition Reimbursement Policy approved by the board of education*
- *Tuition Reimbursement Policy is distributed to schools*
- *Federal Programs Advisory Committee*
- *Parent's Right to Know*
- *Parent-School Contact*
- *Principals' Meeting*
- *Publish new policies for comment periods prior to Board approval*
- *Explain new administrative procedures and timelines to all affected personnel*
- *Communicate to parents and the public how the plan will impact the learning and achievement of students*
- *Strategic Plan*