

FAYETTE COUNTY BOARD OF EDUCATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**FAYETTE COUNTY BOARD OF EDUCATION
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**FAYETTE COUNTY BOARD OF EDUCATION
INDEX OF FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

GOVERNMENTAL FUND TYPES

General Current Expense

Special Revenue Fund

Permanent Improvement Fund

Capital Projects Fund

FIDUCIARY FUND TYPE

School Activity Funds

**FAYETTE COUNTY BOARD OF EDUCATION
BOARD OFFICIALS
JUNE 30, 2014**

<u>Office</u>	<u>Name</u>	<u>Term</u>
	<u>Elective</u>	
Board Members:	Steven Bush	07/01/10 – 06/30/14
	Pat Gray	07/01/10 – 06/30/14
	Lou Jones	07/01/12 – 06/30/16
	Leon Ivy	07/01/12 – 06/30/16
	David L. Arritt	07/01/10 – 09/22/13
	James E. Workman	09/23/13 – 06/30/14
	<u>Appointive</u>	
Board President:	Steven Bush	
Superintendent:	Dr. Serena Starcher	
Treasurer:	Paula Fridley	

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AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
WV SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Fayette County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Fayette County Board of Education's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Fayette County Board of Education, as of June 30, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Current Expense Fund and the Special Revenue Fund on pages 6 through 14 and 46 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Fayette County Board of Education's basic financial statements. The 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 of the schedule of changes in School Activity Funds, the Schedule of Excess Levy Revenues and Expenditures, and budgetary comparison information for the Permanent Improvement Fund, and the Capital Projects Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements of Fayette County Board of Education. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2015, on our consideration of Fayette County Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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* in considering Fayette County Board of Education's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Susan Webb, CPA".

February 28, 2015

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

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, 2014. 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 assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$31.5 million (*net position*) at the close of the most recent fiscal year. Of this amount, \$2.5 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position increased by \$3 million (including restatements). This increase is mainly attributable to an increase in major improvement projects and Energy Management Projects.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$6.1 million, an increase of approximate \$1.3 million in comparison with the prior year.

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 position* presents information on all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

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.

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 four 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 fund, the special revenue 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.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$31,460,160 at the close of the most recent fiscal year.

The following summarizes the statement of net position at June 30, 2014 in comparison with June 30, 2013:

	2014 Governmental Activities	2013 Governmental Activities *	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 14,437,238	\$ 17,060,380	\$ (2,623,142)
Capital assets	34,736,716	32,292,974	2,443,742
Deferred outflows of resources	-	-	-
Total assets and deferred outflows of resources	<u>49,173,954</u>	<u>49,353,354</u>	<u>(179,400)</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 8,488,333	\$ 10,130,786	\$ (1,642,453)
Long-term liabilities outstanding	9,225,461	9,606,770	(381,309)
Deferred inflows of resources	-	-	-
Total liabilities and deferred inflows of resources	<u>17,713,794</u>	<u>19,737,556</u>	<u>(2,023,762)</u>
Net position:			
Net Investment in capital assets	25,564,127	22,690,550	2,873,577
Restricted	3,375,917	4,280,084	(904,167)
Unrestricted	2,520,116	2,645,164	(125,048)
Total net position (2013 restated)	<u>31,460,160</u>	<u>29,615,798</u>	<u>1,844,362</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 49,173,954</u>	<u>\$ 49,353,354</u>	<u>\$ (179,400)</u>

* - As reclassified for the implementation of GASB Statement No. 65

The largest portion of the Board's net position (81%) 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.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

- An additional portion of the Board's net position 11% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for special projects, capital projects, and excess levy.
- The remaining balance of *unrestricted net position* 8% may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

The key elements of the increase of the Board's net position for the year ended June 30, 2014 are as follows:

- Current and other assets decreased by approximately \$2,623,142 which primarily represents the reduction in prepaid expenses for the following fiscal year.
- Capital assets increased by approximately \$2,443,742 which represents the completion of installation of energy management equipment.
- Current and other liabilities decreased by approximately \$1,642,453.
- Long-term liabilities decreased by approximately \$381,309 which is primarily the result of a refinancing of the energy management debt.
- At the end of the current fiscal year, the Board is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.
- Restricted net position decreased by \$904,167 during the year ended June 30, 2014.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

The following summarizes the statement of activities for the year ended June 30, 2014 in comparison with the year ended June 30, 2013:

	2014 Governmental Activities	2013 Governmental Activities *	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 2,946,422	\$ 215,858	\$ 2,730,564
Operating grants and contributions	9,232,243	11,604,430	(2,372,187)
Capital grants and contributions	908,670	2,481,098	(1,572,428)
General revenues:			
Property taxes	19,035,450	19,603,580	(568,130)
Unrestricted state aid	44,931,262	45,999,096	(1,067,834)
Unrestricted investment earnings	-	132	(132)
Unrestricted grants and contributions	1,117,373	2,008,511	(891,138)
Total revenues	78,171,420	81,912,705	(3,741,285)
Expenses:			
Instruction	44,286,777	46,828,812	(2,542,035)
Supporting services:			
Students	3,026,620	3,077,382	(50,762)
Instructional staff	3,173,019	2,532,600	640,419
District admin.	1,456,947	1,473,685	(16,738)
School admin.	4,131,194	4,185,921	(54,727)
Business services	2,316,603	1,780,180	536,423
Operation and Maint.	6,180,994	7,024,674	(843,680)
Transportation	6,719,914	7,039,032	(319,118)
Total supporting services	27,005,291	27,113,474	(108,183)
Food services	4,580,471	4,810,500	(230,029)
Community services	136,862	201,293	(64,431)
Interest on long-term debt	317,657	440,625	(122,968)
Total expenses	76,327,058	79,394,704	(3,067,646)
Change in net position before transfers	1,844,362	2,518,001	(673,639)
Net position - Beginning	29,615,798	27,097,797	2,518,001
Net position - Ending	\$ 31,460,160	\$ 29,615,798	\$ 1,844,362

* - As reclassified for the implementation of GASB Statement No. 65

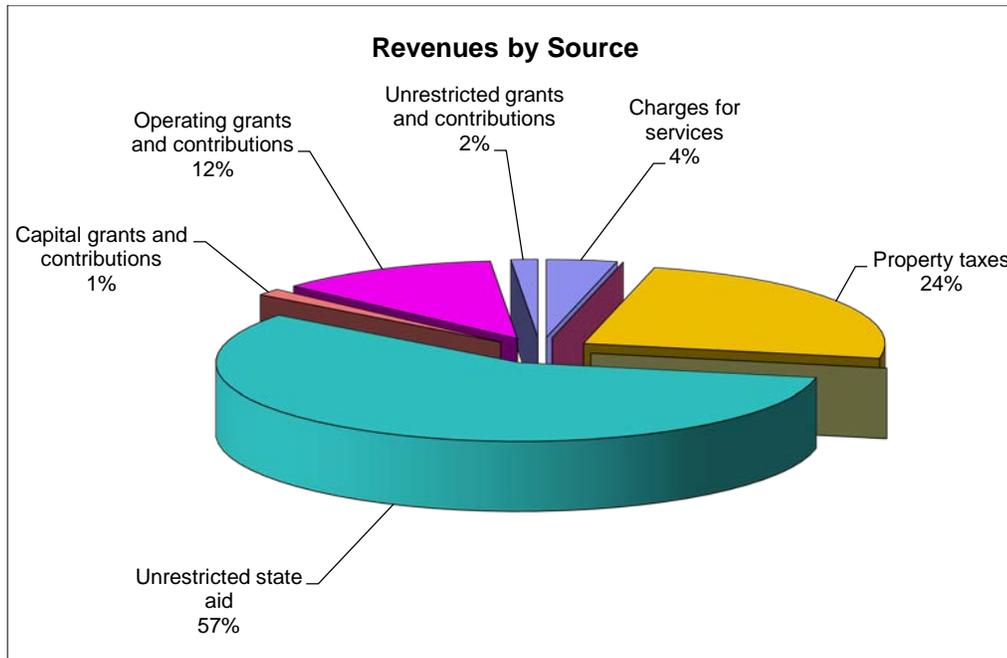
The key elements of the changes in the Board's statement of activities for the year ended June 30, 2014 are as follows:

- Charges for services increased by approximately \$2,730,564 which was primarily the result of allocating food service revenues as charges for services beginning in fiscal year 2014.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

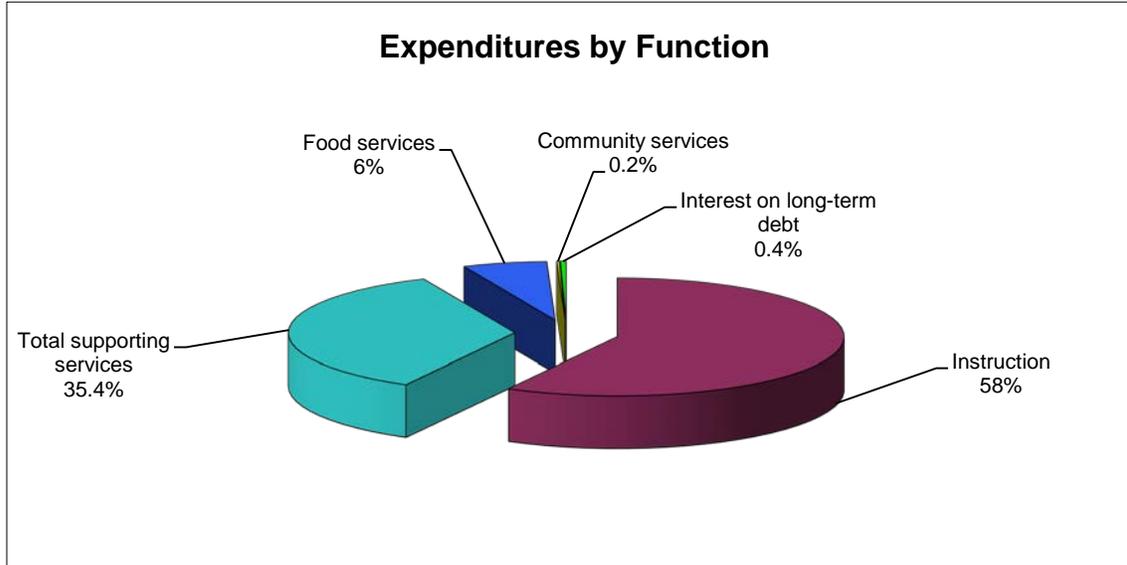
- Operating grants and contributions decreased by approximately \$2,372,187 which was primarily the result of allocating food service revenues as an operating grant in fiscal year 2013 and prior.
- Capital grants and contributions decreased by approximately \$1,572,428 which was primarily the result of receiving only the remaining portion of money from the School Building Authority on projects that completed early in the fiscal year.
- General revenues from property taxes decreased by approximately \$568,130 which was primarily the result of county tax revenue being down.
- General revenues from unrestricted state aid decreased by approximately \$1,067,834.
- General revenues from unrestricted grants and contributions decreased by approximately \$891,138.
- Overall expenses decreased by approximately \$3,067,646 which was primarily the result of a decrease in energy costs due to the energy management project, and reduction in the number of personnel.

The following chart shows the Board's revenues for fiscal year ended June 30, 2014 by source:



**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

The following chart shows the Board's expenditures for fiscal year ended June 30, 2014 by function:



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 of \$6.1 million.

Governmental funds report the differences between their assets, deferred outflows, liabilities, and deferred inflows 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 financial resources in governmental funds.

The Board had four major funds for the fiscal year ended June 30, 2014. Those funds are the General Current Expense Fund, Special Revenue Fund, Permanent Improvement Fund, and Capital Projects Fund.

General Current Expense Fund

This is the principal operating fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$3.8 million to \$4.3 million during the fiscal year ended June 30, 2014. This increase of \$475,034 was due primarily to reduction in the number of personnel to align with the State Basic Aid Formula.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Special Revenue Fund

This 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 expenditures for specific purposes. The fund balance increased from \$1.1 million to \$1.3 million during the fiscal year ended June 30, 2014. This increase of \$188,134 was due primarily to interfund transfers.

Permanent Improvement Fund

This is a separate fund established under the authority of West Virginia Code §18-9B-14 to account for the proceeds 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 improvements and cannot be transferred out of the fund. The fund balance remained constant at \$407,071 during the fiscal year ended June 30, 2014. This was a result of not starting any new capital improvement projects.

Capital Projects Fund

This is a separate fund used to account for all financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a permanent improvement fund. The fund balance decreased from \$655,659 to \$71,429 during the fiscal year ended June 30, 2014. This decrease of \$584,230 was due primarily to completion of capital projects that were started in previous fiscal years.

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 \$5,457,862 or 8% in total general fund expenditures. The most significant differences, including the differences between the original and final budget figures, and significant variances between the actual amounts and final budget amounts came from increases in instructional programs and operations and maintenance of facilities.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$34,736,716 (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 7.5%.

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

- Finishing the implementation phase of the Energy Management Project.

	<u>2014 Governmental Activities</u>	<u>2013 Governmental Activities (Restated)</u>	<u>Variance</u>
Land	\$ 159,213	\$ 159,213	\$ -
Buildings and improvements	20,460,486	18,618,219	1,842,267
Furniture and equipment	9,412,677	2,899,794	6,512,883
Vehicles	3,750,746	3,724,563	26,183
Construction in process	953,594	6,891,185	(5,937,591)
Total capital assets	<u>\$ 34,736,716</u>	<u>\$ 32,292,974</u>	<u>\$ 2,443,742</u>

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

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 \$9,172,591. The obligation for compensated absences for vacations was \$470,573 at June 30, 2014.

	<u>2014 Governmental Activities</u>		<u>2013 Governmental Activities</u>		<u>Variance</u>
Capital Lease obligations	\$ 9,172,591	\$	9,496,462	\$	(323,871)
Compensated absences	470,573		477,755		(7,182)
Total debt outstanding	\$ 9,643,164	\$	9,974,217	\$	(331,053)

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 and audited, 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. 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, 2014 the Board had a liability of approximately \$3,535,437 which represents the Board's share for employees over the number that were State aid eligible.

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 Fayette County Board of Education, 111 Fayette Avenue, Fayetteville, WV 25840, (304)574-1176.

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ 6,886,061
Investments	3,663,745
Taxes receivable, net of allowance for uncollectible taxes	868,282
Deposit with Retirement Board	134,495
Food service receivable	162,974
Other receivables	253,091
Due from other governments:	
PEIA allocation receivable	981,635
Reimbursements receivable	1,486,955
Capital Assets:	
Land	159,213
Buildings and improvements	52,874,470
Furniture and equipment	19,358,806
Vehicles	8,902,939
Construction in process	953,594
Less accumulated depreciation	(47,512,306)
Total capital assets, net of depreciation	34,736,716
Total assets	49,173,954
 Deferred outflows of resources:	 -
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ 49,173,954
 LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION	
Liabilities:	
Salaries payable and related payroll liabilities	\$ 2,210,534
PEIA premiums payable	1,497,951
Compensated absences	470,573
Accounts payable	773,838
Other post employment benefit payable	3,535,437
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	744,728
Accrued interest	52,870
Due beyond one year:	
Bonds, capital leases, and contracts	8,427,863
Accrued sick leave payable	-
Total liabilities	17,713,794
 Deferred inflows of resources:	 -
Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	\$ 17,713,794
 Net Position:	
Net Investment in capital assets	\$ 25,564,127
Restricted for:	
Special projects	2,897,417
Capital projects	478,500
Unrestricted	2,520,116
Total net position	\$ 31,460,160

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

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014

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	\$ 44,286,777	\$ 326,029	\$ 5,233,620	\$ 502,670	\$ (38,224,458)
Supporting services:					
Students	3,026,620	22,281	357,642	34,350	(2,612,347)
Instructional staff	3,173,019	23,362	374,997	36,017	(2,738,643)
General administration	1,456,947	10,728	172,207	16,540	(1,257,472)
School administration	4,131,194	30,416	488,230	46,893	(3,565,655)
Central services	2,316,603	17,053	273,729	26,291	(1,999,530)
Operation and maintenance of facilities	6,180,994	45,506	730,449	70,157	(5,334,882)
Student transportation	6,719,914	49,474	1,278,265	175,752	(5,216,423)
Food services	4,580,471	2,421,573	323,104	-	(1,835,794)
Community services	136,862	-	-	-	(136,862)
Interest on long-term debt	317,657	-	-	-	(317,657)
Total governmental activities	76,327,058	2,946,422	9,232,243	908,670	(63,239,723)
General revenues:					
Property taxes					19,035,450
Unrestricted state aid					44,931,262
Unrestricted grants and contributions					1,117,373
Transfers in					2,372,397
Transfers (out)					(2,372,397)
Total general revenues, extraordinary items and transfers					65,084,085
Change in net assets					1,844,362
Net assets - beginning					28,733,847
Prior period adjustments -(See Note 15)					881,951
Net position - beginning, as restated					29,615,798
Net position - ending					\$ 31,460,160

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

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	11	61	41	51	
	General	Special	Permanent	Capital	Total
	Current	Revenue	Improvement	Projects	Governmental
	Expense	Fund	Fund	Fund	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	6,886,061	-	-	-	6,886,061
Investments	3,567,939	-	-	95,806	3,663,745
Taxes receivable, net	868,282	-	-	-	868,282
Deposit with Retirement Board	134,495	-	-	-	134,495
Food service receivable, net	-	162,974	-	-	162,974
Other receivables	253,091	-	-	-	253,091
Due from other governments:					
State aid receivable	-	-	-	-	-
PEIA allocation receivable	981,635	-	-	-	981,635
Reimbursements receivable	-	1,486,955	-	-	1,486,955
Due from other funds	-	90,307	407,071	-	497,378
Total assets	<u>12,691,503</u>	<u>1,740,236</u>	<u>407,071</u>	<u>95,806</u>	<u>14,934,616</u>
Deferred outflows of resources	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	<u>12,691,503</u>	<u>1,740,236</u>	<u>407,071</u>	<u>95,806</u>	<u>14,934,616</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	2,210,534	-	-	-	2,210,534
Other post employment benefits payable	3,535,437	-	-	-	3,535,437
PEIA premiums payable	1,497,951	-	-	-	1,497,951
Accounts payable & Payable to others	462,473	291,838	-	19,527	773,838
Due to other funds	492,528	-	-	4,850	497,378
Total liabilities	<u>8,198,923</u>	<u>291,838</u>	<u>-</u>	<u>24,377</u>	<u>8,515,138</u>
Deferred inflows of resources	203,521	77,087	-	-	280,608
Total deferred inflows of resources	<u>203,521</u>	<u>77,087</u>	<u>-</u>	<u>-</u>	<u>280,608</u>
Fund Balances:					
Nonspendable	134,495	-	-	-	134,495
Restricted	1,526,106	1,371,311	407,071	71,429	3,375,917
Committed	-	-	-	-	-
Assigned	2,628,458	-	-	-	2,628,458
Unassigned	-	-	-	-	-
Total fund balances	<u>4,289,059</u>	<u>1,371,311</u>	<u>407,071</u>	<u>71,429</u>	<u>6,138,870</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>12,691,503</u>	<u>1,740,236</u>	<u>407,071</u>	<u>95,806</u>	<u>14,934,616</u>

Amounts reported for governmental activities in the statement of net position differ due to:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,736,716
Property taxes receivable and food service billings receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore deferred in the funds	280,608
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest on bonds	(52,870)
Capital leases payable	(9,172,591)
Compensated absences	(470,573)
Net position of governmental activities	<u>31,460,160</u>

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

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	11 General Current Expense	61 Special Revenue	41 Permanent Improvement Fund	51 Capital Projects Fund	Total Governmental
Revenues:					
Property taxes	\$ 19,871,153				\$ 19,871,153
Other Local sources	1,094,566	99,550		20	1,194,136
State sources	44,931,262	3,382,970		809,172	49,123,404
Federal sources	524,867	8,269,600			8,794,467
Miscellaneous sources	22,807	11,750	-	-	34,557
Total revenues	66,444,655	11,763,870	-	809,192	79,017,717
Expenditures:					
Instruction	38,791,632	5,783,199		24,215	44,599,046
Supporting services:					
Students	2,459,488	564,595			3,024,083
Instructional staff	1,420,695	1,716,166			3,136,861
General administration	1,424,653	23,691			1,448,344
School administration	4,096,744	11,988			4,108,732
Central Services	1,763,947	6,283		248,869	2,019,099
Operation and maintenance of facilities	7,010,785	18,574		848,036	7,877,395
Student transportation	6,241,724	506,645			6,748,369
Other support services	-	-	-	-	-
Food services	887	4,473,761	-	-	4,474,648
Community services	136,862	-	-	-	136,862
Capital outlay	175,300	-	-	414,084	589,384
Debt service:					
Principal retirement	603,888	-	-	7,645,000	8,248,888
Interest and fiscal charges	324,709	-	-	50,386	375,095
Total expenditures	64,451,314	13,104,902	-	9,230,590	86,786,806
Excess (deficiency) of revenues over expenditures	1,993,341	(1,341,032)	-	(8,421,398)	(7,769,089)
Other financing sources (uses):					
Proceeds from disposal of real or personal property					-
Proceeds from Capital Lease				7,925,000	7,925,000
Transfers in	340,002	1,769,565		262,830	2,372,397
Transfers (out)	(1,781,336)	(240,399)		(350,662)	(2,372,397)
Total other financing sources (uses)	(1,441,334)	1,529,166	-	7,837,168	7,925,000
Net change in fund balances	552,007	188,134	-	(584,230)	155,911
Fund balances - beginning	3,814,025		407,071	655,659	4,876,755
Prior period adjustments - (See Note 4)	(76,973)	1,183,177	-	-	1,106,204
Fund balances - beginning, as restated	3,737,052	1,183,177	407,071	655,659	5,982,959
Fund balances - ending	\$ 4,289,059	\$ 1,371,311	\$ 407,071	\$ 71,429	\$ 6,138,870

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

**FAYETTE COUNTY, WEST VIRGINIA, 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, 2014**

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

Net change in fund balances - total governmental funds	\$	155,911
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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		(1,848,520)
Capital outlays		4,292,263

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

Property taxes receivable		(835,703)
Operating Grants and Contributions		(10,576)

A portion of the change in fund balances is the proceeds from the general obligation bonds issued during fiscal year 2014. those proceeds are not considered revenue items for the purpose of this statement.

(7,925,000)

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.

8,248,871

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		7,182
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Amortization of bond issuance costs are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.

(297,504)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

57,438

Change in net assets of governmental activities	\$	<u>1,844,362</u>
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The accompanying notes are an integral part of these financial statements.

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2014**

	Agency Funds
	School Activity Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ 944,019
Receivables	-
Total assets	944,019
Deferred outflows of resources:	
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ 944,019
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Due to other funds	944,019
Total liabilities	944,019
Deferred inflows of resources:	
Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	\$ 944,019

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

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014**

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

GASB Statement 14 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 School 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 School Board has no component units, defined by GASB Statement 14 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 position 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 Position 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.

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.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

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.

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.

Agency Funds: Agency funds are used to account for assets that the Board holds for others in an agency capacity. These include: school activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to 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 Position 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 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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

Fiduciary 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 School Board holds for others in an agency capacity.

D. Encumbrances:

Encumbrance accounting is employed in governmental funds. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. Encumbrances outstanding at year-end are reported 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 and cash equivalents 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 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 West Virginia Municipal Bond Commission specifically on behalf of the Board as part of the Commission'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 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 investment are considered cash and cash equivalents due to their liquid nature. The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The BTI was established by the State Legislature and is subject to oversight by the State Legislature.

All deposit accounts and investments of the Board at June 30, 2014 consisted of the following:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
State Investment Pool	\$ 3,567,938	\$ 3,567,938	\$ 3,567,938
Deposits with financial institutions -			
Individual schools	944,019	944,019	944,019
Deposits with financial institutions -			
Board of Education	<u>6,886,061</u>	<u>6,886,061</u>	<u>8,991,414</u>
Total cash and cash equivalents	<u>\$ 11,398,018</u>	<u>\$ 11,398,018</u>	<u>\$ 13,503,371</u>

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

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

The Board had no fixed-term investments at June 30, 2014.

Cash on deposit with the MBC is held by the BTI in the West Virginia Government Money Market Pool and is subject to the following BTI policies and limits:

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 the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

Credit Risk

Of the BTI's Consolidated Fund pools and accounts in which the Board invests, all are subject to credit risk. The following BTI investment risk information has been extracted from the notes to BTI's financial statements.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Government 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. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

<u>Security Type</u>	<u>Credit Rating</u>		<u>Carrying Value</u>	<u>Percent of Pool Assets</u>
	<u>Moody's</u>	<u>S&P</u>		
U.S. agency bonds	Aaa	AA+	\$ 12,453	5.21%
U.S. Treasury notes *	Aaa	AA+	37,016	15.49
U.S. Treasury bills *	P-1	A-1+	3,000	1.26
U.S. agency discount notes	P-1	A-1+	122,056	51.08
Money market funds	Aaa	AAAm	29	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	64,400	26.95
			<u>\$ 238,954</u>	<u>100.00%</u>

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

Interest Rate Risk

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

The overall weighted average maturity of the investments of the WV Government 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 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>WAM (Days)</u>
Repurchase agreements	\$ 64,400	1
U.S. Treasury notes	37,016	67
U.S. Treasury bills	3,000	73
U.S. agency discount notes	122,056	45
U.S. agency bonds	12,453	40
Money market funds	29	1
	<u>\$ 238,954</u>	37

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

Other Risks of Investing

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

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. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$73,000,000. The Reserve Pool contains funds totaling approximately \$20,753,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

F. Food Service Receivables:

The accounts receivable for the Food Service Program has been reduced by \$308,349 for uncollectible accounts. The allowance for uncollectible accounts 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).

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 1 - Summary of Significant Accounting Policies (Continued):

H. Prepaid Items:

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

I. Capital Assets:

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

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

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

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

J. Deferred Outflow of Resources:

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. For fiscal year ended June 30, 2014, there were no deferred outflow of resources.

K. Compensated Absences and Other Post Employment Benefit Liability:

Compensated Absences:

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Sick benefits can be accumulated up to unlimited days and carried forward to the subsequent fiscal year. Vacation benefits can be accumulated up to 40 days and carried forward to subsequent years, beginning in 2019. The Board revised its policy to allow a transition period for employees to reduce the number of accumulated vacation days to 40 by fiscal year end 2019. All vacation pay is accrued when incurred.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

Other Post Employment Benefit (OPEB) Liability:

It is the Board's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated for unlimited days and carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits are considered ended and no reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability. See Note 10 for further discussion.

L. Long-term Obligations:

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses during the period in which the bonds were issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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 or special revenue fund.

M. Deferred Inflow of Resources:

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. For fiscal year ended June 30, 2014, there were no deferred inflow of resources.

N. Net Position:

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

- **Net investment in capital assets** - 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 net investment in capital assets.
- **Restricted net position, 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.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

- **Restricted net position, 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 2014.
- **Unrestricted net position** - This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

O. 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.
- 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. 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.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

P. Elimination and Reclassifications:

In the process of aggregating data for the statement of net position 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 generally accepted accounting principles 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 statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

R. Restricted Resources:

Restricted resources should be applied first when an expense is incurred for purposes for which both restricted and unrestricted net positions are available. If an expense is incurred for purposes for which committed, assigned and unassigned fund balances are all available, the fund balances should be reduced in the following order: committed, assigned, and then unassigned.

S. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. See Note 2 for a discussion of the anticipated effect.

The Governmental Accounting Standards Board has also issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, effective for fiscal years beginning after December 15, 2012. This statement will resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The adoption of GASB Statement No. 66 had no impact on the June 30, 2014 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, effective for fiscal years beginning after June 15, 2013. This statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by the pension plans that are within its scope. The adoption of GASB Statement No. 67 had no impact on the June 30, 2014 financial statements.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued):

The Governmental Accounting Standards Board has also issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The adoption of GASB Statement No. 70 had no effect on the June 30, 2014 financial statements.

T. Recent Statements Issued by the GASB:

The Governmental Accounting Standards Board has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. This Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. The Board has not yet determined the effect that the adoption of GASB Statement No. 68 may have on the financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 15, 2013. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The Board has not yet determined the effect that the adoption of GASB Statement No. 69 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. The Board has not yet determined the effect that the adoption of GASB Statement No. 71 may have on its financial statements.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 2 - 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 65 – As of July 1, 2013, the Board implemented GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities.” This statement reclassified some items previously reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. At transition, the impact of GASB 65 was as follows:

Unavailable Revenue: Property tax collections, Medicaid collections, and other receivables that are not received soon enough after year end to pay liabilities of the current period, are now required to be presented as deferred inflows of resources. For fiscal year ended June 30, 2014, the Board reported deferred inflows of resources relating to such unavailable revenues totaling \$280,608. These were previously reported as deferred revenues.

Note 3 - Risk Management:

The Board is exposed to various risks or 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 provisions of State law, participates in the following risk management programs administered by the State.

Board of Risk and Insurance Management (BRIM): The Board participates in the West Virginia Board of Risk and Insurance Management, 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. The BRIM risk pool retains the risk of the first \$2 million per property event and purchases excess insurance on losses above that level. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

Public Employees Insurance Agency (PEIA): The Board provides employees health and basic life insurance benefits through the Public Employees Insurance Agency. 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 all coverage as determined by the Finance Board is paid by the participants.

Health coverage under these programs has no lifetime maximum benefit, while life insurance coverage is limited to \$10,000. Members 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 of the Managed Care Organization (MCO) Plan to the plan provider, and has transferred risk of life insurance coverage to a third party insurer.

Workers Compensation: BrickStreet insurance company provides worker’s compensation coverage to the Fayette County Board of Education. The cost of the coverage, as determined by BrickStreet, is paid by the Board. The BrickStreet Company’s risk pool retains the risk related to the compensation of injured employees under the program.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 4 - Property Taxes:

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

- Class I - All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer.
- 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; and 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 to the Assessors 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. The rates of levy cannot exceed the maximum rates specified above and must be proportional for all classes of property.

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, 2014 were:

Class of Property	Assed Valuations for Tax Purposes	Current Expense	Excess Levy
Class I	\$ 0	19.40¢	22.95¢
Class II	\$ 512,742,130	38.80¢	45.90¢
Class III	\$ 707,335,475	77.60¢	91.80¢
Class IV	\$ 246,956,366	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 each year. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distraint 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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 4 - Property Taxes (Continued):

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

Taxes Receivable:

Taxes receivable as of June 30, 2014 for the Board’s funds are as follows:

	General/Current Expense Fund
Taxes receivable	2,901,953
Less: allowance for uncollectible	2,033,671
Taxes receivable, net	\$ 868,282

Note 5 - Excess Levy:

The Board had an excess levy in effect during the fiscal year ended June 30, 2014. 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 st Century Technical Curriculum Support – Maintenance/Upgrades of Hardware & Software		900,000

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 5 - Excess Levy (Continued):

T) Maintenance of Buildings/Capital Improvements – Buildings/Grounds Upgrades & Major Improvement Projects (Roof Replacements, HVAC Systems, etc.).....	1,000,000
U) Preschool.....	50,000
V) Professional Salary Support.....	2,070,000
W) Service Salary Support.....	1,030,000
X) Employee Dental/Vision insurance.....	<u>750,000</u>
TOTAL (Annual Amount).....	\$ <u>7,531,548</u>

A total of \$10,166,672 was received by the Board from the excess levy during the fiscal year ended June 30, 2014.

Note 6 - Capital Assets:

Capital asset balances and activity for the year ended June 30, 2014, is as follows:

	Beginning Balance	Restatement	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 159,213	\$ -	\$ -	\$ -	\$ 159,213
Construction in process	6,891,185	-	917,659	(6,855,250)	953,594
Total non-depreciable capital assets	7,050,398	-	917,659	(6,855,250)	1,112,807
Capital assets, depreciable:					
Buildings and improvements	50,019,311	(33,213)	2,888,372	-	52,874,470
Furniture and equipment	12,492,505		6,866,301	-	19,358,806
Vehicles	8,419,761	7,998	475,180	-	8,902,939
Total depreciable capital assets	70,931,577	(25,215)	10,229,853	-	81,136,215
Less accumulated depreciation for:					
Buildings and improvements	(31,173,659)	(194,220)	(1,046,105)	-	(32,413,984)
Furniture and equipment	(9,587,894)	(4,817)	(353,418)	-	(9,946,129)
Vehicles	(4,703,196)	(0)	(448,997)	-	(5,152,193)
Total accumulated depreciation	(45,464,749)	(199,037)	(1,848,520)	-	(47,512,306)
Total depreciable capital assets, net	25,466,828	(224,252)	8,381,333	-	33,623,919
Total capital assets, net	\$ 32,517,226	\$ (224,252)	\$ 9,298,993	\$ (6,855,250)	\$ 34,736,716

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

Instruction	\$ 951,430
Supporting Services:	
Students	2,537
Instructional Staff	36,158
Central Administration	15,785
School Administration	22,462
Operations and Maintenance	267,599
Transportation	446,725
Food Services	105,824
Total Depreciation Expense	\$ 1,848,520

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 6 - Capital Assets (Continued):

Fixed Assets at June 30, 2014, are recorded at historical cost or estimated historical cost where actual historical cost information was not available. In prior years, fixed assets were recorded at appraised value for insurance purposes or other reasonable approximation of current value. These assets have been restated in order to align the financial statements with the inventory in the West Virginia Education Information Systems program.

Note 7 - Long-term Debt:

Long-term liability activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Restatement	Additions	Deductions	Balance End of Year	Amounts Due Within One Year	Amounts Due Past One Year
Compensated absences	\$ 477,755	\$ -	\$ 470,573	\$ 477,755	\$ 470,573	\$ 470,573	\$ -
Capital lease payable	9,496,462	-	7,925,000	8,248,871	9,172,591	744,728	8,427,863
Long-term liabilities	<u>\$ 9,974,217</u>	<u>\$ -</u>	<u>\$ 8,395,573</u>	<u>\$ 8,726,626</u>	<u>\$ 9,643,164</u>	<u>\$ 1,215,301</u>	<u>\$ 8,427,863</u>

During fiscal year 2014, the Board revised its vacation and leave policy in order to reduce the amount of long term debt for compensated absences. Using a transition period that ends in fiscal year 2019, employees must reduce the amount of accumulated vacation leave to 40 days, and will only be able to carryover 40 days to subsequent years.

Note 8 - Leases:

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

The Board entered into a second capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of QZABs. The funding was used for construction of New River Elementary School and to renovate the science 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 the funding for the lease payments for the next fiscal year is not available.

The Board entered into a third capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of QZABs. The funding was used for construction of an auxiliary gymnasium at Valley High School and those assets are leased from Bank of Mt. Hope for a period of ten years beginning September 28, 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
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 8 – Leases (Continued):

The Board has entered into a fourth capital lease-purchase agreement pursuant to the provisions of West Virginia Code §18-5-9a whereby energy conservation equipment has been installed in several of the schools. The equipment is leased from Bank of the Ozarks, for a period of fifteen years beginning October 3, 2011. This lease-purchase was refinanced during the fiscal year ended June 30, 2014. This did not extend the original payment period. 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.

As of June 30, 2014, installation of energy conservation equipment acquired through capital leases was 100% completed and has been capitalized under furniture and equipment.

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, 2014 for the Board's capital leases:

Year Ending June 30,		
2015	\$	932,913
2016		940,988
2017		940,325
2018		938,075
2019		877,448
2020-2024		4,270,319
2025-2027		<u>1,886,850</u>
Total minimum lease payments		10,786,918
Less: Amount representing interest		<u>(1,614,327)</u>
Present value of minimum lease payments	\$	<u><u>9,172,591</u></u>

Deferred Costs – Energy Management Program

Cost related to the Board's energy management program of pre-paid interest and fees had previously been deferred to be amortized over the term of the agreement. Beginning fiscal year ended June 30, 2013, those costs are reflected in the financial statements as an expense at the time they are incurred in accordance with GASB Statement No. 65. (Also see Note 2)

Note 9 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Defined Benefit Retirement System or the Teachers' Defined Contribution Retirement System. For the year ended June 30, 2014, the Board's total payroll for all employees was \$40,126,175 and the payroll was \$37,437,330 for 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 state revenue (Contributions For/On Behalf of the LEA) in the Board's financial statements. The balance is considered to be the State's contribution toward the past service unfunded liability and is included as a for/on behalf revenue and expenditure in the Board's financial statements.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 9 - Employee Retirement System (Continued):

Trend Information: Ten-year historical trend information relating to the accumulation of assets and the unfunded liability of both plans is available from the Consolidated Public Retirement Board.

Conversion of leave for post-retirement: Upon retirement, an employee's vacation 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.

Teachers' Defined Benefit Retirement System:

Plan Description: The Teachers' Defined Benefit Retirement System is a cost-sharing, multiple-employer public employee defined benefit retirement system which was established on July 1, 1941 and was closed for new members on July 1, 1991. Beginning July 1, 2005, all new employees become members of this plan. To qualify for full benefits, a member must be age 60 with at least five years of credited service, or be age 55 with at least 30 years of credited service or any age with at least 35 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 his or her regular occupation, and the 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 member's five highest fiscal years of total earnings from covered employment during the member's last 15 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 50 and completed 25 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 contributions with interest is paid to the member's beneficiary or estate.

Funding Status: According to the January 15, 2014 Actuarial Valuation Report of the Teachers' Retirement System, the plan's actuarial unfunded liability was \$4.18 billion as of July 1, 2013.

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, 2005 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 county funds. Federally funded grant programs provide the funding for the employer contributions for salaries paid from federal grants.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 9 - Employee Retirement System (Continued):

The required contributions for the year ended June 30, 2014 and the two previous years were:

<u>Year ended June, 30</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Required contributions	\$ 458,047,000	\$ 483,013,000	\$ 454,983,000
Percent of current year covered payroll	27.65%	29.18%	27.82%

Total payments reflected in the Board's financial statements to the defined benefit plan for FY 2014 were:

Employees' contributions (6%)	\$ 2,269,190
Employer's contributions (15% or 7.5%)	<u>3,271,932</u>
Total contributions	<u>\$ 5,541,122</u>

Teachers' Defined Contribution Retirement System:

Plan Description: All Board employees hired after July 1, 1991 but before July 1, 2005, participated in the Teachers' Defined Contribution Retirement System. Employees in the Teachers' Defined Benefit System 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 old defined benefit plan could change to this plan and transfer the funds that were deposited in the old plan to this plan. Once a member transferred to the defined contribution plan, the member was not allowed to rejoin the defined benefit plan.

Effective July 1, 2005, the Teachers' Defined Contribution Plan was closed to new membership. All employees hired after that date became members of the Teachers' Defined Benefit Retirement System which was reopened for participation on July 1, 2005. Existing members of the Teachers' Defined Contribution Plan were given the option to transfer membership to the Teachers' Defined Benefit Retirement System during the 2008-09 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 any time. The investment options are: Great-West SF Balanced Trust, Great-West Lifetime 2015 Trust II, Great-West Lifetime 2025 Trust II, Great-West Lifetime 2035 Trust II, Great-West Lifetime 2045 Trust II, Great-West Lifetime 2055 Trust II, American Funds EuroPacific R5, Franklin Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, 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 Fixed Annuity Option.

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 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2013, this plan had approximately \$350.6 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 9 - Employee Retirement System (Continued):

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

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 4.5% of their gross salary and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 12% annually.

Total payments reflected in the Board's financial statements to the defined contribution plan for FY 2014 were:

Employees' contributions (4.5%)	\$	43,031
Employer's contributions (7.5%)		71,719
Total contributions	\$	114,750

Note 10 - Post-Employment Benefits Other Than Pension:

A. General Information:

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 generally accepted accounting principles; 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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 10 - Post-Employment Benefits Other Than Pension (Continued):

Retired employees who elected to participate in the PEIA insurance plan between July 1, 1988 and June 30, 2001: those without dependents may credit two days of unused sick or annual leave towards one-half month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one-half month of insurance coverage.

Employees hired on or after July 1, 2001 may not apply any unused sick or annual leave towards the cost of health insurance premiums.

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

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

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, 2014 was determined to be:

	Total	Amount/Policy Holder
Total Annual Required Contribution	\$ 231,737,000	\$ 3,240
Pay as you go – Retiree Subsidy	(160,822,000)	(2,117)
Remaining ARC	\$ 70,915,000	\$ 1,123

The following summarizes the Board's OPEB activity:

OPEB Liability at July 1, 2013	\$ 3,496,350
Total OPEB expense	1,903,430
Less:	
Pay as you go payments and other credits	(1,864,343)
OPEB at year end	\$ 3,535,437
Portion attributable to personnel funded through PSSP	\$ 0
Portion attributable to remaining personnel	\$ 3,535,437

The Board has contributed the following amounts, which are net of any credits issued by PEIA/RHBT for each period, for OPEB for the last three years:

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 10 - Post-Employment Benefits Other Than Pension (Continued):

Fiscal Year Ending	Annual OPEB	Percentage
<u>June 30</u>	<u>Cost</u>	<u>Contributed</u>
2014	\$1,903,430	98%
2013	1,996,017	98%
2012	2,717,006	60%

B. Current Year Credits:

In February 2012, the West Virginia Legislature passed Senate Bill 469 that transferred the portion of the OPEB liability attributable to personnel funded through the state aid funding formula to the State of West Virginia. The Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issues credits to the Board. The amount of credit issued for fiscal year 2014 was \$2,714,761. This amount was treated as a reduction of current year operating expenses.

Note 11 - Pending Litigation:

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

Note 12 - Fund Balance

The detailed components of the various fund balance categories as of June 30, 2014 are as follows:

Fund Balances	General Current Expense	Special Revenue Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
<u>Nonspendable:</u>					
Prepaid Items	\$ 134,495				\$ 134,495
<u>Restricted for:</u>					
Special Projects		\$1,371,311			1,371,311
Capital Projects			407,071	71,429	478,500
Excess Levies	1,526,106				1,526,106
<u>Assigned to:</u>					
TBD	2,628,458				2,628,458
Total fund balances	\$ 4,289,059	\$ 1,371,311	\$ 407,071	\$ 71,429	\$ 6,138,870

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 13 - Commitments, Contingencies and Subsequent Events:

The Board had encumbrances totaling \$407,968 as of June 30, 2014 in the following funds:

<u>General Current</u> <u>Expense</u>	<u>Special Revenue</u> <u>Fund</u>	<u>Capital</u> <u>Projects Fund</u>
\$376,596	\$45,655	\$48,717

Encumbrances are classified as Restricted, Committed, or Assigned fund balance depending on the specific purpose of the encumbrance.

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.

For the fiscal year ended June 30, 2014, Medicaid school-based health services revenue was recognized in accordance with fee-for-service billing as in prior years by the Board. However, the Centers for Medicare and Medicaid Services (CMS) have required the West Virginia Department of Health and Human Services (DHHR) to revise the school-based health services portion of the Medicaid State Plan. When implemented, revenue will be recognized based on an estimated annual cost settlement. Based on the current negotiations between CMS and DHHR, the anticipated effective date of the revised methodology will be July 1, 2014. However, the possibility exists that CMS may require an earlier effective date. If the July 1, 2014 effective date is not approved by CMS, the Medicaid revenue amounts for the fiscal year ended June 30, 2014 could be significantly different than the amounts currently presented.

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.

Note 14 - Interfund Balances and Transfers:

The composition of interfund balances as of June 30, 2014 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Projects Fund	General Fund	\$ 90,307
Permanent Improvement Fund	General Fund	407,071
Capital Projects Fund	General Fund	(4,850)
Total		<u>\$ 492,528</u>

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 14 - Interfund Balances and Transfers (Continued):

Interfund Transfers:

During the year ended June 30, 2014, funds from the General Fund were transferred for \$1,769,565 to the Special Revenue Fund for Child Nutrition and State Aid Restricted. Funds from the Capital Projects Fund were transferred to the General Fund for \$190,143 at the completion of capital projects. Funds from the Special Revenue Fund of \$240,399 were transferred to the General Fund for indirect cost charges on federal grants.

Additionally, funds amounting to \$160,519 were transferred within projects in the Capital Projects Funds.

Note 15 – Restatement of Beginning Fund Balance:

The fund balance at the beginning of the year of the following fund(s) required restatement:

		General Current <u>Expense Fund</u>		Special Revenue Fund <u>Revenue Fund</u>
Fund balance at June 30, 2013, as previously stated	\$	3,814,025	\$	0
Total Adjustments (See Below)		<u>(76,973)</u>		<u>1,183,117</u>
Fund balances at June 30, 2013 Restated	\$	<u><u>3,737,052</u></u>	\$	<u><u>1,183,177</u></u>

The adjustments consisted of the following:

General Current Expense Fund:

Prior year overstatement of retirement forfeitures.

Special Revenue Fund:

During the year ended June 30, 2014, the Board restated its beginning fund balance and net position balance for the correction of an error related to the certain grant revenues which should be recognized as revenue in accordance with GASB Statement No. 33.

Additionally, government-wide net position has been decreased by \$224,252 to reconcile beginning balances of capital assets, net of depreciation.

Note 16 - 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. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the Board's independent auditor and state and federal regulatory agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, the Board believes such disallowance, if any, would be immaterial.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2014

Note 17 – West Virginia Accreditation:

As of June 30, 2014, 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 takes place. Effective August 13, 2014, the West Virginia Board of Education returned partial control to the Board in the area of policy implementation.

REQUIRED SUPPLEMENTARY INFORMATION

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Property taxes	\$ 20,805,318	\$ 21,095,359	\$ 19,871,153	\$ -	\$ 19,871,153	\$ (1,224,206)
Other Local sources	280,000	1,081,817	1,094,566	-	1,094,566	12,749
State sources	44,817,235	45,113,638	44,931,262	-	44,931,262	(182,376)
Federal sources	52,000	300,586	524,867	-	524,867	224,281
Miscellaneous sources	-	22,807	22,807	-	22,807	-
Total revenues	65,954,553	67,614,207	66,444,655	-	66,444,655	(1,169,552)
Expenditures:						
Instruction	41,289,133	43,105,428	38,791,632	39,087	38,830,719	4,274,709
Supporting services:						
Students	2,504,078	2,628,206	2,459,488		2,459,488	168,718
Instructional staff	1,092,974	1,563,023	1,420,695		1,420,695	142,328
Central administration	1,527,925	1,686,775	1,424,653		1,424,653	262,122
School administration	4,067,153	4,260,978	4,096,744		4,096,744	164,234
Business	2,012,609	2,115,024	1,763,947		1,763,947	351,077
Operation and maintenance of facilities	6,154,679	8,048,020	7,010,785		7,010,785	1,037,235
Student transportation	5,573,039	6,613,832	6,241,724		6,241,724	372,108
Food services	560	896	887		887	9
Community services	139,862	139,862	136,862		136,862	3,000
Principal Retirement	945,606	945,606	928,597		928,597	17,009
Capital outlay	650,000	307,830	175,300	-	175,300	132,530
Total expenditures	65,957,618	71,415,480	64,451,314	39,087	64,490,401	6,925,079
Excess (deficiency) of revenues over expenditures	(3,065)	(3,801,273)	1,993,341	(39,087)	1,954,254	5,755,527
Other financing sources (uses):						
Transfers in	120,000	239,381	340,002	-	340,002	100,621
Transfers (out)	(3,716,935)	(3,748,483)	(1,781,336)	-	(1,781,336)	1,967,147
Total other financing sources (uses)	(3,596,935)	(3,509,102)	(1,441,334)	-	(1,441,334)	2,067,768
Change in fund balances	(3,600,000)	(7,310,375)	552,007	(39,087)	512,920	7,823,295
Fund balances - beginning as restated	3,814,025	3,814,025	3,737,052	-	3,737,052	(76,973)
Fund balances - ending	\$ 214,025	\$ (3,496,350)	\$ 4,289,059	\$ (39,087)	\$ 4,249,972	\$ 7,746,322

The accompanying notes are an integral part of this schedule.

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Local sources	\$ 45,600	\$ 45,440	\$ 99,550	\$ -	\$ 99,550	\$ 54,110
State sources	2,593,639	3,406,912	3,382,970	-	3,382,970	(23,942)
Federal sources	7,612,833	10,438,712	8,269,600	-	8,269,600	(2,169,112)
Miscellaneous sources	-	11,750	11,750	-	11,750	-
Total revenues	10,252,072	13,902,814	11,763,870	-	11,763,870	(2,138,944)
Expenditures:						
Instruction	4,309,681	6,959,696	5,783,199	-	5,783,199	1,176,497
Supporting services:						
Students	268,282	832,344	564,595	-	564,595	267,749
Instructional staff	271,442	2,357,921	1,716,166	-	1,716,166	641,755
Central administration		53,652	23,691	-	23,691	29,961
School administration		13,917	11,988	-	11,988	1,929
Business		27,280	6,283	-	6,283	20,997
Operation and maintenance of facilities		27,350	18,574	-	18,574	8,776
Student transportation	484,123	590,565	506,645	-	506,645	83,920
Food services	4,577,532	4,747,495	4,473,761	-	4,473,761	273,734
Total expenditures	9,911,060	15,610,220	13,104,902	-	13,104,902	2,505,318
Excess (deficiency) of revenues over expenditures	341,012	(1,707,406)	(1,341,032)	-	(1,341,032)	366,374
Other financing sources (uses):						
Transfers in	1,961,957	1,975,595	1,769,565	-	1,769,565	(206,030)
Transfers (out)	(2,302,969)	(472,641)	(240,399)	-	(240,399)	232,242
Total other financing sources (uses)	(341,012)	1,502,954	1,529,166	-	1,529,166	26,212
Change in fund balances	(0)	(204,452)	188,134	-	188,134	392,586
Fund balances - beginning as restated	-	-	1,183,177	-	1,183,177	1,183,177
Fund balances - ending	\$ (0)	\$ (204,452)	\$ 1,371,311	\$ -	\$ 1,371,311	\$ 1,575,763

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2014**

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 regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does 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). Certain other transactions, such as for/on behalf unfunded retirement contributions and Tools for Schools are also not included in the Board's regulatory basis budget. 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 its financial condition and to 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 also 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 the 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 State Board of Education.

OTHER SUPPLEMENTARY INFORMATION

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PERMANENT IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	-
Miscellaneous sources			-		-	-
Total revenues	-	-	-	-	-	-
Expenditures:						
Capital outlay	-	407,071	-	-	-	407,071
Operation and maintenance of facilities	-	-	-	-	-	-
Interest and fiscal charges		-	-	-	-	-
Total expenditures	-	407,071	-	-	-	407,071
Excess (deficiency) of revenues over expenditures	-	(407,071)	-	-	-	407,071
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Change in fund balances	-	(407,071)	-	-	-	407,071
Fund balances - beginning	-	407,071	407,071	-	407,071	-
Fund balances - ending	\$ -	\$ -	\$ 407,071	\$ -	\$ 407,071	407,071

The accompanying notes are an integral part of this schedule.

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Other Local Sources	\$ -	\$ 62,039	\$ 20	\$ -	\$ 20	\$ (62,019)
State sources	-	1,216,527	809,172	-	809,172	(407,355)
Total revenues	-	1,278,566	809,192	-	809,192	(469,374)
Expenditures:						
Instruction	-	24,215	24,215	-	24,215	-
Support Services:						
Central Services	-	-	248,869	-	248,869	(248,869)
Operation and Maintenance of Facilities	-	898,284	848,036	-	848,036	50,248
Capital outlay	-	650,921	414,084	-	414,084	236,837
Principal retirement	-	-	7,645,000	-	7,645,000	(7,645,000)
Interest & fiscal charges	-	-	50,386	-	50,386	(50,386)
Total expenditures	-	1,573,420	9,230,590	-	9,230,590	(7,657,170)
Excess (deficiency) of revenues over expenditures	-	(294,854)	(8,421,398)	-	(8,421,398)	(8,126,544)
Other financing sources (uses):						
Proceeds from capital lease	-	-	7,925,000	-	7,925,000	(7,925,000)
Transfers in	-	32,881	262,830	-	262,830	(229,949)
Transfers (out)	-	(190,144)	(350,662)	-	(350,662)	160,518
Total other financing sources (uses)	-	(157,263)	7,837,168	-	7,837,168	(7,994,431)
Change in fund balances	-	(452,117)	(584,230)	-	(584,230)	(132,113)
Fund balance - beginning	655,659	655,659	655,659	-	655,659	-
Fund balance - ending	\$ 655,659	\$ 203,542	\$ 71,429	\$ -	\$ 71,429	\$ (132,113)

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
 NOTES TO OTHER SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2014**

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 regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does 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). Certain other transactions, such as for/on behalf unfunded retirement contributions and Tools for Schools are also not included in the Board’s regulatory basis budget. 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 its financial condition and to 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 also 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 the 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 State Board of Education.

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2014, 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.

Capital Projects Fund:

Function	Amount
Central services	\$ 248,869
Principal retirement	7,645,000
Interest & fiscal charges	50,386

The over-expenditures in these programs were funded by proceeds from a capital lease refinance of \$7,925,000 and cash remaining from the original capital lease, after all expenses were paid for the Energy Management Program. The over-expenditures did not affect instructional programs.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO OTHER SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED JUNE 30, 2014**

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

The following fund had a deficiency in net changes in fund balance for the year ended June 30, 2014:

<u>Fund</u>	<u>Amount</u>
Capital Projects Fund	\$ 584,230

Funds sufficient to provide for the excess expenditures were made available from other sources within the fund and the deficiency had no impact on the financial results of the fund.

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
YEAR ENDED JUNE 30, 2014

	Cash Balance	Revenues Received	Expenditures Paid	Cash Balance
High Schools:				
Fayette Institute of Technology	\$ 117,629	\$ 560,971	\$ 435,026	\$ 243,574
Fayetteville High School	65,936	139,818	149,305	56,449
Meadow Bridge High School	41,828	120,533	103,305	59,056
Midland Trail High School	54,757	105,912	111,986	48,683
Oak Hill High School	69,601	144,749	150,088	64,262
Valley High School	74,387	156,750	163,958	67,179
Total high schools	<u>424,138</u>	<u>1,228,733</u>	<u>1,113,668</u>	<u>539,203</u>
Middle Schools:				
Ansted Middle School	41,692	29,651	26,196	45,147
Collins Middle School	97,864	137,204	139,194	95,874
Total middle schools	<u>139,556</u>	<u>166,855</u>	<u>165,390</u>	<u>141,021</u>
Elementary Schools:				
Ansted Elementary School	\$ 16,528	\$ 27,512	\$ 26,026	\$ 18,014
Divide Elementary School	12,816	13,202	10,063	15,955
Fayetteville Elementary School	27,350	34,459	28,786	33,023
Gatewood Elementary School	15,163	5,194	3,889	16,468
Gauley Bridge Elementary School	14,500	12,462	11,197	15,765
Meadow Bridge Elementary School	17,180	13,940	11,743	19,377
Mount Hope Elementary School	9,874	10,612	9,084	11,402
New River Elementary School	69,432	22,561	18,839	73,154
Rosedale Elementary School	9,559	38,250	11,885	35,924
Valley Elementary School	22,329	19,857	17,473	24,713
Total elementary schools	<u>214,731</u>	<u>198,049</u>	<u>148,985</u>	<u>263,795</u>
Total	<u>\$ 778,425</u>	<u>\$ 1,593,637</u>	<u>\$ 1,428,043</u>	<u>\$ 944,019</u>

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2014**

	Current Year				Levy To Date			
	Estimated Levy Revenue from Levy Rate Sheet FY14	Actual Levy Collections	Actual Expenditures	Variance from Actual Levy Collections	Estimated Levy Revenue from Levy Rate Sheet FY10 - FY14	Actual Levy Collections	Actual Expenditures	Variance from Actual Levy Collections
A. Free Textbooks	823,000	823,000	804,301	18,699	4,115,000	4,115,000	3,246,343	868,657
B. Student Security	50,000	50,000	88,587	(38,587)	250,000	250,000	250,000	-
C. Student Admission to Athletic Events	71,811	71,811	83,244	(11,433)	359,055	359,055	359,055	-
D. Instructional Support	225,000	225,000	413,663	(188,663)	1,125,000	1,125,000	1,121,671	3,329
E. Public Library Support	21,500	21,500	21,500	-	107,500	107,500	107,500	-
F. Special Education Support	40,000	40,000	40,055	(55)	200,000	200,000	200,000	-
G. WVU Extension, 4-H & Energy Express	24,237	24,237	24,237	-	121,185	121,185	121,185	-
H. Student Health Services	30,000	30,000	46,695	(16,695)	150,000	150,000	150,000	-
I. Student Activities & Athletics	85,000	85,000	151,256	(66,256)	425,000	425,000	425,000	-
J. Music Support	60,000	60,000	93,679	(33,679)	300,000	300,000	300,000	-
K. Art Support	25,000	25,000	33,753	(8,753)	125,000	125,000	125,000	-
L. Family & Consumer Science Support	10,000	10,000	30,516	(20,516)	50,000	50,000	50,000	-
M. Industrial Arts & Career Technical Education Support	10,000	10,000	30,134	(20,134)	50,000	50,000	50,000	-
N. Business Education Support	13,000	13,000	28,472	(15,472)	65,000	65,000	65,000	-
O. Physical Development & Health Education Support	25,000	25,000	40,894	(15,894)	125,000	125,000	125,000	-
P. Driver Education Support	30,000	30,000	17,084	12,916	150,000	150,000	125,216	24,784
Q. Science/Math Support	88,000	88,000	152,010	(64,010)	440,000	440,000	439,000	1,000
R. Reading Support	100,000	100,000	187,641	(87,641)	500,000	500,000	499,414	586
S. 21 st Century Technical Curriculum Support	900,000	900,000	1,405,616	(505,616)	4,500,000	4,500,000	4,370,016	129,984
T. Maintenance of Buildings/Capital Improvements	1,000,000	1,000,000	1,218,178	(218,178)	5,000,000	5,000,000	4,959,575	40,425
U. Preschool	50,000	50,000	50,000	-	250,000	250,000	250,000	-
V. Professional Salary Support	2,070,000	2,070,000	3,829,582	(1,759,582)	10,350,000	10,350,000	15,706,868	(5,356,868)
W. Service Salary Support	1,030,000	1,030,000	1,905,541	(875,541)	5,150,000	5,150,000	7,815,495	(2,665,495)
X. Employee Dental/Vision Insurance	750,000	750,000	750,000	-	3,750,000	3,750,000	3,824,157	(74,157)
Excess of Levy Order & Rate Sheet and Levy Call	2,597,648	2,635,124	-	2,635,124	7,991,706	8,096,519	-	8,096,519
	\$ 10,129,196	\$ 10,166,672	\$ 11,446,638	\$ (1,279,966)	\$ 45,649,446	\$ 45,754,259	\$ 44,685,495	\$ 1,068,764

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor /Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Education:			
Pass-through West Virginia Department of Education:			
Adult Basic Education	84.002A	Note 4	\$ 89,306
Title I Part A	84.010	Note 4	2,764,584
English Language Acquisition Grants	84.365	N/A	2,747
Special Education Cluster:			
Special Education – Grants to States	84.027	Note 4	1,516,904
Special Education – Preschool Grants	84.173	Note 4	106,450
Mathematics and Science Partnerships	84.366	C000397822	30,277
Career and Technical Education – Basic Grants to States	84.048	Note 4	150,359
Safe and Drug-Free Schools and Communities National Programs	84.184Y	Note 4	169,305
Rural Education	84.358B	Note 4	113,859
Title II – Improving Teacher Quality State Grants	84.367	Note 4	642,924
Pass-through McDowell County Board of Education:			
School Leadership Program	84.363	N/A	46,566
Total U.S. Department of Education			5,633,281
U.S. Department of Agriculture:			
Pass-through West Virginia Department of Education:			
Child Nutrition Cluster:			
National School Lunch Program	10.553/10.555/10.559	Note 4	2,407,128
Fresh Fruits & Vegetables Program	10.582	N/A	97,626
Team Nutrition Grants	10.574	C392410	543
Pass-through West Virginia Department of Agriculture:			
Child Nutrition Cluster:			
Donated Foods Program	10.555	N/A	120,116
Total U.S. Department of Agriculture			2,625,413

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Federal Grantor/ Pass-Through Grantor /Program Title	Federal CFDA Number	Pass- Through Entity Identifying Number	Total Federal Expenditures
WV Division of Justice and Community Service:			
Pass-through Fayette County Commission: Juvenile Justice Community Prevention – Title V	16.Unknown	N/A	<u>44,778</u>
Total WV Division of Justice and Community Service			<u>44,778</u>
U.S. Department of Labor:			
Pass-through Workforce West Virginia: Simulated Work Place Grant	17.267	C000407207	<u>3,990</u>
Total U.S. Department of Labor			<u>3,990</u>
Total Expenditures of Federal Awards			<u>\$ 8,307,462</u>

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of Fayette County Board of Education and is presented on the basis of accounting principles generally accepted in The United States of America. 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, the preparation of the financial statements.

Note 2 - Non-Cash Assistance

The Fayette County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$120,116 is included in the Schedule of Expenditure of Federal Awards based upon the fair market value of the commodities at the time of receipt and reflects the amount distributed for the year ended June 30, 2014.

Note 3 - Child Nutrition Program

Child Nutrition Program [CFDA #10.553, #10.555 and #10.559] expenditures of federal awards are based on the amount of federal funding received for each of the programs. Since the amount of total expenditures for the programs exceeds the amount of the federal awards received, it is presumed that the total received from the federal awards had been expended. The amount of expenditures funded by meal sales, sponsor's contributions and state matching funds for both programs has not been included in the Schedule of Expenditures of Federal Awards. The total combined expenditures for the three programs as funded from all sources was \$4,392,246.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2014**

Note 4 - Pass-Through Entity Identifying Numbers

The following programs had multiple pass-through entity identifying numbers:

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number
Title I	84.010	C384717, C387107, C000386507, C388810, C000399362, C000402249, C000398764, C000400107, C000400108, C000400087, C000400089
Title II – Improving Teacher Quality State Grant	84.367	C364783, C000384946, C000399265, C000402404, C000406993
Special Education Cluster:		
Special Education – Grant to State	84.027	C386142, C390919, C000400205, C000401406, C000397278, C000404563
Special Education – Preschool Grant	84.173	C000380545, C000397350
Title VI – Rural and Low Income	84.358B	C374066, C000384875, C000403631
Adult Basic Education – State Grant Program	84.002A	C380339, C000396512
Safe and Drug-Free Schools and Communities National Programs	84.184Y	C386452, C000403006
Career and Technical Education – Basic Grants to States	84.048	C380212, C000397017, C000404707
Child Nutrition Cluster	10.553/10.555/ 10.559	N/A, C000408657

**REPORTS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

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

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

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fayette County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Fayette County Board of Education's basic financial statements, and have issued our report thereon dated February 28, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2014-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayette County Board of Education'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*.

Fayette County Board of Education's Response to Finding

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

Purpose of this Report

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



February 28, 2015

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the Fayette County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Fayette County Board of Education's major federal programs for the year ended June 30, 2014. Fayette County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Fayette County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Fayette County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Fayette County Board of Education complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of Fayette County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Fayette County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Fayette County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-001 to be a significant deficiency.

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

Fayette County Board of Education's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Fayette County Board of Education's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



February 28, 2015

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**FAYETTE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014**

None Reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that is not considered to be material weakness(es)?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that is not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are Required to be reported in accordance With §___.510(a) of Circular A-133?	No

The programs tested as major programs included:

<u>Name of Federal Program or Cluster</u>	<u>CFDA#</u>
U.S. Department of Education:	
Pass-through West Virginia Department of Education:	
Improving Teacher Quality State Grants – Title II	84.367
Career and Technical Education – Basic Grants to States	84.048
Title I	84.010
U.S. Department of Agriculture:	
Pass-through West Virginia Department of Education:	
Child Nutrition Cluster	10.553/10.555/10.559
Pass-through West Virginia Department of Agriculture:	
Child Nutrition Cluster – Donated Foods	10.555

Dollar threshold used to distinguish between Type A and Type B Program:	\$300,000
Auditee qualifies as a low-risk auditee?	No

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

See Finding 2014-001

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS

U.S. Department of Agriculture

**CFDA No. 10.553/
10.555/10.559**

No. 2014-001: Child Nutrition Program Expenditures

**Questioned
Costs**

CONDITION:

We noted several instances in which invoices/receiving documentation were not signed to show evidence of receipt of goods for the Child Nutrition Program.

CRITERIA:

The Purchasing Policies and Procedures Manual for Local Educational Agencies in the State of West Virginia, states in part, that:

“24.1.1 When deliveries are made to a central warehouse, or directly to a school or other cost center, personnel receiving the commodities are responsible for the inspecting of goods, ensuring that purchases meet contractual requirements, signing for the commodities, and forwarding the receipting documents to the business office for payment of the invoice.”

“24.2.1 LEAs must also develop local procedures for receiving merchandise shipped from vendors directly to a school or other cost center. These procedures must include the steps to be followed in the same circumstances discussed in the preceding paragraph.”

CONTEXT:

We noted Child Nutrition Program invoices, paid with following check numbers, which were not signed or initialed to indicate verification of receipt of goods:

Check Date	Check Number		Invoiced Amounts	
11/20/13	126171	\$	15,224.71	
11/20/13	126174		32,286.65	
9/23/13	125382		3,098.68	
9/23/13	125408		27,323.83	
10/22/13	125788		830.04	
10/22/13	125806		24,816.24	
12/23/13	126605		925.32	
3/20/14	127606		<u>1,525.00</u>	\$ <u>106,030.47</u>

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014**

C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS (CONTINUED)

U.S. Department of Agriculture

**CFDA No. 10.553/
10.555/10.559**

No. 2014-001: Child Nutrition Program Expenditures

**Questioned
Costs**

CAUSE:

Fayette County Board of Education failed to exercise adequate controls over purchases charged to the Child Nutrition Program. Specifically, we noted several instances in which invoices/receiving documentation were not signed to show verification of receipt of goods for Child Nutrition Cluster.

EFFECT:

The Fayette County Board of Education has increased risk of making expenditures for goods not properly received or for goods that were not as requested.

TOTAL QUESTIONED COSTS:

\$106,030.47

RECOMMENDATIONS:

Fayette County Board of Education should establish procedures that require all expenditures to be supported by original itemized invoices, signed to show evidence of receipt, approved for payment by authorized employees, and cancelled to prevent subsequent repayment.

AUDITED AGENCY'S RESPONSE:

The Fayette County Board of Education Food Service Director and Treasurer, has notified all cooks and accounts payable accountants of the proper procedures to receive items. Previously, if a cook failed to verify and sign a receipt for goods, the Food Service Director was signing when the receipt came to his office for approval. We no longer allow this practice. The person that actually receives the items is required to sign the receipts before sent to the central office for payment. The accountant responsible for the payment of these invoices will double check for appropriate signatures before making payment.