

**FAYETTE COUNTY BOARD OF EDUCATION**  
**FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**FAYETTE COUNTY BOARD OF EDUCATION  
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**FAYETTE COUNTY BOARD OF EDUCATION  
INDEX OF FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

**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**

<u>Office</u>	<u>Name</u>	<u>Term</u>
	<b><u>Elective</u></b>	
Board Members:	Steven Bush	07/01/14 – 06/30/18
	Pat Gray	07/01/14 – 06/30/18
	Patsy Holliday	07/01/14 – 06/30/18
	Lou Jones	07/01/12 – 06/30/16
	Leon Ivy	07/01/12 – 06/30/16
	<b><u>Appointive</u></b>	
Board President:	Steven Bush	
Superintendent:	Dr. Serena Starcher	
Treasurer:	Paula Fridley	

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BRUCE I. SULLIVAN, CPA  
CHARLES D. WEBB, MBA, CPA

## **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 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, 2015, 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 governmental activities, each major fund, and the aggregate remaining fund information of Fayette County Board of Education, as of June 30, 2015, 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.

## **Emphasis of Matter**

As discussed in Note 2, the Fayette County Board of Education implemented the provisions of Governmental Accounting Standards Board (GASB) Statement Number 68, *Accounting and Financial Reporting for Pension*, as amended by GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinion is not modified with respect to this matter.

## **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, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions – Teachers' Retirement System on pages 6 through 13 and 47 through 52 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. 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. 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 29, 2016, 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 VanWebb, A.C.C.A.".

February 29, 2016

**FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2015**

Our discussion and analysis of the Fayette County Board of Education's (Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2015. 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 \$30.4 million (*net position*) at the close of the most recent fiscal year. Of this amount, \$2.4 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position decreased by \$1 million. This increase is mainly attributable to implementation of GASB Statements No. 68 and No. 71.
- The Board implemented Governmental Accounting Standards Board Statement no. 68, *Accounting and Financial Reporting or Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The implementation of these new accounting pronouncements resulted in the Board recording its proportionate share of the net pension liability of approximately \$5.1 million as a restatement to the beginning net position balance.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$8.9 million, an increase of \$2.8 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, 2015**

**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, 2015**

**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 \$30,412,685 at the close of the most recent fiscal year.

The following summarizes the statement of net position at June 30, 2015 in comparison with June 30, 2014:

	<b>2015</b>	<b>2014</b>	
	<b>Governmental</b>	<b>Governmental</b>	
	<b>Activities</b>	<b>Activities *</b>	<b>Variance</b>
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Current and other assets	\$ 18,669,374	\$ 14,437,238	\$ 4,232,136
Capital assets	34,392,040	34,736,716	(344,676)
Deferred outflows of resources	487,021	-	487,021
<b>Total assets and deferred outflows of resources</b>	<b>\$ 53,548,435</b>	<b>\$ 49,173,954</b>	<b>\$ 4,374,481</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Liabilities and deferred inflows of resources:</b>			
Current and other liabilities	\$ 9,428,538	\$ 8,488,333	\$ 940,205
Long-term liabilities outstanding	8,498,992	9,225,461	(726,469)
Net pension liability - Proportionate share	4,191,762	-	4,191,762
Deferred inflows of resources	1,016,458	-	1,016,458
<b>Total liabilities and deferred inflows of resources</b>	<b>23,135,750</b>	<b>17,713,794</b>	<b>5,421,956</b>
<b>Net Position:</b>			
Net investment in capital assets	25,964,178	25,564,127	400,051
Restricted	2,008,759	3,375,917	(1,367,158)
Unrestricted	2,439,748	2,520,116	(80,368)
<b>Total net position</b>	<b>30,412,685</b>	<b>31,460,160</b>	<b>(1,047,475)</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 53,548,435</b>	<b>\$ 49,173,954</b>	<b>4,374,481</b>

\* 2014 was not restated for GASB 68/71 implementation because all of the information was not available

- The largest portion of the Board's net position (85%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Board's net position (7%) 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, 2015 are as follows:

- Current and other assets increased by approximately \$4,232,136 which primarily represents the reduction in prepaid expenses for the following fiscal year.
- Capital assets decreased by approximately \$344,676 which represents the disposal of personal property.
- Current and other liabilities increased by approximately \$940,205.

**FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

- Long-term liabilities decreased by approximately \$726,469 which is primarily the result of payments made to the debt during fiscal year ended June 30, 2014.
- With the implementation of GASB 68/71, the Board was required to record its proportionate share of the net pension liability of approximately \$4.2 million. It also recorded the deferred outflow of resources of approximately \$487 thousand and deferred inflow of resources of approximately \$1 million.
- 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 \$1,367,158 during the year ended June 30, 2015.
- The Board's net position increased by \$4 million during the current year before the (\$5 million) restatement for the implementation of GASB 68. The following discussion and analysis on governmental activities focuses on this change.

The following summarizes the statement of activities for the year ended June 30, 2015 in comparison with the year ended June 30, 2014:

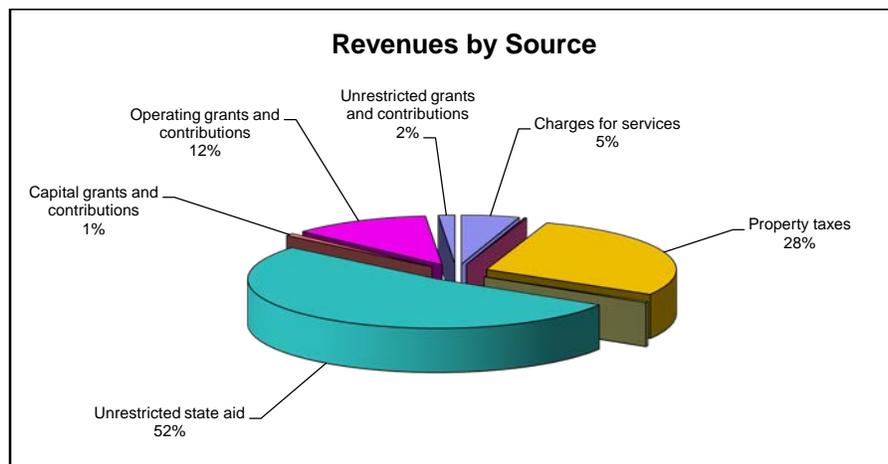
	<b>2015</b>	<b>2014</b>	
	<b>Governmental</b>	<b>Governmental</b>	<b>Variance</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 3,816,662	\$ 2,946,422	\$ 870,240
Operating grants and contributions	8,890,680	9,232,243	(341,563)
Capital grants and contributions	581,143	908,670	(327,527)
General revenues:			
Property taxes	21,470,601	19,035,450	2,435,151
Unrestricted state aid	39,427,363	44,931,262	(5,503,899)
Unrestricted investment earnings	60,855	-	60,855
Unrestricted grants and contributions	1,065,109	1,117,373	(52,264)
Gain or (loss) on disposal of capital assets	(156,890)	-	(156,890)
<b>Total revenues</b>	<u>75,155,523</u>	<u>78,171,420</u>	<u>(3,015,897)</u>
<b>Expenses:</b>			
Instruction	39,881,621	44,286,777	(4,405,156)
Supporting services:			
Students	2,814,145	3,026,620	(212,475)
Instructional staff	2,640,713	3,173,019	(532,306)
District admin.	1,140,499	1,456,947	(316,448)
School admin.	3,978,986	4,131,194	(152,208)
Business services	1,775,893	2,316,603	(540,710)
Operation and Maint.	6,856,131	6,180,994	675,137
Transportation	6,649,773	6,719,914	(70,141)
Total supporting services	<u>25,856,140</u>	<u>27,005,291</u>	<u>(1,149,151)</u>
Food services	5,047,170	4,580,471	466,699
Community services	152,239	136,862	15,377
Interest on long-term debt	191,311	317,657	(126,346)
<b>Total expenses</b>	<u>71,128,481</u>	<u>76,327,058</u>	<u>(5,198,577)</u>
<b>Change in net position before transfers</b>	4,027,042	1,844,362	2,182,680
<b>Transfers</b>	-	-	-
<b>Change in net position</b>	4,027,042	1,844,362	2,182,680
<b>Net position - Beginning</b>	31,460,160	29,615,798	1,844,362
<b>Restatement - GASB 68</b>	(5,074,517)	-	(5,074,517)
<b>Net position - Ending</b>	<u>\$ 30,412,685</u>	<u>\$ 31,460,160</u>	<u>\$ (1,047,475)</u>

**FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

The key elements of the changes in the Board's statement of activities for the year ended June 30, 2015 are as follows:

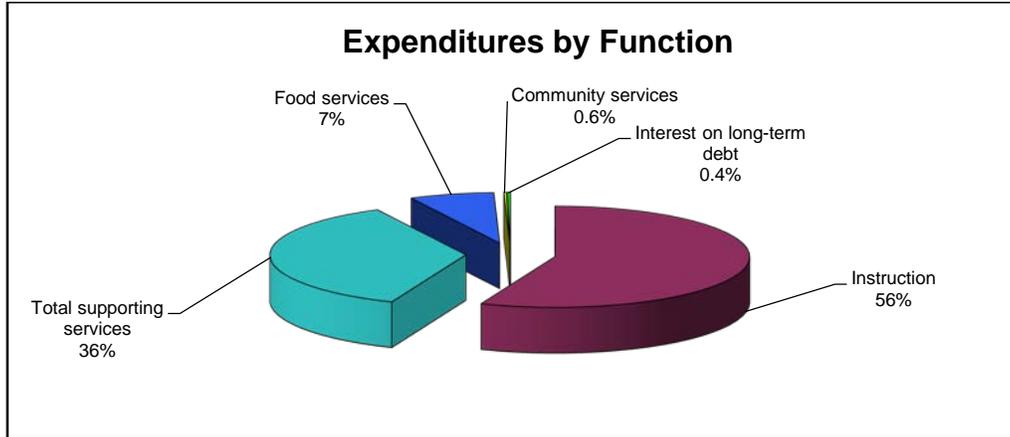
- Charges for services increased by approximately \$870,240.
- Operating grants and contributions decreased by approximately \$341,563.
- Capital grants and contributions decreased by approximately \$327,527 which was primarily the result of receiving only the remaining portion of money from the School Building Authority on projects that completed early in the fiscal year.
- General revenues from property taxes increased \$2,435,151 which was primarily the result of the county tax office collecting prior year taxes.
- General revenues from unrestricted state aid decreased by approximately \$5,503,899, which is primarily due to implementation of GASB No. 68.
- General revenues from unrestricted grants and contributions decreased by approximately \$52,264.
- Disposal of capital assets that were not fully depreciated resulted in a loss of approximately \$156,890.
- Overall expenses decreased by approximately \$5,198,577 which was primarily the result of implementation of GASB No. 68.

The following chart shows the Board's revenues for fiscal year ended June 30, 2015 by source:



**FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

The following chart shows the Board's expenditures for fiscal year ended June 30, 2015 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 \$8.9 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. Unassigned fund balance is available financial resources in governmental funds.

The Board had four major funds for the fiscal year ended June 30, 2015. 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 \$4.2 million to \$5.9 million during the fiscal year ended June 30, 2015.

*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 \$1.3 million to \$1.4 million during the fiscal year ended June 30, 2015.

**FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

*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, 2015. This was due to 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 increased from \$71,429 to \$1,165,908 during the fiscal year ended June 30, 2015. A portion of this increase was due to receipt of a Major Improvement Project from the West Virginia School Building Authority

**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 \$5,193,935 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 may be summarized as follows:

- An increase 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, 2015, amounts to \$34,392,040 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 1% percent.

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

- Retirement of buses and other vehicles.

	<b>2015</b>		<b>2014</b>		<b>Variance</b>
	<b>Governmental</b>		<b>Governmental</b>		
	<b>Activities</b>		<b>Activities</b>		
Land	\$ 159,213	\$	159,213	\$	-
Land improvements	-		-		-
Buildings and improvements	20,181,976		20,460,486		(278,510)
Furniture and equipment	10,331,084		9,412,677		918,407
Vehicles	3,719,767		3,750,746		(30,979)
Construction in process	-		953,594		(953,594)
<b>Total capital assets</b>	<b>\$ 34,392,040</b>	\$	<b>34,736,716</b>	\$	<b>(344,676)</b>

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

**FAYETTE COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Long-term debt.** At the end of the current fiscal year, the Board had total capital lease obligations of \$8,427,862. The obligation for compensated absences for vacations was \$453,966 at June 30, 2015.

The Board implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The implementation of this new accounting pronouncement resulted in the Board recording its proportionate share of the net pension liability of approximately \$4.2 million as of June 30.

	<u>Governmental Activities</u>	<u>Governmental Activities</u>	<u>Variance</u>
Capital lease obligations	\$ 8,427,862	\$ 9,172,591	\$ (744,729)
Compensated absences	453,966	470,573	(16,607)
Net pension liability - proportionate share	4,191,763	5,634,206	(1,442,443)
<b>Total debt outstanding</b>	<u>\$ 13,073,591</u>	<u>\$ 15,277,370</u>	<u>\$ (2,203,779)</u>

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, 2015 the Board had a liability of approximately \$3,659,364 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 Board Office, 111 Fayette Avenue, Fayetteville, WV 25840, (304)574-1176.

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	Governmental Activities
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>Assets:</b>	
Cash and cash equivalents	\$ 13,234,348
Investments	-
Taxes receivable, net of allowance for uncollectible taxes	1,515,990
Deposit with Retirement Board	125,000
Food service receivable	562,788
Other receivables	153,222
Prepaid Workers' Compensation	-
Due from other governments:	
State aid receivable	336,818
PEIA allocation receivable	957,994
Reimbursements receivable	1,783,215
Capital Assets:	
Land	159,213
Land improvements	-
Buildings and improvements	53,679,258
Furniture and equipment	21,124,219
Vehicles	7,894,619
Construction in process	-
Less accumulated depreciation	(48,465,268)
Total capital assets, net of depreciation	34,392,040
<b>Total assets</b>	53,061,414
<b>Deferred outflows of resources:</b>	
<b>Total deferred outflows of resources</b>	487,021
<b>Total assets and deferred outflows of resources</b>	\$ 53,548,435
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION</b>	
<b>Liabilities:</b>	
Salaries payable and related payroll liabilities	\$ 2,200,054
PEIA premiums payable	1,426,700
Compensated absences	453,966
Accounts payable	1,688,453
Other post employment benefit payable	3,659,364
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	730,728
Accrued interest	71,130
Due beyond one year:	
Bonds, capital leases, and contracts	7,697,134
Net pension liability - Proportionate Share	4,191,763
<b>Total liabilities</b>	22,119,292
<b>Deferred inflows of resources:</b>	
<b>Total deferred inflows of resources</b>	1,016,458
<b>Total liabilities and deferred inflows of resources</b>	\$ 23,135,750
<b>Net Position:</b>	
Net Investment in Capital Assets	\$ 25,964,178
Restricted for:	
Special projects	1,435,780
Capital projects	572,979
Unrestricted	2,439,748
<b>Total net position</b>	\$ 30,412,685

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, 2015**

<b>Functions</b>	Program Revenues				Net (Expense), Revenue & Changes in Net Assets Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 39,881,621	\$ 2,315,569	\$ 5,359,463	\$ 352,579	\$ (31,854,010)
Supporting services:					
Students	2,814,145	163,353	378,087	24,873	(2,247,832)
Instructional staff	2,640,713	153,430	355,119	23,362	(2,108,802)
General administration	1,140,499	66,028	152,825	10,054	(911,592)
School administration	3,978,986	230,908	534,445	35,159	(3,178,474)
Central services	1,775,893	103,050	238,513	15,691	(1,418,639)
Operation and maintenance of facilities	6,856,131	398,078	921,366	60,613	(5,476,074)
Student transportation	6,649,773	386,246	893,981	58,812	(5,310,734)
Other support services	-	-	-	-	-
Food services	5,047,171	-	56,881	-	(4,990,290)
Community services	152,239	-	-	-	(152,239)
Interest on long-term debt	191,311	-	-	-	(191,311)
<b>Total governmental activities</b>	<b>71,128,481</b>	<b>3,816,662</b>	<b>8,890,680</b>	<b>581,143</b>	<b>(57,839,996)</b>
General revenues:					
Property taxes					21,470,601
Unrestricted state aid					39,427,363
Unrestricted investment earnings					60,855
Unrestricted grants and contributions					1,065,109
Gain (loss) on disposal of capital assets					(156,890)
Transfers in					3,118,379
Transfers (out)					(3,118,379)
Total general revenues, extraordinary items and transfers					<u>61,867,038</u>
Change in net position					<u>4,027,042</u>
Net assets - beginning					31,460,160
Prior period adjustments - (See Note 2)					<u>(5,074,517)</u>
Net position - beginning, as restated					<u>26,385,643</u>
Net position - ending					<u><u>\$ 30,412,685</u></u>

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

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2015**

	11	61	41	51	
	General	Special	Permanent	Capital	
	Current	Revenue	Improvement	Projects	Total
	Expense	Fund	Fund	Fund	Governmental
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 13,138,515	\$ -	\$ -	\$ 95,833	\$ 13,234,348
Investments		-	-		-
Taxes receivable, net	1,515,990	-	-		1,515,990
Deposit with Retirement Board	125,000	-	-		125,000
Prepaid Workers' Comp	-	-	-		-
Food service receivable, net		562,788	-		562,788
Other receivables	87,594	-	-	65,628	153,222
Due from other governments:					
State aid receivable	336,818	-	-		336,818
PEIA allocation receivable	957,994	-	-		957,994
Reimbursements receivable	-	1,783,215	-		1,783,215
Due from other funds	-	-	407,071	1,004,447	1,411,518
<b>Total assets</b>	<b>16,161,911</b>	<b>2,346,003</b>	<b>407,071</b>	<b>1,165,908</b>	<b>20,080,893</b>
<b>Deferred outflows of resources</b>					
	-	-	-	-	-
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 16,161,911</b>	<b>\$ 2,346,003</b>	<b>\$ 407,071</b>	<b>\$ 1,165,908</b>	<b>\$ 20,080,893</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Salaries payable and related payroll liabilities	\$ 2,200,054		\$ -	\$ -	\$ 2,200,054
Other post employment benefits payable	3,659,364		-	-	3,659,364
PEIA premiums payable	1,230,933	195,768	-	-	1,426,701
Accounts payable & Payable to others	1,305,981	382,472	-	-	1,688,453
Due to other fiscal agents	-	-	-	-	-
Due to other funds	1,136,417	275,101	-	-	1,411,518
<b>Total liabilities</b>	<b>9,532,749</b>	<b>853,341</b>	<b>-</b>	<b>-</b>	<b>10,386,090</b>
<b>Deferred inflows of resources</b>					
	737,378	56,881	-	-	794,259
<b>Total deferred inflows of resources</b>	<b>737,378</b>	<b>56,881</b>	<b>-</b>	<b>-</b>	<b>794,259</b>
<b>Fund Balances:</b>					
Nonspendable	125,000		-	-	125,000
Restricted	1,796,872	1,435,780	407,071	165,908	3,805,631
Committed					-
Assigned	3,969,912		-	1,000,000	4,969,912
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>5,891,784</b>	<b>1,435,780</b>	<b>407,071</b>	<b>1,165,908</b>	<b>8,900,543</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 16,161,911</b>	<b>\$ 2,346,002</b>	<b>\$ 407,071</b>	<b>\$ 1,165,908</b>	<b>\$ 20,080,892</b>
Amounts reported for governmental activities in the statement of net assets differ due to:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds					34,392,040
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					794,260
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds					
Deferred outflows of resources related to pensions					487,021
Deferred inflows of resources related to pensions					(1,016,458)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds					
Accrued interest					(71,130)
Capital leases payable					(8,427,862)
Compensated absences					(453,966)
Net pension liability - proportionate share					(4,191,763)
Net position of governmental activities					<u>30,412,685</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, 2015**

	11 General Current Expense	61 Special Revenue	41 Permanent Improvement Fund	51 Capital Projects Fund	Total Governmental
<b>Revenues:</b>					
Property taxes	\$ 20,936,744	\$ -	\$ -	\$ -	\$ 20,936,744
Other Local sources	1,065,109	38,497	-	-	1,103,606
State sources	45,418,250	3,470,057	-	65,628	48,953,935
Federal sources	658,363	8,999,034	-	-	9,657,397
Miscellaneous sources	60,853	-	-	27	60,880
<b>Total revenues</b>	<b>68,139,319</b>	<b>12,507,588</b>	<b>-</b>	<b>65,655</b>	<b>80,712,562</b>
<b>Expenditures:</b>					
Instruction	37,181,910	5,884,487	-	-	43,066,397
Supporting services:					
Students	2,524,504	586,853	-	-	3,111,357
Instructional staff	1,008,038	1,670,906	-	-	2,678,944
General administration	1,284,514	15,283	-	-	1,299,797
School administration	4,404,373	10,293	-	-	4,414,666
Central Services	1,865,021	8,664	-	-	1,873,685
Operation and maintenance of facilities	7,745,539	82,676	-	48,549	7,876,764
Student transportation	6,786,062	596,271	-	-	7,382,333
Other support services					-
Food services	3,274	5,070,795	-	-	5,074,069
Community services	152,239	-	-	-	152,239
Capital outlay	189,338	3,344	-	-	192,682
Debt service:					
Principal retirement	744,731	-	-	-	744,731
Interest and fiscal charges	173,051	-	-	-	173,051
<b>Total expenditures</b>	<b>64,062,594</b>	<b>13,929,572</b>	<b>-</b>	<b>48,549</b>	<b>78,040,715</b>
Excess (deficiency) of revenues over expenditures	4,076,725	(1,421,984)	-	17,106	2,671,847
<b>Other financing sources (uses):</b>					
Proceeds from disposal of real or personal property	89,827	-	-	-	89,827
Transfers in	236,274	1,783,600	-	1,098,504	3,118,378
Transfers (out)	(2,800,101)	(297,146)	-	(21,131)	(3,118,378)
<b>Total other financing sources (uses)</b>	<b>(2,474,000)</b>	<b>1,486,454</b>	<b>-</b>	<b>1,077,373</b>	<b>89,827</b>
<b>Net change in fund balances</b>	<b>1,602,725</b>	<b>64,470</b>	<b>-</b>	<b>1,094,479</b>	<b>2,761,674</b>
<b>Fund balances - beginning</b>	<b>4,289,059</b>	<b>1,371,310</b>	<b>407,071</b>	<b>71,429</b>	<b>6,138,869</b>
<b>Fund balances - ending</b>	<b>\$ 5,891,784</b>	<b>\$ 1,435,780</b>	<b>\$ 407,071</b>	<b>\$ 1,165,908</b>	<b>\$ 8,900,543</b>

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, 2015**

Net change in fund balances - total governmental funds	\$	2,761,674
<p>Amounts reported for governmental activities in the statement of activities are different due to:</p>		
<p>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.</p>		
Depreciation expense		(2,417,914)
Capital outlays		2,319,953
<p>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).</p>		
Property taxes receivable		533,859
Operating Grants and Contributions		(20,206)
<p>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.</p>		
		744,729
<p>Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.</p>		
Cost of assets disposed		(1,711,668)
Accumulated depreciation of assets disposed		1,464,951
<p>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.</p>		
Accrued vacation payable		16,607
<p>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.</p>		
		(18,260)
<p>Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense</p>		
District pension contributions		487,021
Cost of benefits earned net of employee contributions		(133,704)
Change in net assets of governmental activities	<u>\$</u>	<u>4,027,042</u>

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, 2015**

	Agency Funds
	School Activity Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>Assets:</b>	
Cash and cash equivalents	\$ 927,225
Receivables	-
	-
<b>Total assets</b>	<b>927,225</b>
<b>Deferred outflows of resources:</b>	
<b>Total deferred outflows of resources</b>	-
<b>Total assets and deferred outflows of resources</b>	<b>\$ -</b>
 <b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
<b>Liabilities:</b>	
Accounts payable and accrued liabilities	\$ -
Due to other funds	927,225
	-
<b>Total liabilities</b>	<b>927,225</b>
<b>Deferred inflows of resources:</b>	
<b>Total deferred inflows of resources</b>	-
<b>Total liabilities and deferred inflows of resources</b>	<b>\$ -</b>

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, 2015**

**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, 2015**

**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: Regional education service agencies (RESA's) and multi-county vocational centers (MCVC's) for the purpose of providing high quality, cost effective educational programs and to provide vocational training, respectively, in which the county board of education serves as the fiscal agent; 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.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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

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

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

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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

All deposit accounts and investments of the Board at June 30, 2015 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool	\$ 9,075,528	\$ 9,075,528	\$ 9,075,528
Deposits with financial institutions -			
Individual schools	927,225	927,225	927,225
Deposits with financial institutions -			
Board of Education	4,158,820	4,158,820	6,307,565
Total cash and cash equivalents	<u>\$ 14,161,573</u>	<u>\$ 14,161,573</u>	<u>\$ 16,310,318</u>

The Board had no fixed-term investments at June 30, 2015.

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.

**WV Government Money Market Pool – Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI's pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, 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. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AA+	\$ 6,000	2.41%
U.S. Treasury notes *	Aaa	AA+	34,019	13.69
U.S. Treasury bills *	P-1	A-1+	11,991	4.83
U.S. agency discount notes	P-1	A-1+	152,299	61.30
Money market funds	Aaa	AAAAM	59	0.02
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	44,100	17.75
			<u>\$ 248,468</u>	<u>100.00%</u>

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

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$2,174,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

**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	\$ 44,100	1
U.S. Treasury notes	34,019	80
U.S. Treasury bills	11,991	160
U.S. agency discount notes	152,299	51
U.S. agency bonds	6,000	30
Money market funds	59	1
	<u>\$ 248,468</u>	51

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$2,174,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

**Other Investment Risks**

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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

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 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 \$227,524 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.

**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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

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

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

**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, 2015, the deferred outflow of resources was \$487,021. The Board's deferred outflows for the government-wide financials include the Board's current year retirement contributions for pension expense that will impact future reporting periods.

**K. Pensions:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teacher Retirement System (TRS) and additions to/deductions from the TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 9 for further discussion.

**L. 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. In lieu of a cash payment at retirement, employees hired prior to July 1, 2015 can elect to use accumulated annual leave toward their postemployment health care insurance premium.

**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.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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

**M. Long-term Obligations:**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

**N. 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. The Board's deferred inflows of the fund financial statements included property taxes and child nutrition receivables. Deferred inflows for the government-wide financials include the proportionate share of the Board's net difference between projected and actual earnings and the differences between the employer contributions and proportionate share of contributions. For fiscal year ended June 30, 2015, the deferred inflow of resources for the government-wide financial statements was \$1,016,458.

**O. Net Position:**

Net position is classified into three 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 invested capital assets, net of related debt.
- **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.
- **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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

**P. 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. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2015. 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.

**Q. 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.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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

**R. 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.

**S. 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.

**T. Newly Adopted Statements Issued by the GASB:**

The Governmental Accounting Standards Board has 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. Implementation of GASB Statement No. 68 impacts only the district-wide statement of net position and statement of activities as an adjustment to pension expense, allocated among expense functions, and consequently an adjustment to net position due to the recognition of the Boards proportionate share of the cumulative net pension liability. Implementation of GASB Statement No. 68 has no effect on the governmental funds balance sheet, or the statement of revenues, expenditures, and changes in fund balances for the governmental funds. See note 2 for a discussion of the effect that adoption GASB Statement No. 68 had on the June 30, 2015 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 adoption of GASB Statement No. 69 had no impact on the June 30, 2015 financial statements.

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 impact on the June 30, 2015 financial statements.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

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

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. See note 2 for a discussion of the effect that adoption GASB Statement No. 71 had on the June 30, 2015 financial statements.

**U. Recent Statements Issued by the GASB:**

The Governmental Accounting Standards Board has also issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Board has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The Board has not yet determined the effect that the adoption of GASB Statement No. 73 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Board has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Board has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The Board has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The objective of this Statement is to provide financial statement users with essential information about the nature and magnitude of the reduction in tax revenues through tax abatement programs in order to better assess (a) whether current-year revenues were sufficient to pay for current-year services, (b) compliance with finance-related legal or contractual requirements, (c) where a government’s financial resources come from and how it uses them, and (d) financial position and economic condition and how they have changed over time. The Board has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

**Note 2 – Changes in Accounting Principles:**

Effective July 1, 2014, the School Board adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (the Statements). The Statements address accounting and financial reporting for pensions provided to School Board employees who participate in the State Teachers’ Retirement System (TRS). The Statements also require various note disclosures (Note 9) and required supplementary information. As a result, beginning net position has been restated as follows:

	<b>Governmental Activities</b>
<b>Beginning net position as previously reported at June 30, 2014</b>	\$ 31,460,160
Prior period adjustment - Implementation GASB 68 & 71	
Beginning net pension liability	(5,634,206)
Deferred outflows of resources - 2014 Board contributions	559,689
Total prior period adjustment	(5,074,517)
<b>Net position as restated, July 1, 2014</b>	<b>\$ 26,385,643</b>

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

**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.

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

**Note 4 - Property Taxes:**

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

- Class I - All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer.
- 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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 4 - Property Taxes (Continued) :**

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	\$ 572,155,470	38.80¢	45.90¢
Class III	\$ 695,601,827	77.60¢	91.80¢
Class IV	\$ 255,904,875	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 distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments. The first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first.

Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of 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, 2015 for the Board's funds are as follows:

	General/Current Expense Fund
Taxes receivable	\$ 3,594,884
Less: allowance for uncollectible	2,078,894
Taxes receivable, net	<u>\$ 1,515,990</u>

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 5 - Excess Levy:**

The Board had an excess levy in effect during the fiscal year ended June 30, 2015. The levy was authorized by the voters of the county at an election held on February 9, 2013 for the fiscal years ended June 30, 2015 through June 30, 2019 to provide funds for the following purposes:

A).	Free Textbooks .....	\$ 823,000
B).	Student Security – Safe Schools, Homeland Security .....	160,000
C).	Universal Feeding – Free Breakfast and Lunch for All Students .....	650,000
D).	Playground Equipment – Upgrades to/Replacement of Playgrounds.....	20,000
E).	Student Admission to Athletic Events – Middle/High School Student Admission to Home Athletic Events.....	72,000
F).	Student National & State Competition – Support for Student Competitions .....	25,000
G).	Farm2School, Local Procurement of Farm Products & School Gardens .....	8,000
H).	Instructional Support – Supplies, Materials, Equipment & Pilot Programs .....	225,000
I).	Special Education Support.....	40,000
J).	WVU Extension, 4-H Energy Express .....	30,000
K).	Athletic Bus Trip Support.....	150,000
L).	Public Library Support – Ansted, Fayetteville, Gauley Bridge, Meadow Bridge, Montgomery, Mt. Hope, Oak Hill .....	26,500
M).	Student Health Services – Fayette County Board of Health & Medical Assistance .....	30,000
N).	Student Activities & Athletics – Student Curricular/Extracurricular Support & Student Attendance Incentive .....	85,000
O).	Music Support – Band, Chorus & Elementary/Middle School Music.....	60,000
P).	Art Support .....	25,000
Q).	Family & Consumer Science Support – Home Economics .....	4,500
R).	Industrial Arts & Career Technical Education Support.....	8,000
S).	Business Education.....	13,000
T).	Physical Development & Health Education Support – Healthy Schools, PE, Health & FitnessGram .....	25,000
U).	Science/Math Support.....	88,000
V).	Reading Support .....	100,000
W).	21 <sup>st</sup> Century Technical Curriculum Support – Maintenance/Upgrades of Hardware & Support.....	990,000
X).	Additional Bus Replacement .....	20,000
Y).	Maintenance of Buildings/Capital Improvements – Maintenance, repairs and major improvements of buildings and grounds.....	1,200,000
Z).	Preschool .....	78,245
AA).	Professional Salary Support.....	2,358,000
BB).	Service Salary Support .....	1,177,000
CC).	Employee Dental/Vision Insurance .....	780,000
	TOTAL (Annual Amount) .....	<u>\$ 9,271,245</u>

A total of \$10,760,061 was received by the Board from the excess levy during the fiscal year ended June 30, 2015.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

**Note 6 - Capital Assets:**

Capital asset balances and activity for the year ended June 30, 2015, is as follows:

	Beginning Balance	Restatement	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 159,213	\$ -	\$ -	\$ -	\$ 159,213
Construction in process	953,594	-	-	(953,594)	-
Total non-depreciable capital assets	<u>1,112,807</u>	<u>-</u>	<u>-</u>	<u>(953,594)</u>	<u>159,213</u>
Capital assets, depreciable:					
Land improvements	-	-	-	-	-
Buildings and improvements	52,874,470	-	804,787	-	53,679,258
Furniture and equipment	19,358,806	-	1,765,413	-	21,124,219
Vehicles	8,902,939	-	703,348	(1,711,668)	7,894,619
Total depreciable capital assets	<u>81,136,216</u>	<u>-</u>	<u>3,273,548</u>	<u>(1,711,668)</u>	<u>82,698,096</u>
Less accumulated depreciation for:					
Land improvements	-	-	-	-	-
Buildings and improvements	(32,413,984)	-	(1,083,298)	-	(33,497,282)
Furniture and equipment	(9,946,129)	-	(847,006)	-	(10,793,135)
Vehicles	(5,152,193)	-	(487,610)	1,464,951	(4,174,852)
Total accumulated depreciation	<u>(47,512,306)</u>	<u>-</u>	<u>(2,417,914)</u>	<u>1,464,951</u>	<u>(48,465,268)</u>
Total depreciable capital assets, net	<u>33,623,910</u>	<u>-</u>	<u>855,634</u>	<u>(246,717)</u>	<u>34,232,827</u>
Total capital assets, net	<u>\$ 34,736,717</u>	<u>\$ -</u>	<u>\$ 855,634</u>	<u>\$ (1,200,311)</u>	<u>\$ 34,392,040</u>

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

Instruction	\$ 840,945
Supporting Services:	
Students	4,037
Instructional Staff	152,283
Central administration	7,334
School administration	21,810
Business	
Operation and maintenance of facilities	820,460
Transportation	479,503
Other support services	
Food services	91,542
Community Services	-
Total Depreciation expense - governmental activities	<u>\$ 2,417,915</u>

Fixed Assets at June 30, 2015, 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 were restated in order to align the statements with the inventory in the West Virginia Education Information Systems program.

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

**Note 7 - Long-term Debt:**

Long-term liability activity for the year ended June 30, 2015 is as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
Compensated absences	\$ 470,573	\$ -	\$ 16,607	\$ 453,966	\$ 453,966	\$ -
Capital lease payable	9,172,591	-	744,729	8,427,862	730,728	7,697,134
Net pension liability*	5,634,206	133,704	1,576,147	4,191,763	-	4,191,763
Long-term liabilities	<u>\$ 15,277,370</u>	<u>\$ 133,704</u>	<u>\$ 2,337,483</u>	<u>\$ 13,073,591</u>	<u>\$ 1,184,694</u>	<u>\$ 11,888,897</u>

\*Restated beginning balance for implementaiton of GASB 68/71

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 School Board has entered into various lease/purchase agreements with the private sector, primarily for equipment. These agreements, accounted for as capital leases, are for various terms. While these agreements contain clauses indicating that their continuation is subject to continuing appropriations by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

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 contrast, 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 contrast, 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, 2015**

**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, 2015 for the Board's capital leases:

Year Ending June 30,		
2016	\$	940,988
2017		940,325
2018		938,075
2019		877,448
2020		876,816
2021-2025		4,150,153
2026-2027		1,130,200
Total minimum lease payments		9,854,005
Less: Amount representing interest		(1,426,142)
Present value of minimum lease payments	\$	8,427,863

**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, 2015, the Board's total payroll for all employees was \$40,419,436 and the payroll was \$37,029,302 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 School Board's financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting. 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 School Board's financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The State's contribution to TRS on-behalf of the School Board meets the GASB Statement No. 68 definition of a special funding source. Therefore, the School Board has recorded pension expense and revenue for the portion of the State's total proportionate share of collective pension expense that is associated with the School Board in the financial statements prepared on the economic resources focus and accrual basis of accounting.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 9 - Employee Retirement System (Continued):**

Conversion of leave for post-retirement: For employees hired for the first time and first becoming a member of the Teachers' Retirement System (TRS) before July 1, 2015, 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. For employees hired for the first time and first becoming a member of the Teachers' Retirement System (TRS) on or after July 1, 2015, there is no provision to convert an employee's unused vacation and sick leave to a greater retirement benefit or payment of health insurance premiums.

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

*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. The West Virginia Legislature passed Senate Bill 529 in 2015 essentially adding a second tier of retirement benefits for those eligible to be a member of TRS who are hired for the first time and first become a member of TRS on or after July 1, 2015. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

*Benefits provided:* Prior to the passage of Senate Bill 529, 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. With the passage of Senate Bill 529, to qualify for full benefits, employees hired for the first time and first becoming a member of TRS on or after July 1, 2015 must meet the following conditions:

- age 62 for an employee who goes directly into retirement with no break in service,
- age 64 for employees with a break in service between employment and retirement and less than 20 years of TRS service,
- age 63 for those with a break in service between employment and retirement and 20 or more years of TRS service,

With the passage of Senate Bill 529, to qualify for reduced annuity benefits employees hired for the first time and first becoming a member of TRS on or after July 1, 2015 must meet the following conditions:

- between the ages of 60 and 62 and having a minimum of 10 years of contributing service,
- between the ages of 57 and 62 and having 20 or more years of contributing service.
- between the ages of 55 and 62 and having 30 or more years of contributing service.

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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 9 - Employee Retirement System (Continued):**

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.

*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.

**Net Pension Liability, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources:**

At June 30, 2015, the School Board reported a liability for its proportionate share of the TRS net pension liability that reflected a reduction for State pension support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Board were as follows:

School Board's proportionate share of the net pension liability	\$	4,191,763
State's proportionate share of the net pension liability associated with the School Board		79,535,186
Total portion of net pension liability associated with School Board	\$	<u><u>83,726,949</u></u>

The TRS net pension liability was measured as of June 30, 2014, and the total pension liability was determined by an actuarial valuation as of July 1, 2013 rolled forward to the measurement date. The School Board's proportion of the net pension liability was based on its proportionate share of employer and non-employer contributions to the TRS Plan for the fiscal year ended on the measurement date.

For the year ended June 30, 2015, the School Board recognized pension expense of \$4,539,761 and for support provided by the State, revenue of \$4,406,057. At June 30, 2015, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

		<u>Deferred Outflows of Resource</u>		<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$	-	\$	554,069.00
Changes in proportion and differences between School Board contributions and proportionate share of contributions		-		462,389.00
District contributions subsequent to the measurement Date		487,021.00		-
<b>Total</b>	<b>\$</b>	<b><u><u>487,021.00</u></u></b>	<b>\$</b>	<b><u><u>1,016,458.00</u></u></b>

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 9 - Employee Retirement System (Continued):**

School Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending June 30,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ -	\$ 189,052
2017	-	189,052
2018	-	189,052
2019	-	189,052
2020	-	71,197
Thereafter	-	-
<b>Total</b>	<u>\$ -</u>	<u>\$ 827,407</u>

**Actuarial Assumptions:**

For TRS, the actuarial assumptions used in the June 30, 2013 valuation, with update procedures used to roll forward the total pension liability to June 30, 2014, were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010. These assumptions are as follows:

**Inflation** – 2.2%

**Salary increases** – For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75-5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40-6.50%.

**Investment rate of return** – 7.5%, net of pension plan investment expense, including inflation.

**Mortality** – Active – RP2000, non-annuitant monthly mortality table, retired – RP2000 healthy annuitant, scale AA; disabled – RP2000 disabled annuitant mortality table, scale AA.

**Discount Rate** – 7.5%

**Investment Asset Allocation:**

The long-term rate of return on pension plan investments was determined using the building block method in which estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.50%	7.60%
International Equity	27.50%	8.50%
Private Equity	10.00%	9.90%
Fixed Income	15.00%	2.90%
Hedge Fund	10.00%	5.00%
Real Estate	10.00%	6.80%
<b>Total</b>	<u><b>100%</b></u>	

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 9 - Employee Retirement System (Continued):**

**Discount Rate:**

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position of the TRS Plan was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the School Board's proportionate share of its net pension liability calculated using the discount rate of 7.5% and the impact of using a discount rate that is 1% higher or lower than the current rate.

	<b>1.0% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1.0% Increase (8.5%)</b>
School Board's proportionate share of the TRS net pension liability	<u>\$ 5,436,224</u>	<u>\$ 4,191,759</u>	<u>\$ 3,123,357</u>

**Payables to the pension plan:**

Pension plan liabilities are included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position. At June 30, 2015, the School Board reported no liability to the pension plan.

**B. 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, DFA US Targeted Value R1, T. Rowe Price Diversified Small Cap Growth, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, Fidelity New Millennium, Fayette 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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 9 - Employee Retirement System (Continued):**

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, 2014, this plan had approximately \$401.9 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.

*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 2015 were:

Employees' contributions (4.5%)	\$	34,252
Employer's contributions (7.5%)		<u>57,087</u>
 Total contributions	 \$	 <u>91,339</u>

**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.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

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

Retired employees who elected to participate in the PEIA insurance plan prior to July 1, 1988: Those without dependents may credit two days of unused sick or annual leave towards one month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one month of insurance coverage.

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

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

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

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

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, 2015 was determined to be:

	Total	Amount/Policy Holder
Total Annual Required Contribution	\$ 298,240,000	\$ 4,663
Pay as you go – Retiree Subsidy	(150,000,000)	(1,966)
Remaining ARC	\$ 148,240,000	\$ 2,697
The following summarizes the Board's OPEB activity:		
OPEB Liability at July 1, 2014		\$ 3,535,437
Total OPEB expense		1,206,185
Less:		
State appropriation allocation		0
Pay as you go payments and other credits		(1,082,258)
OPEB at year end		\$ 3,659,364
Portion attributable to personnel funded through PSSP		0
Portion attributable to remaining personnel		\$ 3,659,364

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

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

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:

<u>Fiscal Year Ending June 30</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>
2015	\$1,206,185	90%
2014	1,903,430	98%
2013	1,996,017	98%

**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 2015 was \$1,082,258. 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, 2015 are as follows:

Fund Balances	General Current Expense	Special Revenue Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
<b><u>Nonspendable:</u></b>					
Prepaid Items	\$ 125,000				\$ 125,000
<b><u>Restricted for:</u></b>					
Special Projects		\$ 1,435,780			1,435,780
Capital Projects			\$ 407,071	\$ 165,908	572,979
Excess Levies	1,796,872				1,796,872
<b><u>Assigned to:</u></b>					
Capital Projects				1,000,000	1,000,000
Encumbrances	69,067				69,067
Beginning Balance	3,900,845				3,900,845
<b>Total fund balances</b>	<b>\$ 5,891,784</b>	<b>\$ 1,435,780</b>	<b>\$ 407,071</b>	<b>\$ 1,165,908</b>	<b>\$ 8,900,543</b>

**FAYETTE COUNTY BOARD OF EDUCATION**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2015**

**Note 13 - Commitments, Contingencies and Subsequent Events:**

The Board had encumbrances totaling \$1,240,984 as of June 30, 2015 in the following funds:

<u>General Current Expense</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
\$ 1,164,123	\$ 33,111	\$ 43,750

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, 2015, Medicaid school-based health services revenue was recognized in accordance with fee-for-service billing as in prior years by the Board. However, the Medicaid State Plan approved by the Centers for Medicare and Medicaid Services (CMS) requires such revenue to be recognized based on an estimated annual cost settlement. The calculation methodology for significant parts of the annual cost settlement are still in discussion stages between the West Virginia Department of Health and Human Resources (DHHR) and the West Virginia Department of Education (WVDE). The final calculation methodology agreed upon by DHHR and WVDE could result in significantly different revenue for recognition in the June 30, 2015 financial statements. At the time these financial statements were prepared, the final calculation methodology and all of the data necessary to perform a reasonable cost settlement estimate was not available. Therefore, no estimated annual cost settlement for Medicaid school-based health services revenue is included in the financial statements for fiscal year ended June 30, 2015.

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

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**Note 14 - Interfund Balances and Transfers:**

The composition of interfund balances as of June 30, 2015 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects Fund	General Fund	\$ 1,004,447
Permanent Improvement	General Fund	407,071
Special Revenue	General Fund	<u>(275,101)</u>
Total		<u>\$ 1,136,417</u>

**Interfund Transfers**

During the year ended June 30, 2015, funds from the General Fund were transferred to the Special Revenue Fund for Child Nutrition and State Aid Restricted. Funds from the General Fund were transferred to the Capital Improvement Fund for improvement projects. Additionally, funds from the Special Revenue Fund were transferred to the General Fund for indirect cost charges on federal grants.

**Note 15 - Major Sources of Revenue:**

The largest single source of revenue received by the Board is state aid funds through the Public School Support Program. In addition, the Board receives financial assistance from federal and state governments in the form of grants. 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.

**Note 16 – West Virginia Accreditation:**

As of June 30, 2015, 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. The West Virginia State Board of Education has taken 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, 2015**

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget
	Regulatory Basis					
	Original	Final				
<b>Revenues:</b>						
Property taxes	20,024,155	20,822,893	20,936,744	-	20,936,744	113,851
Other Local sources	220,000	771,695	1,065,109	-	1,065,109	293,414
State sources	45,133,168	45,226,406	45,418,250	-	45,418,250	191,844
Federal sources	255,000	862,131	658,363	-	658,363	(203,768)
Miscellaneous sources	-	60,853	60,853	-	60,853	-
<b>Total revenues</b>	<b>65,632,323</b>	<b>67,743,978</b>	<b>68,139,319</b>	<b>-</b>	<b>68,139,319</b>	<b>395,341</b>
<b>Expenditures:</b>						
Instruction	40,426,158	42,368,548	37,181,910	(61,964)	37,119,947	5,248,601
Supporting services:						
Students	2,589,901	2,770,683	2,524,504	-	2,524,504	246,179
Instructional staff	1,325,856	1,456,038	1,008,038	-	1,008,038	448,000
Central administration	1,315,695	1,440,751	1,284,514	-	1,284,514	156,237
School administration	4,477,920	4,575,560	4,404,373	-	4,404,373	171,187
Business	1,995,052	2,254,611	1,865,021	-	1,865,021	389,590
Operation and maintenance of facilities	6,286,453	8,003,300	7,745,539	(30,982)	7,714,558	288,742
Student transportation	5,936,212	7,265,646	6,786,062	(30,982)	6,755,080	510,566
Other	-	-	-	-	-	-
Food services	8,568	11,274	3,274	-	3,274	8,000
Community services	155,239	155,239	152,239	-	152,239	3,000
Principal Retirement	987,044	987,044	744,731	-	744,731	242,313
Interest	-	-	173,051	-	173,051	(173,051)
Capital outlay	780,000	189,338	189,338	-	189,338	-
<b>Total expenditures</b>	<b>66,284,097</b>	<b>71,478,032</b>	<b>64,062,596</b>	<b>(123,928)</b>	<b>63,938,668</b>	<b>7,539,363</b>
Excess (deficiency) of revenues over expenditures	(651,774)	(3,734,054)	4,076,723	123,928	4,200,650	7,934,704
<b>Other financing sources (uses):</b>						
Proceeds from disposal of real or personal property	-	89,829	89,829	-	89,829	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	120,000	130,299	236,275	-	236,275	105,976
Transfers (out)	(3,068,226)	(4,630,370)	(2,800,102)	-	(2,800,102)	1,830,268
<b>Total other financing sources (uses)</b>	<b>(2,948,226)</b>	<b>(4,500,071)</b>	<b>(2,473,997)</b>	<b>-</b>	<b>(2,473,997)</b>	<b>1,936,244</b>
<b>Change in fund balances</b>	<b>(3,600,000)</b>	<b>(8,364,424)</b>	<b>1,602,726</b>	<b>123,928</b>	<b>1,726,653</b>	<b>9,870,949</b>
<b>Fund balances - beginning</b>	<b>4,289,059</b>	<b>4,289,059</b>	<b>4,289,059</b>	<b>-</b>	<b>4,289,059</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>689,059</b>	<b>(4,075,365)</b>	<b>5,891,785</b>	<b>123,928</b>	<b>6,015,712</b>	<b>9,870,949</b>

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, 2015**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
<b>Revenues:</b>						
Local sources	\$ 28,900	\$ 38,267	\$ 38,497	\$ -	\$ 38,497	\$ 229
State sources	2,837,130	3,546,580	3,470,057	-	3,470,057	(76,523)
Federal sources	7,935,221	9,682,434	8,999,034	-	8,999,034	(683,400)
Miscellaneous sources	-	-	-	-	-	-
<b>Total revenues</b>	<b>10,801,251</b>	<b>13,267,282</b>	<b>12,507,588</b>	<b>-</b>	<b>12,507,588</b>	<b>(759,694)</b>
<b>Expenditures:</b>						
Instruction	4,364,989	7,199,535	5,884,487	-	5,884,487	1,315,048
Supporting services:						
Students	315,395	798,025	586,853	-	586,853	211,172
Instructional staff	408,608	2,128,973	1,670,906	-	1,670,906	458,067
Central administration	-	17,416	15,283	-	15,283	2,133
School administration	-	13,668	10,293	-	10,293	3,375
Business	-	8,664	8,664	-	8,664	-
Operation and maintenance of facilities	-	119,402	82,676	-	82,676	36,726
Student transportation	515,486	601,210	596,271	-	596,271	4,939
Other	-	-	-	-	-	-
Food services	4,687,201	4,862,421	5,070,795	-	5,070,795	(208,374)
Community services	-	-	-	-	-	-
Capital outlay	-	-	3,344	-	3,344	(3,344)
<b>Total expenditures</b>	<b>10,291,679</b>	<b>15,749,315</b>	<b>13,929,572</b>	<b>-</b>	<b>13,929,572</b>	<b>1,819,743</b>
Excess (deficiency) of revenues over expenditures	509,572	(2,482,032)	(1,421,983)	-	(1,421,983)	1,060,049
<b>Other financing sources (uses):</b>						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	2,062,000	2,062,000	1,783,599	-	1,783,599	(278,400)
Transfers (out)	(2,571,571)	(947,934)	(297,146)	-	(297,146)	650,787
<b>Total other financing sources (uses)</b>	<b>(509,572)</b>	<b>1,114,066</b>	<b>1,486,453</b>	<b>-</b>	<b>1,486,453</b>	<b>372,387</b>
<b>Change in fund balances</b>	<b>0</b>	<b>(1,367,967)</b>	<b>64,470</b>	<b>-</b>	<b>64,470</b>	<b>1,432,437</b>
<b>Fund balances - beginning</b>	<b>1,371,310</b>	<b>1,371,310</b>	<b>1,371,310</b>	<b>-</b>	<b>1,371,310</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 1,371,310</b>	<b>\$ 3,343</b>	<b>\$ 1,435,780</b>	<b>\$ -</b>	<b>\$ 1,435,780</b>	<b>\$ 1,432,437</b>

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 FOR THE MEASUREMENT PERIOD ENDED JUNE 30, 2014**

	<b>2014</b>
District's proportion of the net pension liability (asset)	0.121497%
District's proportionate share of the net pension liability (asset)	\$ 4,191,763
State's proportionate share of the net pension liability (asset) associated with the district	79,535,186
Total	\$ 83,726,949
District's covered-employee payroll	\$ 36,479,298
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	11.491%
Plan fiduciary net position as a percentage of the total pension liability	65.95%

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**TEACHERS' RETIREMENT SYSTEM**  
**YEAR ENDED JUNE 30, 2015**

	<b>2015</b>
Contractually required contribution	\$ 3,181,301
Contributions in relation to the contractually required contribution	(3,181,301)
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 36,268,146
Contributions as a percentage of covered-employee payroll	8.772%

*Data prior to 2015 is unavailable.*

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**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, 2015, expenditures exceeded appropriations in the General Fund and the Special Projects Fund. The expenditures are monitored at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

General Fund:	
<u>Function</u>	<u>Amount</u>
Interest and Fiscal Charges	\$173,051
Special Revenue Fund:	
<u>Function</u>	<u>Amount</u>
Food Service	\$208,374

The over-expenditures in the Food Service Program is due to implementation of a Universal Free Breakfast and Lunch Program. Over-expenditures in the General Fund and Special Revenue Fund were funded by available beginning fund balance and did not impact the financial results of the funds.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**C. Actuarial Revisions:**

Subsequent to the issuance of the West Virginia Consolidated Public Retirement Board's June 30, 2014 Comprehensive Annual Financial Report, certain actuarial amounts from the actuarial valuation as of July 1, 2013, rolled forward to June 30, 2014, were revised. The amounts revised as of June 30, 2014 are described below:

Total pension liability	\$	10,132,186,000
Plan fiduciary net position		<u>(6,682,093,000)</u>
<b>Total</b>	<b>\$</b>	<b><u><u>3,450,093,000</u></u></b>
Plan fiduciary net position as a percentage of the total pension liability		65.95%

**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, 2015**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
<b>Revenues:</b>						
Miscellaneous sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	-	-	-	-	-	-
<b>Expenditures:</b>						
Capital outlay	-	407,071	-	-	-	407,071
Operation and maintenance of facilities	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
<b>Total expenditures</b>	-	407,071	-	-	-	407,071
Excess (deficiency) of revenues over expenditures	-	(407,071)	-	-	-	407,071
<b>Other financing sources (uses):</b>						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	-	-	-	-	-	-
<b>Change in fund balances</b>	-	(407,071)	-	-	-	407,071
<b>Fund balances - beginning</b>	-	407,071	407,071	-	407,071	-
<b>Fund balances - ending</b>	\$ -	\$ 0	\$ 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, 2015**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
<b>Revenues:</b>						
Miscellaneous		27	27		27	-
State sources	\$ -	\$ 679,224	\$ 65,628	\$ -	\$ 65,628	\$ (613,596)
<b>Total revenues</b>	-	679,251	65,655	-	65,655	(613,596)
<b>Expenditures:</b>						
Capital outlay	-	-	-	-	-	-
Operation and Maintenance of Facilities	-	845,132	48,549	-	48,549	796,583
<b>Total expenditures</b>	-	845,132	48,549	-	48,549	796,583
Excess (deficiency) of revenues over expenditures	-	(165,881)	17,106	-	17,106	182,987
<b>Other financing sources (uses):</b>						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	-	98,504	1,098,504	-	1,098,504	1,000,000
Transfers (out)	-	-	(21,131)	-	(21,131)	(21,131)
<b>Total other financing sources (uses)</b>	-	-	-	-	-	-
<b>Change in fund balances</b>	-	98,504	1,077,373	-	1,077,373	978,869
Net Change in fund balances	-	(67,377)	1,094,479	-	1,094,479	1,161,856
<b>Fund balance - beginning</b>	71,429	71,429	71,429	-	71,429	-
<b>Fund balance - ending</b>	\$ 71,429	\$ 4,052	\$ 1,165,908		\$ 1,165,908	\$ 1,161,856

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2015**

**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, 2015, expenditures did not exceed appropriations in the Permanent Improvement Fund or the Capital Projects Fund. The expenditures are monitored at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION**  
**OTHER SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS**  
**YEAR ENDED JUNE 30, 2015**

	Cash Balance June 30, 2014	Revenues Received	Expenditures Paid	Cash Balance June 30, 2015
<b>High Schools:</b>				
Fayette Institute of Technology	\$ 243,574	432,377	445,053	230,898
Fayetteville High School	56,449	130,246	145,836	40,859
Meadow Bridge High School	59,056	107,519	102,420	64,155
Midland Trail High School	48,682	111,946	105,584	55,044
Oak Hill High School	64,262	98,930	82,925	80,267
Valley High School	67,179	128,888	135,773	60,294
<b>Total high schools</b>	<u>539,202</u>	<u>1,009,906</u>	<u>1,017,591</u>	<u>531,517</u>
<b>Middle Schools:</b>				
Ansted Middle School	45,147	54,602	44,781	54,968
Collins Middle School	95,874	122,470	114,819	103,525
<b>Total middle schools</b>	<u>141,021</u>	<u>177,072</u>	<u>159,600</u>	<u>158,493</u>
<b>Elementary Schools:</b>				
Ansted Elementary School	18,013	44,007	52,286	9,734
Divide Elementary School	15,955	12,170	8,072	20,053
Fayetteville Elementary School	33,023	67,382	74,142	26,263
Gatewood Elementary School	16,468	5,283	4,837	16,914
Gauley Bridge Elementary School	15,765	9,398	7,077	18,086
Meadow Bridge Elementary School	19,377	11,257	19,936	10,698
Mount Hope elementary School	11,402	12,936	8,814	15,524
New River Elementary School	73,154	23,926	15,020	82,060
Rosedale Elementary School	35,925	50,379	67,922	18,382
Valley Elementary School	24,714	20,691	25,904	19,501
<b>Total elementary schools</b>	<u>263,796</u>	<u>257,429</u>	<u>284,010</u>	<u>237,215</u>
<b>Total</b>	<u>\$ 944,019</u>	<u>\$ 1,444,407</u>	<u>\$ 1,461,201</u>	<u>\$ 927,225</u>

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION  
OTHER SUPPLEMENTARY INFORMATION  
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES  
FYE JUNE 30, 2015**

	Current Year					Levy To Date				
	Estimated Levy	Actual Levy	Carryover from	Actual Expenditures	Variance from	Estimated Levy	Actual Levy	Carryover from Prior	Actual Expenditures	Variance from
	Revenue from Levy				Actual Levy	Actual Levy				Revenue from Levy
Rate Sheet FY15	Collections	Prior Year		Collections	Rate Sheet FY15	Collections	Levy (FY10-FY14)		Collections	
A. Free Textbooks	823,000	823,000	999,707	737,122	1,085,585	823,000	823,000	999,707	737,122	1,085,585
B. Student Safety and Security	160,000	160,000		159,425	575	160,000	160,000	-	159,425	575
C. Universal Feeding	650,000	650,000		650,000	-	650,000	650,000	-	650,000	-
D. Playground Equipment	20,000	20,000		16,656	3,344	20,000	20,000	-	16,656	3,344
E. Student Admission to Athletic Events	72,000	72,000		47,003	24,997	72,000	72,000	-	47,003	24,997
F. Student National & State Competition	25,000	25,000		24,055	945	25,000	25,000	-	24,055	945
G. Farm2School	8,000	8,000			8,000	8,000	8,000	-	-	8,000
H. Instructional Support	225,000	225,000	3,329	154,833	73,497	225,000	225,000	3,329	154,833	73,497
I. Special Education	40,000	40,000			40,000	40,000	40,000	-	-	40,000
J. WVU Extension, 4-H & Energy Express	30,000	30,000		30,000	-	30,000	30,000	-	30,000	-
K. Athletic Bus Trip Support	150,000	150,000		150,000	-	150,000	150,000	-	150,000	-
L. Public Library Support	26,500	26,500		26,500	-	26,500	26,500	-	26,500	-
M. Student Health Services	30,000	30,000		29,325	675	30,000	30,000	-	29,325	675
N. Student Activities & Athletics	85,000	85,000		56,607	28,393	85,000	85,000	-	56,607	28,393
O. Music Support	60,000	60,000		42,892	17,108	60,000	60,000	-	42,892	17,108
P. Art Support	25,000	25,000		19,017	5,983	25,000	25,000	-	19,017	5,983
Q. Family & Consumer Science Support	4,500	4,500		2,464	2,036	4,500	4,500	-	2,464	2,036
R. Industrial Arts & Career Technical Education Support	8,000	8,000		2,096	5,904	8,000	8,000	-	2,096	5,904
S. Business Education Support	13,000	13,000		5,605	7,395	13,000	13,000	-	5,605	7,395
T. Physical Development & Health Education Support	25,000	25,000		14,981	10,019	25,000	25,000	-	14,981	10,019
U. Science/Math Support	88,000	88,000	1,000	50,697	38,303	88,000	88,000	1,000	50,697	38,303
V. Reading Support	100,000	100,000	586	67,349	33,237	100,000	100,000	586	67,349	33,237
W. 21st Century Technical Curriculum Support	990,000	990,000	156,056	885,873	260,183	990,000	990,000	156,056	885,873	260,183
X. Additional Bus Replacement	20,000	20,000			20,000	20,000	20,000	-	-	20,000
Y. Maintenance of Buildings/Capital Improvements	1,200,000	1,200,000	340,644	1,457,094	83,550	1,200,000	1,200,000	340,644	1,457,094	83,550
Z. Preschool	78,245	78,245		67,455	10,790	78,245	78,245	-	67,455	10,790
AA. Professional Salary Support	2,358,000	2,358,000		3,355,507	(997,507)	2,358,000	2,358,000	-	3,355,507	(997,507)
BB. Service Salary Support	1,177,000	1,177,000		1,668,309	(491,309)	1,177,000	1,177,000	-	1,668,309	(491,309)
CC. Employee Dental/Vision Insurance	780,000	780,000		743,646	36,354	780,000	780,000	-	743,646	36,354
Excess of Levy Order & Rate Sheet and Levy Call	1,083,193	1,488,816	24,784	24,784	1,488,816	1,083,193	1,488,816	24,784	24,784	1,488,816
	\$ 10,354,438	\$ 10,760,061	\$ 1,526,106	\$ 10,489,295	\$ 1,796,872	\$ 10,354,438	\$ 10,760,061	\$ 1,526,106	\$ 10,489,295	\$ 1,796,872

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, 2015**

<u>Federal Grantor/ Pass-Through Grantor /Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<b>U.S. Department of Education:</b>			
Pass-through West Virginia Department of Education:			
Adult Basic Education	84.002A	Note 4	\$ 92,745
Title I Part A	84.010	Note 4	2,818,699
English Language Acquisition Grants	84.365	N/A	2,418
Special Education Cluster:			
Special Education – Grants to States	84.027	Note 4	1,525,991
Special Education – Preschool Grants	84.173	Note 4	105,036
Mathematics and Science Partnerships	84.366	C000397822	19,723
Career and Technical Education – Basic Grants to States	84.048	Note 4	161,551
Safe and Drug-Free Schools and Communities National Programs	84.184Y	C000403006	117,418
Rural Education	84.358B	Note 4	26,603
Title II – Improving Teacher Quality State Grants	84.367	Note 4	644,828
Gear Up	84.334	N/A	75,263
Special Education – Tech Assistance and Dissemination	84.326	GRTAWD04021500003138	1,000
Pass-through McDowell County Board of Education:			
School Leadership Program	84.363	N/A	<u>49,057</u>
<b>Total U.S. Department of Education</b>			<u>5,640,332</u>
<b>U.S. Department of Agriculture:</b>			
Pass-through West Virginia Department of Education:			
Child Nutrition Cluster:			
	10.553/10.555/		
National School Lunch Program	10.559	N/A	3,117,040
Fresh Fruits & Vegetables Program	10.582	N/A	106,520
Team Nutrition Grants	10.574	C000409827	2,500
Child and Adult Care Food Program	10.558	N/A	2,762
Pass-through West Virginia Department of Agriculture:			
Child Nutrition Cluster:			
Donated Foods Program	10.555	N/A	<u>89,703</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,318,525</u>
<b>U.S. Department of Labor:</b>			
Pass-through Workforce West Virginia:			
Simulated Work Place Grant	17.267	Note 4	<u>2,000</u>
<b>Total U.S. Department of Labor</b>			<u>2,000</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 8,960,857</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, 2015**

**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 \$89,703 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, 2015.

**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 \$5,050,032.

**FAYETTE COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED JUNE 30, 2015**

**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	C388810, C000399362, C000402249, C000400087, C0004000089, GRTAWD04021500001695, GRTAWD0402C000408087, GRTAWD04021500002233, GRTAWD04021500002512
Title II – Improving Teacher Quality State Grant	84.367	C000384946, C000399265, GRTAWD04021500001762
Special Education Cluster:		
Special Education – Grant to State	84.027	C000401406, C000397278, C000404563, GRTAWD04021500001261, GRTAWD04021500001673, GRTAWD04021500002688, GRTAWD04021500003284, GRTAWD04021500003757, GRTAWD04021500004381
Special Education – Preschool Grant	84.173	C000397350, GRTAWD04021500001364
Title VI – Rural and Low Income	84.358B	C000403631, GRTAWD04021500004742
Adult Basic Education – State Grant Program	84.002A	C000396512, GRTAWD04021500001559
Career and Technical Education – Basic Grants to States	84.048	C000397017, C000404707, GRTAWD04021500001029, GRTAWD04021500003829
Simulated Work Place	17.267	C000408114, C000409279

**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, 2015, 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 29, 2016.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "Susan VanWebb, ACCA".

February 29, 2016

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**INDEPENDENT AUDITORS' 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, 2015. 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

## 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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

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



February 29, 2016

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**FAYETTE COUNTY BOARD OF EDUCATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Reference Number:** 2014-001  
**Audit Findings Title:** Child Nutrition Program Expenditures  
**Contact Person:** Paula Fridley, Treasurer

This finding was not repeated.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**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)?	None Reported
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)?	None Reported
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>
<b>U.S. Department of Education:</b>	
Pass-through West Virginia Department of Education: Special Education Cluster	84.027/84.173
<b>U.S. Department of Agriculture:</b>	
Pass-through West Virginia Department of Education: Child Nutrition Cluster	10.553/10.555/10.559
Fresh Fruits and Vegetables Program	10.582
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?	Yes

**FAYETTE COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None reported.

**C. FINDINGS AND QUESTIONED COSTS – FEDERAL AWARD PROGRAMS**

None reported.