

FAYETTE COUNTY BOARD OF EDUCATION
FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**FAYETTE COUNTY BOARD OF EDUCATION
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**FAYETTE COUNTY BOARD OF EDUCATION
INDEX OF FUNDS**

GOVERNMENTAL FUNDS

General Current Expense

Special Revenue Fund

Permanent Improvement Fund

Capital Projects Fund

FIDUCIARY FUNDS

School Activity Funds

**FAYETTE COUNTY BOARD OF EDUCATION
BOARD OFFICIALS**

<u>Office</u>	<u>Name</u>	<u>Term</u>
	<u>Elective</u>	
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
	<u>Appointive</u>	
Board President:	Steven Bush	
Superintendent:	Terry George	
Treasurer:	Paula Fridley	

SULLIVANWEBB, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
422 KINETIC DRIVE - P.O. BOX 2745
HUNTINGTON, WEST VIRGINIA 25727-2745
TELEPHONE: (304) 697-0565
FACSIMILE: (304) 697-0567
WWW.SULLIVANWEBB.COM

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

MEMBERS
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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 the Fayette County Board of Education, as of and for the year ended June 30, 2016, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 the Fayette County Board of Education, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Current Expense Fund and the Special Revenue Fund, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions to Teachers' Retirement System on pages 6 through 13 and pages 45 through 49 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The accompanying other supplementary information of the budgetary comparison information for the Permanent Improvement Fund, the Capital Project Fund, the schedule of changes in school activity funds, and the schedule of excess levy revenues and expenditures 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 relates 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 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 20, 2017, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Fayette County Board of Education's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Susan van Walle, Assoc.".

February 20, 2017

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

Our discussion and analysis of the Fayette County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2016. 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 \$33.8 million (*net position*) at the close of the most recent fiscal year. Of this amount, \$5.7 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position increased by \$3.4 million.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$10.6 million, an increase of \$1.7 million in comparison with the prior year. Approximately \$388,000 of this total amount is available for spending at the board's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$388,000, or .6% percent of total general fund expenditures.

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).

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

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 on page 19 of this report.

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

District-wide Financial Analysis

As noted earlier, net 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 \$33,886,978 at the close of the most recent fiscal year.

- The largest portion of the Board's net position (77%) 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 (6%) 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* (17%) may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following summarizes the statement of net position at June 30, 2016 in comparison with June 30, 2015:

	2016	2015	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 20,789,705	\$ 18,669,374	\$ 2,120,331
Capital assets	33,944,826	34,392,040	(447,214)
Deferred outflows of resources	1,516,703	487,021	1,029,682
Total assets and deferred outflows of resources	\$ 56,251,234	\$ 53,548,435	\$ 2,702,799
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 8,751,216	\$ 9,499,668	\$ (748,452)
Long-term liabilities outstanding	7,697,264	8,427,862	(730,598)
Deferred inflows of resources	1,079,009	4,191,762	(3,112,753)
Net pension liability - Proportionate share	4,836,767	1,016,458	3,820,309
Total liabilities and deferred inflows of resources	22,364,256	23,135,750	(771,494)
Net position:			
Net Investment in Capital Assets	26,247,562	25,964,178	283,384
Restricted	1,918,691	2,008,759	(90,068)
Unrestricted	5,720,724	2,439,748	3,280,976
Total net position	33,886,978	30,412,685	3,474,293
Total liabilities, deferred inflows of resources, and net position	\$ 56,251,234	\$ 53,548,435	\$ 2,702,799

The key elements of the increase of the Board's net position for the year ended June 30, 2016 are as follows:

- Current and other assets increased by approximately \$2.1 million for the year.
- Capital assets decreased by approximately \$447,000 from depreciation of assets in excess of capital asset additions.
- Current and other liabilities decreased by approximately \$748,000.
- Long-term liabilities decreased by approximately \$731,000 which was primarily the result of principal payment to capital leases.
- 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 approximately \$90,000 during the year ended June 30, 2016.
- The Board's net position increased by approximately \$3.4 million during the current year. The following discussion and analysis on governmental activities focuses on this change.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following summarizes the statement of activities for the year ended June 30, 2016 in comparison with the year ended June 30, 2015:

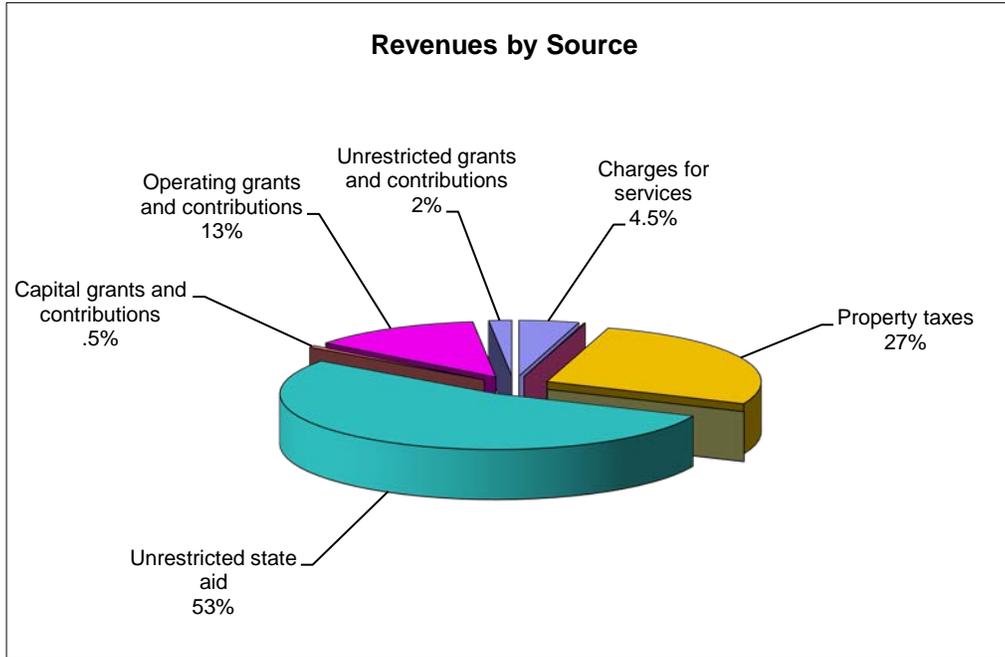
	2016	2015	
	Governmental	Governmental	
	Activities	Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 3,375,660	\$ 3,816,662	\$ (441,002)
Operating grants and contributions	9,607,226	8,890,680	716,546
Capital grants and contributions	409,558	581,143	(171,585)
General revenues:			
Property taxes	20,290,858	21,470,601	(1,179,743)
Unrestricted state aid	40,183,565	39,427,363	756,202
Unrestricted investment earnings	68,767	60,855	7,912
Unrestricted grants and contributions	1,286,690	1,065,109	221,581
Gain or (loss) on disposal of capital assets	-	156,890	156,890
Total revenues	75,222,324	75,469,303	66,801
Expenses:			
Instruction	40,480,050	39,881,621	598,429
Supporting services:			
Students	2,861,299	2,814,145	47,154
Instructional staff	3,010,362	2,640,713	369,649
General administration	1,006,136	1,140,499	(134,363)
School administration	3,991,008	3,978,986	12,022
Central services	1,608,437	1,775,893	(167,456)
Operation and maintenance of facilities	7,306,136	6,856,131	450,005
Student transportation	6,041,866	6,649,773	(607,907)
Other	-	-	-
Total supporting services	25,825,244	25,856,140	(99,702)
Food services	5,083,899	5,047,170	36,729
Community services	165,310	152,239	13,071
Interest on long-term debt	193,528	191,311	2,217
Total expenses	71,748,031	71,128,481	619,050
Change in net position before transfers	3,474,293	4,027,042	(552,249)
Transfers	-	-	-
Change in net position	3,474,293	4,027,042	(552,249)
Net position - Beginning	30,412,685	31,460,160	(1,047,475)
Restatement - GASB 68	-	(5,074,517)	5,074,517
Net position - Ending	\$ 33,886,978	\$ 30,412,685	\$ 3,474,293

The key elements of the changes in the Board's statement of activities for the year ended June 30, 2016 are as follows:

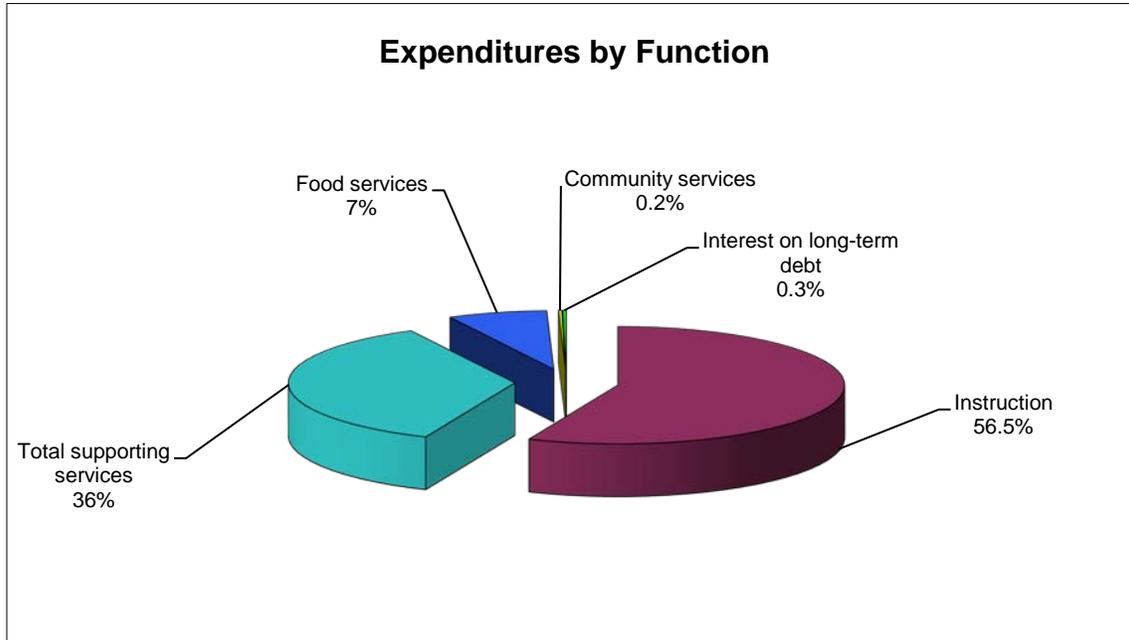
- Charges for services decreased by approximately \$441,000.
- Operating grants and contributions increased by approximately \$716,000.
- Capital grants and contributions decreased by approximately \$172,000.
- General revenues from property taxes decreased by approximately \$1.2 million which was primarily the result of bankruptcies of coal mining properties within the county.
- General revenues from unrestricted state aid increased by approximately \$756,000.
- General revenues from unrestricted grants and contributions increased by approximately \$221,000.
- Overall expenses increased by approximately \$619,550 which was primarily the result of recording the GASB 68 adjustments.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

The following chart shows the Board's revenues for fiscal year ended June 30, 2016 by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2016 by function:



**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 \$10.7 million.

Governmental funds report the differences between their assets, deferred outflows, liabilities, and deferred inflows as fund balance, which is divided into nonspendable, restricted, committed, assigned and unassigned portions. Nonspendable, restricted, committed, and assigned indicate the portion of the Board's fund balances that are not available for appropriation. The unassigned fund balance is available financial resources in governmental funds. The approximately \$5.8 million fund balance of the general fund is primarily designated for the following purpose:

- \$3.2 million for FY17 budget
- \$2 million for Excess Levy
- \$73,063 for non-spendable Retirement Forfeiture
- \$159,898 for encumbrances
- \$338,272 is Unassigned

The Board had four major funds for the fiscal year ended June 30, 2016. 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 remained relatively constant at approximately \$5.8 million when compared to the prior year.

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 approximately \$1.4 million to approximately \$1.7 million during the fiscal year ended June 30, 2016.

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 decreased from \$407,071 to \$197,362 during the fiscal year ended June 30, 2016. This decrease of \$209,709 was due primarily to site preparation for the temporary Collins Middle School modular units.

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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 approximately \$1.2 million to approximately \$2.8 million.

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 approximately \$11 million or 18% 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, 2016, amounts to almost \$34 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was 1%.

	2016	2015	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 159,213	\$ 159,213	\$ -
Buildings and improvements	19,406,466	20,181,976	(775,510)
Furniture and equipment	10,531,577	10,331,084	200,493
Vehicles	3,724,031	3,719,767	4,264
Construction in process	123,539	-	123,539
Total capital assets	<u>\$ 33,944,826</u>	<u>\$ 34,392,040</u>	<u>\$ (447,214)</u>

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

Long-term debt. At the end of the current fiscal year, the Board had total capital lease obligation of \$7,697,264. The obligation for compensated absences for vacations was \$393,710 at June 30, 2016. The Board's proportionate share of the net pension liability was \$4,836,767 as of June 30, 2016

	2016	2015	
	Governmental	Governmental	
	Activities	Activities	Variance
Capital Lease obligations	\$ 7,697,264	\$ 8,427,862	\$ (730,598)
Compensated absences	393,710	453,966	(60,256)
Net pension liability - proportionate share	4,836,767	4,191,763	645,004
Total debt outstanding	<u>\$ 12,927,741</u>	<u>\$ 13,073,591</u>	<u>\$ (145,850)</u>

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

**FAYETTE COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016**

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:

- As disclosed in the notes to the financial statements, these financials include the June 30, 2015 adjustments for the Medicaid Cost Report settlement. The financials do not reflect any adjustments for the June 30, 2016 adjustments for the Medicaid Cost Report settlement.

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, 2016

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ 15,599,859
Investments	95,881
Taxes receivable, net of allowance for uncollectible taxes	2,014,058
Deposit with Retirement Board	73,063
Food service receivable	360,848
Other receivables	182,654
Due from other governments:	
State aid receivable	331,824
PEIA allocation receivable	1,074,774
Reimbursements receivable	1,056,744
Capital Assets:	
Land	159,213
Buildings and improvements	53,796,208
Furniture and equipment	22,336,110
Vehicles	8,399,226
Construction in process	123,539
Less accumulated depreciation	<u>(50,869,470)</u>
Total capital assets, net of depreciation	<u>33,944,826</u>
Total assets	<u>54,734,531</u>
Deferred outflows of resources:	
Total deferred outflows of resources	<u>1,516,703</u>
Total assets and deferred outflows of resources	<u>56,251,234</u>
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION	
Liabilities:	
Salaries payable and related payroll liabilities	2,118,880
PEIA premiums payable	1,435,518
Compensated absences	393,710
Accounts payable	940,683
Other post employment benefit payable	3,795,015
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	741,481
Accrued interest	67,410
Due beyond one year:	
Bonds, capital leases, and contracts	6,955,783
Net pension liability - Proportionate Share	<u>4,836,767</u>
Total liabilities	<u>21,285,247</u>
Deferred inflows of resources:	
Total deferred inflows of resources	<u>1,079,009</u>
Total liabilities and deferred inflows of resources	<u>22,364,256</u>
Net Position:	
Net Investment in Capital Assets	26,247,562
Restricted for:	
Special projects	1,721,329
Capital projects	197,362
Unrestricted	<u>5,720,725</u>
Total net position	<u>\$ 33,886,978</u>

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, 2016

Functions	Expenses	Program Revenues		Net (Expense), Revenue & Changes in Net Assets Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 40,480,050	\$ 2,095,601	\$ 5,906,472	\$ 250,058	\$ (32,227,919)
Supporting services:					
Students	2,861,299	148,126	405,422	17,672	(2,290,079)
Instructional staff	3,010,362	155,843	426,543	18,592	(2,409,384)
General administration	1,006,136	52,086	142,561	6,214	(805,275)
School administration	3,991,008	206,609	565,493	24,649	(3,194,257)
Central services	1,608,437	83,267	227,902	9,934	(1,287,334)
Operation and maintenance of facilities	7,306,136	378,229	1,035,219	45,124	(5,847,564)
Student transportation	6,041,866	312,780	856,082	37,315	(4,835,689)
Other support services	-	-	-	-	-
Food services	5,083,899	(56,881)	41,532	-	(5,099,248)
Community services	165,310	-	-	-	(165,310)
Interest on long-term debt	193,528	-	-	-	(193,528)
Total governmental activities	71,748,031	3,375,660	9,607,226	409,558	(58,355,587)
General revenues:					
Property taxes					20,290,858
Unrestricted state aid					40,183,565
Unrestricted investment earnings					68,767
Unrestricted grants and contributions					1,286,690
Transfers in					3,551,119
Transfers (out)					(3,551,119)
Total general revenues, extraordinary items and transfers					61,829,880
Change in net position					3,474,293
Net position - beginning					30,412,685
Net position - ending					<u><u>\$ 33,886,978</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, 2016

	General Current Expense	Special Revenue Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 15,599,859	\$ -	\$ -	\$ -	\$ 15,599,859
Investments	-	-	-	95,881	95,881
Taxes receivable, net	2,014,058	-	-	-	2,014,058
Deposit with Retirement Board	73,063	-	-	-	73,063
Prepaid Workers' Comp	-	-	-	-	-
Food service receivable, net	-	360,848	-	-	360,848
Other receivables	182,654	-	-	-	182,654
Due from other governments:					
State aid receivable	331,824	-	-	-	331,824
PEIA allocation receivable	1,074,774	-	-	-	1,074,774
Reimbursements receivable	-	1,056,744	-	-	1,056,744
Due from other funds	-	689,250	220,336	2,770,075	3,679,661
Total assets	19,276,233	2,106,843	220,336	2,865,956	24,469,368
Deferred outflows of resources	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 19,276,233	\$ 2,106,843	\$ 220,336	\$ 2,865,956	\$ 24,469,368
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 2,118,880	\$ -	\$ -	\$ -	\$ 2,118,880
Other post employment benefits payable	3,795,015	-	-	-	3,795,015
PEIA premiums payable	1,235,738	199,780	-	-	1,435,518
Accounts payable & Payable to others	773,508	144,201	22,975	-	940,683
Due to other fiscal agents	-	-	-	-	-
Due to other funds	3,679,661	-	-	-	3,679,661
Total liabilities	11,602,801	343,981	22,975	-	11,969,757
Deferred inflows of resources	1,842,722	41,532	-	-	1,884,253
Total deferred inflows of resources	1,842,722	41,532	-	-	1,884,253
Fund Balances:					
Nonspendable	73,063	-	-	-	73,063
Restricted	2,009,477	1,721,329	197,362	-	3,928,168
Committed	-	-	-	-	-
Assigned	3,359,898	-	-	2,865,956	6,225,854
Unassigned	388,272	-	-	-	388,272
Total fund balances	5,830,710	1,721,329	197,362	2,865,956	10,615,357
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 19,276,233	\$ 2,106,842	\$ 220,337	\$ 2,865,956	\$ 24,469,368
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					33,944,826
Other deferred charges are not reported in the funds					170,788
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					1,713,464
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					1,516,703
Deferred inflows of resources related to pensions					(1,079,009)
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 on bonds					(67,410)
Capital leases payable					(7,697,264)
Accrued sick leave payable					-
Compensated absences					(393,710)
Net pension liability - proportionate share					(4,836,767)
Net position of governmental activities					<u>\$ 33,886,978</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 END JUNE 30, 2016

	General Current Expense	Special Revenue	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
Revenues:					
Property taxes	\$ 19,356,305	\$ -	\$ -	\$ -	\$ 19,356,305
Other Local sources	1,255,801	29,663		48	1,285,512
State sources	43,835,667	3,889,379	-	-	47,725,046
Federal sources	185,023	9,132,896	-	-	9,317,919
Miscellaneous sources	68,767	-	30,889	-	99,656
Total revenues	64,701,562	13,051,938	30,889	48	77,784,437
Expenditures:					
Instruction	36,336,605	6,358,217	-	-	42,694,821
Supporting services:					
Students	2,354,808	582,997	-	-	2,937,805
Instructional staff	1,033,749	1,730,894	-	-	2,764,643
General administration	1,123,883	15,119	-	-	1,139,001
School administration	4,424,612	1,831	-	-	4,426,443
Central Services	1,804,942	10,003	-	-	1,814,945
Operation and maintenance of facilities	6,811,307	9,331	-	-	6,820,638
Student transportation	6,562,138	430,607	-	-	6,992,745
Other support services	-	-	-	-	-
Food services	10,046	4,919,253	-	-	4,929,299
Community services	165,310	-	-	-	165,310
Capital outlay	170,525	45,000	240,598	-	456,123
Debt service:					
Principal retirement	730,604	-	-	-	730,604
Interest and fiscal charges	197,246	-	-	-	197,246
Total expenditures	61,725,774	14,103,251	240,598	-	76,069,623
Excess (deficiency) of revenues over expenditures	2,975,788	(1,051,313)	(209,709)	48	1,714,814
Other financing sources (uses):					
Transfers in	235,394	1,545,650	-	1,770,075	3,551,119
Transfers (out)	(3,272,256)	(208,788)	-	(70,075)	(3,551,119)
Total other financing sources (uses)	(3,036,862)	1,336,862	-	1,700,000	-
Net change in fund balances	(61,074)	285,549	(209,709)	1,700,048	1,714,814
Fund balances - beginning	5,891,784	1,435,780	407,071	1,165,908	8,900,543
Fund balances - ending	\$ 5,830,710	\$ 1,721,329	\$ 197,362	\$ 2,865,956	\$ 10,615,357

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 END JUNE 30, 2016**

Net change in fund balances - total governmental funds \$ 1,714,814

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

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

Depreciation expense	(2,404,202)
Capital outlays	2,956,988

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

Property taxes receivable	934,553
Operating Grants and Contributions	155,441

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

730,598

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

Accrued vacation payable	60,256
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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.

3,719

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

District pension contributions	429,378
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Cost of benefits earned net of employee contributions	(107,252)
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Change in net assets of governmental activities	\$ 4,474,293
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The accompanying notes are an integral part of these financial statements.

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	Agency Funds
	School Activity Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ 1,011,987
Receivables	-
Total assets	1,011,987
Deferred outflows of resources:	
Total deferred outflows of resources	-
Total assets and deferred outflows of resources	\$ 1,011,987
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	
Liabilities:	
Accounts payable and accrued liabilities	\$ -
Due to other funds	1,011,987
Total liabilities	1,011,987
Deferred inflows of resources:	
Total deferred inflows of resources	-
Total liabilities and deferred inflows of resources	\$ 1,011,987

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, 2016**

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, 2016

The funds maintained by the Board are:

General Current Expense Fund: The General Current Expense Fund is the operating fund of the School 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 School 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 School 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 School Board holds for others in an agency capacity. These include: school activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

C. Measurement Focus and Basis of Accounting

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

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

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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

D. Encumbrances:

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

E. Cash and Investments:

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

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the Municipal Bond Commission (MBC) for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof; certificates of deposit; and repurchase agreements. Funds of the School Board are temporarily invested by the West Virginia Municipal Bond Commission specifically on behalf of the School Board as part of the Commission's consolidated investment pool. These investments are considered cash and cash equivalents due to their liquid nature.

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool	\$ 10,704,969	\$ 10,704,969	\$ 10,704,969
Deposits with financial institutions - Board of Education	4,990,771	4,990,771	6,650,966
Deposits with financial institutions - Individual schools	1,011,987	1,011,987	1,011,987
Total cash and cash equivalents	<u>\$ 16,707,727</u>	<u>\$ 16,707,727</u>	<u>\$ 18,367,922</u>

All deposit accounts and investments of the School Board at June 30, 2016 consisted of the following:

The School Board had no fixed-term investments at June 30, 2016.

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 School Board's name. Custodial credit risk is the risk that in event of a bank failure, the School Board's deposits may not be returned to it. The School 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. For the year ended June 30, 2015, the WV Government Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

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.

At June 30, 2015, the WV Government Money Market Pool investments had a total carrying value of \$248,468,000 of which the School Board's ownership represents 4%.

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

The overall weighted average maturity of the investments of the WV 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:

	2015	
<u>Security Type</u>	<u>Carrying Value</u> <u>(In thousands)</u>	<u>WAM</u> <u>(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
	\$ 248,468	51

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

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

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

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

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

**FAYETTE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2016**

deposit. None of the BTI's Consolidated Fund's investment pools contain 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 \$235,346 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the School 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 School Board defines capital assets as assets with an initial, individual cost of \$5,000 or more for land, furniture, vehicles, and equipment and \$100,000 for buildings and an estimated useful life in excess of two years. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets' lives are not capitalized.

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

Buildings and improvements, furniture and equipment, and vehicles of the School 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

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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.

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 School Board's policy to permit employees to accumulate earned but unused vacation pay benefits. Vacation benefits can be accumulated up to 40 days and carried forward to the subsequent fiscal years, beginning 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 and the liability for these amounts is reported in the general long-term debt account group. Upon termination employees may be compensated for vacation benefits accumulated. 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. Employees also earn sick leave benefits which accumulate but do not vest.

Other Post Employment Benefit (OPEB) Liability:

It is the School 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.

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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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 include 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 the fiscal year ended June 30, 2016, the deferred inflow of resources for the government-wide financial statements was \$1,079,009.

O. Net Position:

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

- **Net investment in capital assets** - This represents the School 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 the net investment in capital assets.
- **Restricted net position, expendable** - This includes resources in which the School 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 School Board, and may be used at the discretion of the School Board to meet current expenses for any lawful purpose.

P. Fund Equity:

Effective July 1, 2010, the School 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 School 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.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

- 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 School Board minutes of the fiscal year ended June 30, 2016. 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 School 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.

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.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

T. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has 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. Investments held by the West Virginia Board of Treasury Investments and the Municipal Bond Commission are exempt from fair value reporting as allowed by GASB Statement No. 31. Therefore, the adoption of GASB Statement No. 72 had no impact on the June 30, 2016 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, 2015 – except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions. This Statement also clarifies the application of certain provisions of Statement 67 and Statement 68. The adoption of GASB Statement No. 73 had no impact on the June 30, 2016 financial statements.

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 adoption of GASB Statement No. 76 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for fiscal years beginning after June 15, 2015 – except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for fiscal years beginning after December 15, 2015. This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The adoption of GASB Statement No. 79 had no impact on the June 30, 2016 financial statements.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

U. Recent Statements Issued by the GASB:

The Governmental Accounting Standards Board has 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 School 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 School Board has not yet determined the effect that the adoption of GASB Statement No. 75 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 School Board has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for fiscal years beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The School Board has not yet determined the effect that the adoption of GASB Statement No. 78 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The School Board anticipates that adoption GASB Statement No. 80 will have no effect on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The School Board has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

**FAYETTE COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
 YEAR ENDED JUNE 30, 2016**

The Governmental Accounting Standards Board has also issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The School Board has not yet determined the effect that the adoption of GASB Statement No. 82 may have on its financial statements.

Note 2 – Stewardship, Compliance and Accountability:

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2016:

Fund	Amount
General Fund	\$ 61,074
Permanent Improvement	\$ 209,709

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

Note 3 - Risk Management:

The School 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 School 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 School 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 School 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.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

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 Fund (WCF): BrickStreet insurance company provides workers' compensation coverage to Fayette County Board of Education. The cost of all coverage, as determined by BrickStreet, is paid by the School 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.

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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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 School Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2016 were:

Class of Property	Assessed Valuations for Tax Purposes	Current Expense	Excess Levy
Class I	\$ -	19.40¢	22.95¢
Class II	\$ 595,134,856	38.80¢	45.90¢
Class III	\$ 660,725,284	77.60¢	91.80¢
Class IV	\$ 262,255,734	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, 2016 for the School Board's funds are as follows:

	<u>General Current Expense Fund</u>
Taxes receivable	\$ 4,064,336
Less: allowance for uncollectible	<u>2,050,278</u>
Taxes receivable, net	<u>\$ 2,014,058</u>

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Note 5 - Excess Levy:

The School Board had an excess levy in effect during the fiscal year ended June 30, 2016. 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)	21st 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	<u>780,000</u>
	TOTAL (Annual Amount)	<u>\$ 9,271,245</u>

A total of \$9,809,500 was received by the School Board from the excess levy during the fiscal year ended June 30, 2016.

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Note 6 - Capital Assets:

Capital asset balances and activity for the year ended June 30, 2016, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 159,213	\$ -	\$ -	\$ 159,213
Construction in process	-	123,539	-	123,539
Total non-depreciable capital assets	159,213	123,539	-	282,752
Capital assets, depreciable:				
Land improvements	-	-	-	-
Buildings and improvements	53,679,258	116,951	-	53,796,208
Furniture and equipment	21,124,219	1,211,891	-	22,336,110
Vehicles	7,894,619	504,608	-	8,399,226
Total depreciable capital assets	82,698,096	1,833,449	-	84,531,545
Less accumulated depreciation for:				
Land improvements	-	-	-	-
Buildings and improvements	(33,497,282)	(892,460)	-	(34,389,742)
Furniture and equipment	(10,793,135)	(1,011,398)	-	(11,804,533)
Vehicles	(4,174,852)	(500,343)	-	(4,675,195)
Total accumulated depreciation	(48,465,268)	(2,404,202)	-	(50,869,470)
Total depreciable capital assets, net	34,232,827	(570,752)	-	33,662,075
Total capital assets, net	\$ 34,392,040	\$ (447,214)	\$ -	\$ 33,944,826

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

Instruction	\$ 714,614
Supporting Services:	
Students	4,182
Instructional Staff	233,536
Central administration	415
School administration	14,285
Operation and maintenance of facilities	874,649
Transportation	489,037
Other support services	
Food services	73,485
Total Depreciation expense - governmental activities	<u>\$ 2,404,202</u>

Note 7 - Long-term Debt:

Long-term liability activity for the year ended June 30, 2016 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	\$ 453,966	\$ -	\$ 60,256	\$ 393,710	\$ 393,710	\$ -
Capital lease payable	8,427,862	-	730,598	7,697,264	741,481	6,955,783
Net Pension Liability	4,191,763	645,004	-	4,836,767	-	4,836,767
Long-term liabilities	\$ 13,073,591	\$ 645,004	\$ 790,854	\$ 12,927,741	\$ 1,135,191	\$ 11,792,550

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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 appropriation by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

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

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

The Board entered into a third capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of QZABs. The funding was used for construction of an auxiliary gymnasium at Valley High School and those assets are leased from Bank of Mt. Hope for a period of ten years beginning September 28, 2011. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if the funding for the lease payments for the next fiscal year is not available.

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 agreements together with the present value of the net minimum payments as of June 30, 2016 for the Board's capital leases:

Year Ending June 30,		
2017	\$	951,870
2018		938,075
2019		877,448
2020		876,816
2021		874,385
2022-2026		4,030,048
2027		375,920
Total minimum lease payments		8,924,562
Less: Amount representing interest		(1,227,298)
Present value of minimum lease payments	\$	7,697,265

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDC). For the year ended June 30, 2016, the School Board's total payroll for all employees was \$39,886,362 and the payroll was \$36,040,308 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.

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' Retirement System (TRS):

Plan Description:

The Teachers' 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,

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

- 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.

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, 2016, 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	\$ 4,836,767
State's proportionate share of the net pension liability associated with the School Board.	84,056,543
Total portion of net pension liability associated with the school board	<u>\$ 88,893,310</u>

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

The TRS net pension liability was measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of July 1, 2014 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, 2016, the School Board recognized pension expense of \$5,882,426 and for support provided by the State, revenue of \$5,517,204. At June 30, 2016, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows of Resource</u>	<u>Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 273,255	\$ 477,397
Differences between expected and actual experience	-	41,879
Changes in proportion and differences between School Board contributions and proportionate share of contributions	814,070	559,734
District contributions subsequent to the measurement Date	429,378	-
Total	<u>\$ 1,516,703</u>	<u>\$ 1,079,010</u>

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, 2017. 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>	
2017	\$ (79,536)
2018	(79,536)
2019	(79,534)
2020	92,482
2021	154,439
Thereafter	-
Total	<u>\$ 8,315</u>

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the July 1, 2014 valuation, with update procedures used to roll forward the total pension liability to June 30, 2015, 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 – 3.0%

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%

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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%	7.00%
International Equity	27.50%	7.70%
Private Equity	10.00%	9.40%
Core Fixed Income	7.50%	2.70%
Hedge Fund	10.00%	4.70%
Real Estate	10.00%	5.60%
High Yield Fixed Income	7.50%	5.50%
Total	100%	

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.

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
School Board's proportionate share of the TRS net pension liability	\$6,270,467	\$4,836,767	\$3,605,711

Payables to the pension plan:

At June 30, 2016, the School Board reported no liability for unpaid legally required contributions to the pension plan.

B. Teachers' Defined Contribution Retirement System:

Plan Description: All School 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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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.

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, 2015, this plan had approximately \$418.8 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 School Board's financial statements to the defined contribution plan for FY 2016 were:

Employees' contributions (4.5%)	\$	31,162
Employer's contributions (7.5%)		<u>51,937</u>
	\$	<u>83,099</u>

FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016

Note 10 - Post-Employment Benefits Other Than Pension:

A. General Information

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

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

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

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

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

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 prior to July 1, 2015, 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.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

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, 2016 was determined to be:

	Total	Amount/Policy Holder
Total Annual Required Contribution	\$ 314,888,000	\$ 5,145
Pay as you go – Retiree Subsidy	(150,000,000)	(1,956)
Remaining ARC	\$ 164,888,000	\$ 3,189
The following summarizes the Board’s OPEB activity:		
OPEB Liability at July 1, 2014		\$ 3,659,364
Total OPEB expense		2,788,655
Less:		
State appropriation allocation		(1,230,715)
Pay as you go payments and other credits		(1,422,289)
OPEB at year end		\$ 3,795,015

Portion attributable to personnel funded through the PSSP -0-
Portion attributable to remaining personnel \$3,795,015

The School 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:

Fiscal Year Ending	Annual OPEB	Percentage
<u>June 30</u>	<u>Cost</u>	<u>Contributed</u>
2016	1,422,289	91%
2015	1,206,185	96%
2014	1,903,430	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 School 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 School Board. The amount of credit issued for fiscal year 2016 was \$1,230,715. This amount was treated as a reduction of current year operating expenses.

Note 11 - Pending Litigation:

The School Board is involved in a number of legal proceedings and claims, involving students, employees and citizens who have sued the School 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 School Board. The School Board’s insurance through the State Board of Risk and Insurance Management appears adequate to fully cover any potential liability.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

Note 12 - Fund Balance

The detailed components of the various fund balance categories as of June 30, 2016 are as follows:

Fund Balances	General Current Expense	Special Revenue Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental
Nonspendable:					
Prepaid Items	73,063	-	-	-	73,063
Restricted for:					
Special Projects	-	1,721,329	-	-	1,721,329
Capital Projects	-	-	197,362	-	197,362
Excess Levies	2,009,477	-	-	-	2,009,477
Assigned to:					
Encumbrances	159,898	-	-	-	159,898
Beginning Balance	3,200,000	-	-	-	3,200,000
Capital Projects	-	-	-	2,865,956	2,865,956
Unassigned	388,272	-	-	-	388,272
Total fund balances	\$ 5,830,710	\$ 1,721,329	\$ 197,362	\$ 2,865,956	\$ 10,615,357

Note 13 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$652,280 as of June 30, 2016 in the following funds:

General Current Expense	Special Revenue Fund	Permanent Improvement Fund
\$379,481	\$146,251	\$126,548

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 School Board's financial statements. Management of the School Board believes that the School Board is in compliance with applicable laws and regulations, in all material respects. Based on prior experience, the School Board believes such disallowances, if any, would be immaterial.

Effective with the fiscal year ended June 30, 2015, the Medicaid school-based health services program through the West Virginia Department of Health and Human Resources (DHHR), Bureau for Medical Services has a cost settlement requirement. This change was required by the federal Centers for Medicare and Medicaid Services (CMS). Revenue has continued to be recognized in accordance with the fee-for-service billing as in prior years because there has been insufficient data to estimate the cost settlement amounts. The cost report for the fiscal year ended June 30, 2016 will be due on December 31, 2016 but the interim cost settlement is not projected to be estimated by DHHR until the summer of 2017. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management of the School Board believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Accordingly, such reviews could lead to disallowances and/or significant regulatory action, including fines, penalties and exclusion from the Medicaid program resulting in reimbursement of previously reported revenue, which could be material to the School Board's financial statements.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED JUNE 30, 2016**

The School Board owns various buildings which are known to contain asbestos and/or other environmental issues. The School Board is not required by federal, state or local law to remove the asbestos from its buildings. The School 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 School 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 School Board also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

Note 14 - Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	General	\$ 2,770,075
Permanent Improvement	General	220,336
Special Revenue	General	689,250
Total		<u>\$ 3,679,661</u>

Interfund Transfers

During the year ended June 30, 2016, funds from the General Fund were transferred for \$1,545,650 to the Special Revenue Fund for Child Nutrition and Restricted State Aid. Funds from the General Fund were transferred to the Capital Improvement Fund for \$1,700,000 for improvement projects. Additionally, funds from the Special revenue Fund of \$208,788 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 School Board is state aid funds through the Public School Support Program. In addition, the School 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 School 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 School Board believes such disallowance, if any, would be immaterial.

Note 16 – West Virginia Accreditation:

As of June 30, 2016, the Board had failed to meet several accreditation standards to receive full accreditation by the West Virginia Department of Education. The standards revolve around student performance, county practices to provide learning activities, and other administrative functions. As such the West Virginia State Board of Education took over the operations of the Board effective February 22, 2010. As such, the West Virginia State Board of Education appoints a consulting team to oversee all aspects of the Board's Operations until corrective action takes place. Effective August 13, 2014, the West Virginia Board of Education returned partial control to the Board in the area of policy implementation.

REQUIRED SUPPLEMENTARY INFORMATION

FAYETTE COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Property taxes	\$ 19,661,544	\$ 20,118,719	\$ 19,356,305	\$ -	\$ 19,356,305	\$ (762,414)
Other Local sources	272,000	1,255,824	1,255,801	-	1,255,801	(23)
State sources	36,968,479	42,889,911	43,835,667	-	43,835,667	945,756
Federal sources	355,000	418,494	185,023	-	185,023	(233,471)
Miscellaneous sources	-	68,767	68,767	-	68,767	-
Total revenues	57,257,023	64,751,715	64,701,562	-	64,701,562	(50,153)
Expenditures:						
Instruction	35,138,043	40,931,307	36,336,605	(61,826)	36,274,779	4,656,528
Supporting services:						
Students	2,512,259	2,820,548	2,354,808	-	2,354,808	465,740
Instructional staff	1,009,998	1,311,142	1,033,749	-	1,033,749	277,393
General administration	1,279,240	1,423,911	1,123,883	-	1,123,883	300,028
School administration	3,917,638	4,394,590	4,424,612	-	4,424,612	(30,022)
Central services	1,885,113	2,056,924	1,804,942	-	1,804,942	251,982
Operation and maintenance of facilities	5,497,472	8,113,340	6,811,307	(33,913)	6,777,394	1,335,946
Student transportation	5,315,724	7,033,735	6,562,138	(39,913)	6,522,225	511,510
Other	-	-	-	-	-	-
Food services	8,000	15,239	10,046	-	10,046	5,193
Community services	164,010	165,310	165,310	-	165,310	-
Principal Retirement	940,988	970,993	927,850	-	927,850	43,144
Capital outlay	780,000	252,157	170,525	-	170,525	81,632
Total expenditures	58,448,486	69,489,197	61,725,774	(135,651)	61,590,123	7,899,074
Excess (deficiency) of revenues over expenditures	(1,191,463)	(4,737,482)	2,975,788	135,651	3,111,439	7,848,921
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	150,000	176,606.07	235,394	-	235,394	58,788
Transfers (out)	(2,958,537)	(5,103,448)	(3,272,256)	-	-	5,103,448
Total other financing sources (uses)	(2,808,537)	(4,926,842)	(3,036,862)	-	235,394	5,162,236
Change in fund balances	(4,000,000)	(9,664,324)	(61,074)	135,651	3,346,833	13,011,157
Fund balances - beginning	5,891,784	5,891,784	5,891,784	-	5,891,784	-
Fund balances - ending	\$ 1,891,784	\$ (3,772,540)	\$ 5,830,710	\$ 135,651	\$ 9,238,617	\$ 13,011,157

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 END JUNE 30, 2016**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis	Regulatory	Basis	
	Amounts	Basis	Amounts	Basis	Amounts	
Revenues:						
Local sources	\$ 27,600	\$ 27,600	\$ 29,663	\$ -	\$ 29,663	\$ 2,063
State sources	2,996,414	4,045,672	3,889,379	-	3,889,379	(156,293)
Federal sources	7,991,522	10,004,052	9,132,896	-	9,132,896	(871,156)
Miscellaneous sources	-	-	-	-	-	-
Total revenues	11,015,536	14,077,324	13,051,938	-	13,051,938	(1,025,386)
Expenditures:						
Instruction	4,427,862	7,838,254	6,358,217	-	6,358,217	1,480,038
Supporting services:						
Students	268,057	940,951	582,997	-	582,997	357,955
Instructional staff	286,884	2,212,799	1,730,894	-	1,730,894	481,905
General administration	-	15,377	15,119	-	15,119	258
School administration	-	3,052	1,831	-	1,831	1,221
Central services	-	35,464	10,003	-	10,003	25,461
Operation and maintenance of facilities	-	22,906	9,331	-	9,331	13,574
Student transportation	409,510	446,124	430,607	-	430,607	15,517
Other	-	-	-	-	-	-
Food services	4,958,132	4,921,189	4,919,253	-	4,919,253	1,936
Community services	-	-	-	-	-	-
Capital outlay	-	65,000	45,000	-	45,000	20,000
Total expenditures	10,350,445	16,501,115	14,103,251	-	14,103,251	2,397,864
Excess (deficiency) of revenues over expenditures	665,091	(2,423,791)	(1,051,313)	-	(1,051,313)	1,372,478
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	1,994,790	1,844,790	1,545,650	-	1,545,650	(299,140)
Transfers (out)	(2,659,881)	(856,780)	(208,788)	-	(208,788)	647,992
Total other financing sources (uses)	(665,091)	988,010	1,336,862	-	1,336,862	348,852
Change in fund balances	-	(1,435,780)	285,549	-	285,549	1,721,329
Fund balances - beginning	1,435,780	1,435,780	1,435,780	-	1,435,780	-
Fund balances - ending	\$ 1,435,780	\$ (0)	\$ 1,721,329	\$ -	\$ 1,721,329	\$ 1,721,329

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, 2015

	2015	2014
District's proportion of the net pension liability (asset)	0.139579%	0.114570%
District's proportionate share of the net pension liability (asset)	\$ 4,836,767	\$ 3,952,772
State's proportionate share of the net pension liability (asset) associated with the district	84,056,543	79,535,186
Total	88,893,310	83,487,958
District's covered-employee payroll	\$ 36,268,146	\$ 36,481,070
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.336%	10.835%
Plan fiduciary net position as a percentage of the total pension liability	66.25%	65.95%

Data prior to 2014 is unavailable.

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, 2016**

	2016	2015
Contractually required contribution	\$ 3,029,353	\$ 3,181,301
Contributions in relation to the contractually required contribution	(3,029,353)	(3,181,301)
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 35,347,825	\$ 36,268,146
Contributions as a percentage of covered-employee payroll	8.570%	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, 2016**

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 School 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 School 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 School Board adjourns the meeting and submits its Schedule of Proposed Levy Rates to the State Auditor's Office for approval. The School Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.
2. The School 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 School 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, 2016, expenditures exceeded appropriations in the General Fund. Expenditures did not exceed appropriations in the Special Revenue Fund. The expenditures are monitored at the function level, which according to the State Board Policy, is the level at which budgetary controls must be maintained.

General Fund:	
<u>Function</u>	<u>Amount</u>
School Administration	\$30,022

The over-expenditure was funded by available beginning fund balance and did not impact the financial results of the fund.

C. Actuarial Revisions:

Subsequent to the issuance of the West Virginia Consolidated Public Retirement Board's June 30, 2015 Comprehensive Annual Financial Report, certain actuarial amounts from the actuarial valuation as of July 1, 2014, rolled forward to June 30, 2015, were revised relating to the TRS. The amounts revised as of June 30, 2015 are described below:

Total pension liability	\$ 10,268,596,000
Plan fiduciary net position	(6,803,342,000)
Total	<u>\$ 3,465,254,000</u>
Plan fiduciary net position as a percentage of the total pension liability	66.25%

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, 2016**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Miscellaneous sources	\$ -	\$ 30,889	\$ 30,889	\$ -	\$ 30,889	\$ -
Total revenues	-	30,889	30,889	-	30,889	-
Expenditures:						
Capital outlay	-	437,960	240,598	-	240,598	197,362
Operation and maintenance of facilities	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	437,960	240,598	-	240,598	197,362
Excess (deficiency) of revenues over expenditures	-	(407,070)	(209,709)	-	(209,709)	197,362
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Change in fund balances	-	(407,070)	(209,709)	-	(209,709)	197,362
Fund balances - beginning	-	407,070	407,071	-	-	(407,070)
Fund balances - ending	\$ -	\$ (0)	\$ 197,362	\$ -	\$ (209,709)	\$ (209,708)

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, 2016

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With Final Budget
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis Amounts	Regulatory Basis	Basis Amounts	
Revenues:						
Miscellaneous Sources	\$ -	\$ 48	\$ 48	\$ -	\$ 48	\$ -
State sources	-	-	-	-	-	-
Total revenues	-	48	48	-	48	-
Expenditures:						
Capital outlay	-	1,770,075	-	-	-	1,770,075
Operation and Maintenance of Facilities	-	95,881	-	-	-	95,881
Total expenditures	-	1,865,956	-	-	-	1,865,956
Excess (deficiency) of revenues over expenditures	-	(1,865,908)	48	-	48	1,865,956
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	-	770,075	1,770,075	-	1,770,075	1,000,000
Transfers (out)	-	-	(70,075)	-	(70,075)	(70,075)
Total other financing sources (uses)	-	770,075	1,700,000	-	1,700,000	929,925
Change in fund balances	-	(1,095,833)	1,700,048	-	1,700,048	2,795,881
Fund balance - beginning	-	1,165,908	1,165,908	-	1,165,908	-
Fund balance - ending	\$ -	\$ 70,075	\$ 2,865,956	\$ -	\$ 2,865,956	\$ 2,795,881

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

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 School 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 School 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 School Board adjourns the meeting and submits its Schedule of Proposed Levy Rates to the State Auditor's Office for approval. The School Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.
2. The School 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 School 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, 2016, 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, 2016

	Cash Balance	Revenues Received	Expenditures Paid	Cash Balance
High Schools:				
Fayette Institute of Technology	\$ 230,898	\$ 496,043	\$ 439,769	\$ 287,170
Fayetteville High School	40,859	124,713	123,602	41,970
Meadow Bridge High School	64,155	119,247	114,596	68,805
Midland Trail High School	55,044	174,295	182,456	46,884
Oak Hill High School	80,267	113,436	98,436	95,268
Valley High School	60,294	112,965	116,056	57,204
Total high schools	<u>531,517</u>	<u>1,140,699</u>	<u>1,074,914</u>	<u>597,300</u>
Middle Schools:				
Ansted Middle School	54,969	80,143	82,262	52,850
Collins Middle School	103,525	232,568	212,355	123,738
Total middle schools	<u>158,494</u>	<u>312,711</u>	<u>294,617</u>	<u>176,588</u>
Elementary Schools:				
Ansted Elementary School	\$ 9,734	\$ 23,494	\$ 22,837	\$ 10,392
Divide Elementary School	20,053	11,830	9,670	22,213
Fayetteville Elementary School	26,263	23,619	27,902	21,980
Gatewood Elementary School	16,914	6,854	8,082	15,686
Gauley Bridge Elementary School	18,086	12,228	9,485	20,829
Meadow Bridge Elementary School	10,698	32,108	28,855	13,950
Mount Hope Elementary School	15,524	12,360	11,528	16,356
New River Elementary School	82,060	21,711	19,936	83,835
Rosedale Elementary School	18,383	14,975	18,034	15,324
Valley Elementary School	19,501	23,756	25,724	17,533
Total elementary schools	<u>237,216</u>	<u>182,935</u>	<u>182,053</u>	<u>238,098</u>
Total	<u>\$ 927,227</u>	<u>\$ 1,636,345</u>	<u>\$ 1,551,584</u>	<u>\$ 1,011,987</u>

**FAYETTE COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2016**

	Current Year					Levy To Date				
	Estimated Levy Revenue from Levy Rate Sheet FY16	Actual Levy Collections	Carryover from Prior Year	Actual Expenditures	Variance from Actual Levy Collections	Estimated Levy Revenue from Levy Rate Sheet FY15 - FY16	Actual Levy Collections	Carryover from Prior Levy (FY10-FY14)	Actual Expenditures	Variance from Actual Levy Collections
A. Free Textbooks	823,000	823,000	1,085,585	1,355,778	552,806	1,646,000	1,646,000	999,707	2,092,900	552,806
B. Student Safety and Security	160,000	160,000	575	160,408	166	320,000	320,000	-	319,834	166
C. Universal Feeding	650,000	650,000	-	650,000	-	1,300,000	1,300,000	-	1,300,000	-
D. Playground Equipment	20,000	20,000	3,344	-	23,344	40,000	40,000	-	16,656	23,344
E. Student Admission to Athletic Events	72,000	72,000	24,997	46,645	50,352	144,000	144,000	-	93,648	50,352
F. Student National & State Competition	25,000	25,000	945	25,801	144	50,000	50,000	-	49,856	144
G. Farm2School	8,000	8,000	8,000	2,449	13,551	16,000	16,000	-	2,449	13,551
H. Instructional Support	225,000	225,000	73,497	174,431	124,066	450,000	450,000	3,329	329,263	124,066
I. Special Education	40,000	40,000	40,000	-	80,000	80,000	80,000	-	-	80,000
J. WVU Extension, 4-H & Energy Express	30,000	30,000	-	30,000	-	60,000	60,000	-	60,000	-
K. Athletic Bus Trip Support	150,000	150,000	-	150,000	-	300,000	300,000	-	300,000	-
L. Public Library Support	26,500	26,500	-	26,500	-	53,000	53,000	-	53,000	-
M. Student Health Services	30,000	30,000	675	26,227	4,448	60,000	60,000	-	55,552	4,448
N. Student Activities & Athletics	85,000	85,000	28,393	75,532	37,862	170,000	170,000	-	132,138	37,862
O. Music Support	60,000	60,000	17,108	48,323	28,785	120,000	120,000	-	91,215	28,785
P. Art Support	25,000	25,000	5,983	23,546	7,437	50,000	50,000	-	42,563	7,437
Q. Family & Consumer Science Support	4,500	4,500	2,036	1,682	4,855	9,000	9,000	-	4,145	4,855
R. Industrial Arts & Career Technical Education Support	8,000	8,000	5,904	2,179	11,725	16,000	16,000	-	4,275	11,725
S. Business Education Support	13,000	13,000	7,395	11,811	8,583	26,000	26,000	-	17,417	8,583
T. Physical Development & Health Education Support	25,000	25,000	10,019	27,535	7,484	50,000	50,000	-	42,516	7,484
U. Science/Math Support	88,000	88,000	38,576	72,713	53,863	176,000	176,000	1,273	123,410	53,863
V. Reading Support	100,000	100,000	32,964	73,902	59,062	200,000	200,000	313	141,251	59,062
W. 21st Century Technical Curriculum Support	990,000	990,000	260,183	924,076	326,107	1,980,000	1,980,000	156,056	1,809,949	326,107
X. Additional Bus Replacement	20,000	20,000	20,000	40,000	-	40,000	40,000	-	40,000	-
Y. Maintenance of Buildings/Capital Improvements	1,200,000	1,200,000	83,550	792,442	491,109	2,400,000	2,400,000	340,644	2,249,536	491,109
Z. Preschool	78,245	78,245	10,790	67,401	21,634	156,490	156,490	-	134,856	21,634
AA. Professional Salary Support	2,358,000	2,358,000	-	2,718,631	(360,631)	4,716,000	4,716,000	-	6,074,138	(1,358,138)
BB. Service Salary Support	1,177,000	1,177,000	-	1,354,624	(177,624)	2,354,000	2,354,000	-	3,022,933	(668,933)
CC. Employee Dental/Vision Insurance	780,000	780,000	36,354	714,260	102,094	1,560,000	1,560,000	-	1,457,906	102,094
Excess (Deficiency) of Collections Over Expenditures	-	538,255	-	-	538,255	-	2,027,071	24,784	24,784	2,027,071
\$	9,271,245	\$ 9,809,500	\$ 1,796,872	\$ 9,596,896	\$ 2,009,477	\$ 18,542,490	\$ 20,569,561	\$ 1,526,106	\$ 20,086,191	\$ 2,009,477

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Agriculture			
Pass-through West Virginia Department of Education: Child Nutrition Cluster: Food Service Centralized	10.553/10.555/10.559	N/A	\$ 3,225,150
Pass-through West Virginia Department of Agriculture Child Nutrition Cluster: Food Distribution – Donated	10.555	N/A	69,241
Total Child Nutrition Cluster			<u>3,294,391</u>
Pass-through West Virginia Department of Education: Fresh Fruit and Vegetable Program	10.582	N/A	66,062
Total U.S. Department of Agriculture			<u>3,360,453</u>
U.S. Department of Education			
Pass-through West Virginia Department of Education: Special Education Cluster (IDEA): Special Education - Grants to State	84.027	Note 5	1,926,904
Special Education - Preschool Grants	84.173	Note 5	110,855
Total IDEA Cluster			<u>2,037,759</u>
Title II - Improving Teacher Quality State Grants	84.367	Note 5	547,221
Title I	84.010	Note 5	2,801,514
English Language Acquisition Grants	84.365	N/A	4,082
Career and Technical Education - Basic Grants to states	84.048	Note 5	156,053
Adult Basic Education	84.002	Note 5	81,367
Gear Up	84.334	N/A	138,554
Safe and Drug-Free Schools and Communities National Program	84.184	C000403006	3,450
Pass-through McDowell County Board of Education: School Leadership Program	84.363	N/A	<u>32,506</u>
Total U. S. Department of Education			<u>5,802,506</u>
Total Federal Awards			<u>\$ 9,162,959</u>

The accompanying notes are an integral part of this schedule.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Fayette County Board of Education under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fayette County Board of Education, it is not intended to and does not present the financial position or changes in net position.

Note 2 - Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, (2 CFR Part 225) wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. Fayette County Board of Education has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance because they use the state approved indirect cost rate.

Note 3 - Food Distribution

Non-monetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. The Board received and disbursed \$69,241 in food commodities in the Donated Foods Program for the year ended June 30, 2016.

Note 4 - Child Nutrition Program

Child Nutrition Program [CFDA #10.553, #10.555 and #10.599] 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 the programs has not been included in the Schedule of Expenditures of Federal Awards. The total combined expenditures for the three programs as funded from all sources was \$4,853,768.

**FAYETTE COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Note 5 - 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	C000399362, GRTAWD04021500001695, GRTAWD04021500004199, GRTAWD04021500002512, GRTAWD04021600000367, GRTAWD04021600001565, GRTAWD04021600002869, GRTAWD04021600002868, GRTAWD04021600002408, GRTAWD04021600002407
Title II – Improving Teacher Quality State Grant	84.367	C000399265, GRTAWD04021500001762, GRTAWD04021600000747, GRTAWD04021600002841
Special Education Cluster:		
Special Education – Grant to State	84.027	C000397278, GRTAWD04021500001261, GRTAWD04021500001673, GRTAWD04021500003284, GRTAWD04021500004001, GRTAWD04021500004381, GRTAWD04021600000271, GRTAWD04021600001743, GRTAWD04021600002817, GRTAWD04021600003039, GRTAWD04021600004124
Special Education – Preschool Grant	84.173	C000397350, GRTAWD04021500001364 GRTAWD04021600000389
Adult Basic Education	84.002	GRTAWD04021500001559, GRTAWD04021600001320
Career and Technical Education – Basic Grants to States	84.048	GRTAWD04021500001029, GRTAWD04021500003829, GRTAWD04021600001086

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

SULLIVANWEBB, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
422 KINETIC DRIVE - P.O. BOX 2745
HUNTINGTON, WEST VIRGINIA 25727-2745
TELEPHONE: (304) 697-0565
FACSIMILE: (304) 697-0567
WWW.SULLIVANWEBB.COM

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

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

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, 2016, 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 20, 2017.

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.



February 20, 2017

SULLIVANWEBB, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
422 KINETIC DRIVE - P.O. BOX 2745
HUNTINGTON, WEST VIRGINIA 25727-2745
TELEPHONE: (304) 697-0565
FACSIMILE: (304) 697-0567
WWW.SULLIVANWEBB.COM

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

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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



February 20, 2017

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

**FAYETTE COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2016**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified	No
Significant deficiency identified that is not considered to be material weakness?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified	No
Significant deficiency identified that is not considered to be material weakness?	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 2 CFR Section 200.516(a)?	No

The programs tested as major programs included:

<u>Program</u>	<u>CFDA#</u>
U.S. Department of Education	
Pass-through West Virginia	
Department of Education	
Title II – Improving Teacher Quality State Grants	84.367
Title I	84.010

Dollar threshold used to distinguish between Type A and Type B Program:	\$750,000
Auditee qualifies as a low-risk auditee?	Yes

**FAYETTE COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None reported.