

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

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

GOVERNMENTAL FUND TYPES

General Current Expense

Special Revenue Fund

Debt Service Fund

Capital Projects Fund

FIDUCIARY FUND TYPE

School Activity Funds

Scholarship Funds

**TAYLOR COUNTY BOARD OF EDUCATION
BOARD OFFICIALS
JUNE 30, 2015**

<u>Office</u>	<u>Name</u>	<u>Term</u>
<u>Elective</u>		
Board Members:	Melissa Knotts	07/01/14 – 06/30/18
	Richard Teagarden	07/01/12 – 06/30/16
	Judith Barney	07/01/12 - 06/30/16
	Clark Sinclair	07/01/14 – 06/30/18
	Austin Upton	07/23/14 – 06/3/18
<u>Appointive</u>		
Board President	Melissa Knotts	07/01/14 -06/30/16
Superintendent	Charles R. Maynard	
Treasurer	Drew M. Rottgen	

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INDEPENDENT AUDITOR'S REPORT

Honorable Members of
Taylor County Board of Education
Grafton, 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 Taylor County Board of Education, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Taylor 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 Taylor County Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information for the General Current Expense Fund and the Special Revenue Fund, the schedule of the district's proportionate share of the net pension liability, and the schedule of district contributions – Teachers' Retirement System on pages 6 through 15 and pages 49 through 53 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 Taylor County Board of Education's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying other supplementary information of the budgetary comparison information for the Debt Service Fund and 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 also 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 March 1, 2016, on our consideration of Taylor 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 Taylor County Board of Education's internal control over financial reporting and compliance.

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

March 1, 2016

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

Our discussion and analysis of the Taylor County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2015. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$24,055,615 (*net position*) at the close of the most recent fiscal year. Of this amount, \$4,661,702 (*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 \$2,026,646 before restatement for GASB No. 68/71. Approximately \$614,855 of this increase is attributable to increased property tax collections.
- The Board implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The implementation of these new accounting pronouncements resulted in the Board recording its proportionate share of the net pension liability of approximately \$1,358,991 as a restatement to the beginning net position balance.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$6,609,364, an increase of \$1,612,850 in comparison with the prior year. Approximately \$4,953,045 of this total amount is available for spending at the board's discretion (*unrestricted fund balance*).
- At the end of the current fiscal year, assigned and unassigned fund balance for the general fund was \$3,969,182 or 18.66 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) government-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).

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

The district-wide financial statements can be found on pages 16 - 17 of this report.

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

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 Debt Service 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 21 of the financial statements.

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 on the pages following the basic financial statements.

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 \$24,055,615 at the close of the most recent fiscal year.

- The largest portion of the Board's net position, 77.1 %, 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

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

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, 3.5%, represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for debt service and special projects.
- The remaining balance of net position, 19.4%, which is unrestricted may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

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

	2015	2014		Variance
	Governmental Activities	Governmental Activities*		
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Current and other assets	\$ 9,858,858	\$ 8,718,643	\$	1,140,215
Capital assets	22,411,902	22,942,787		(530,885)
Deferred outflows of resources	155,645	197,505		(41,860)
Total assets and deferred outflows of resources	32,426,406	31,858,935		567,471
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities and deferred inflows of resources:				
Current and other liabilities	\$ 3,124,548	\$ 3,506,611	\$	(382,063)
Long-term liabilities outstanding	3,955,828	4,873,346		(917,518)
Net pension liability - Proportionate share	681,675	1,450,009		(768,334)
Deferred inflows of resources	608,739	-		608,739
Total liabilities and deferred inflows of resources	8,370,790	9,829,966		(1,459,176)
Net position:				
Net Investment in Capital Assets	18,558,677	18,380,345		178,332
Restricted	835,236	744,310		90,926
Unrestricted	4,661,702	2,904,314		1,757,388
Total net position	24,055,615	22,028,969		2,026,646
Total liabilities, deferred inflows of resources, and net position	\$ 32,426,406	\$ 31,858,935	\$	567,471

*As restated for the implementation of GASB Statement No. 68.

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

The key elements of the increase of the Board's net position for the year ended June 30, 2015, are as follows:

- Current and other assets increased by approximately \$1,140,215 which primarily represents increased property tax collections and decreased expenditures.
- Capital assets decreased by approximately \$530,885 which primarily represents a decrease due to depreciation of capital assets.
- Deferred outflows of resources decreased by \$41,860 which was primarily the result of amortization of refunding bond issuance costs.
- Current and other liabilities decreased by approximately \$382,063 which was primarily the result of decreased payroll-related and insurance premiums payable liabilities.
- Long-term liabilities decreased by approximately \$917,518 which was primarily the result of annual debt service.
- Deferred inflows of resources increased by \$768,334, which was primarily the result of contributions toward the net pension liability.
- 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 increased by \$90,926 during the year ended June 30, 2015. This increase resulted primarily from positive net changes in fund balance in the special revenue fund and debt service fund.
- The Board's net position increased by \$2,026,646 during the current year. The following discussion and analysis on governmental activities focuses on this *increase*:
 - The Board's local property tax revenue grew during FY2015.
 - The Board's total expenses dropped year-over-year.

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

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

	2015	2014	
	Governmental	Governmental	
	Activities	Activities *	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 238,531	\$ 90,434	\$ 148,097
Operating grants and contributions	4,245,613	4,375,182	(129,569)
Capital grants and contributions	-	496,449	(496,449)
General revenues:			
Property taxes	8,480,007	7,865,152	614,855
Unrestricted state aid	12,837,338	15,974,519	(3,137,181)
Unrestricted investment earnings	12,933	8,792	4,141
Proceeds from insurance claims	30,006	-	30,006
Gain or (loss) on disposal of capital assets	12,622	30,509	(17,888)
Total revenues	25,857,050	28,841,037	(2,983,987)
Expenses:			
Instruction	12,388,899	14,761,259	(2,372,360)
Supporting services:			
Students	1,191,127	1,150,213	40,914
Instructional staff	910,910	887,380	23,530
District admin.	466,865	585,484	(118,619)
School admin.	1,107,187	1,303,015	(195,828)
Business services	783,555	773,348	10,207
Operation and Maint.	3,024,518	3,228,400	(203,882)
Transportation	2,176,245	2,412,013	(235,768)
Other supporting services	5,352	4,645	707
Total supporting services	9,665,759	10,344,498	(678,739)
Food services	1,620,557	1,484,460	136,097
Community services	81,836	58,820	23,016
Interest on long-term debt	73,353	99,237	(25,884)
Total expenses	23,830,404	26,748,274	(2,917,870)
Change in net position before transfers	2,026,646	2,092,763	(66,117)
Transfers / Special Items	-	-	-
Change in net position	2,026,646	2,092,763	(66,117)
Net position - Beginning	22,028,969	19,936,206	2,092,763
Net position - Ending	\$ 24,055,615	\$ 22,028,969	\$ 2,026,646

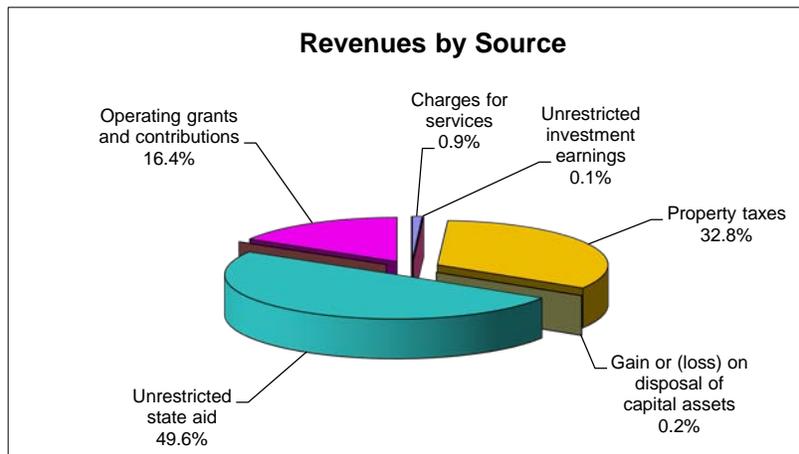
* - As restated for the implementation of GASB Statement No. 68.

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

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

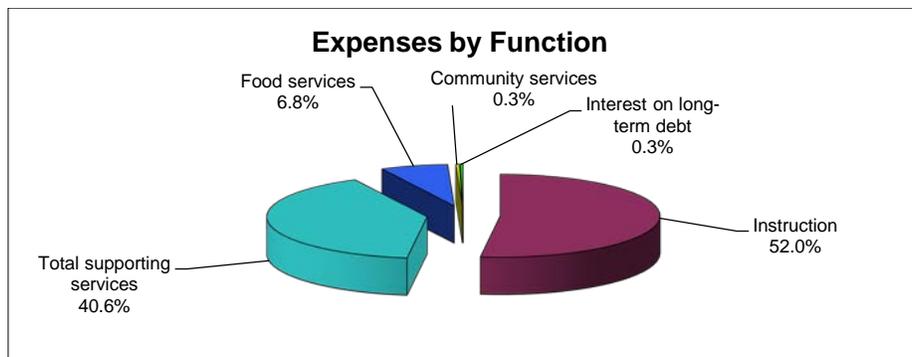
- Charges for services increased by approximately \$148,097 which was primarily the result of E-Rate reimbursements and increased revenue from building rentals.
- Operating grants and contributions decreased by approximately \$129,569 which was primarily the result of reduced Medicaid reimbursements.
- Capital grants and contributions decreased by approximately \$496,449 which was primarily the result of the completion of a district-wide electrical upgrade project funded by the School Building Authority.
- General revenues from property taxes increased by approximately \$614,855 which was primarily the result of increased assessed property values.
- General revenues from unrestricted state aid decreased by approximately \$3,137,181 which was primarily the result of an increased local share deduction as part of the state school aid formula and a revised method of calculating the state unfunded retirement allocation.
- Overall expenses decreased by approximately \$2,917,870 which was primarily the result of lower instructional staff salaries and a revised method of calculating the state unfunded retirement allocation.

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



The largest increase in revenue continues to be from local property taxes. The increase in property tax collections are due to increases in assessed values.

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



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

Expenses decreased over the previous year by \$2,917,870 due in large part to lower staff salaries and a revised method of calculating the state unfunded retirement allocation.

Financial Analysis of the Board's Funds

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

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$6,609,364.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into five classifications, including non-spendable, restricted, committed, assigned, and unassigned. Assignments are self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds. Of the \$4,772,117 fund balance in the general fund, \$2,711,953 is assigned for the following purposes:

Purpose	Assigned
Projected Beginning Balance	\$ 1,200,000
Medicaid Reimbursement	483,111
Property Tax Settlement	250,300
Child Nutrition	180,000
Insurance Premiums	120,000
Transportation	107,397
Field Turf Replacement	80,000
Special Education	62,875
Personal Care Aides	55,000
Instruction	40,000
School Safety	40,000
Textbooks	30,000
Camp Towels	15,000
Staff Development	10,000
Student Supervision	10,000
Testing Coordinator	7,500
Encumbrances	7,170
School Nurses	5,000
Central Services	4,600
School Psychologist	<u>4,000</u>
Total Assigned	<u>\$ 2,711,953</u>

In addition, the following other changes in fund balances should be noted and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use:

- The General Fund saw a positive net change in fund balance due to greater revenue from local property taxes and savings for projects and reserves.
- The Special Revenue Fund saw a positive net change in fund balance due to reduced grant spending during the fiscal year ended June 30, 2015.

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

- The Debt Service Fund saw a positive net change in fund balance due to collections exceeding debt service payments.
- The Capital Projects Fund saw a positive net change in fund balance due to the accumulation of resources for upcoming capital projects.

The Board had four major funds for the fiscal year ended June 30, 2015. Those funds are the General Current Expense Fund, Special Revenue Fund, Debt Service Fund, and Capital Projects Fund.

General Current Expense Fund

This is the principal operating fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$3,735,636 to \$4,772,117 during the fiscal year ended June 30, 2015. As previously discussed, this increase of \$1,036,481 was due primarily to increased property tax collections and savings for projects and reserves.

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 \$345,864 to \$402,201 during the fiscal year ended June 30, 2015. This increase of \$56,338 was due primarily to reduced grant spending during the fiscal year ended June 30, 2015.

Debt Service Fund

This is a separate fund used to account for the accumulated resources, and the payment of, general long-term debt, principal, and interest. The fund balance increased from \$361,878 to \$432,095 during the fiscal year ended June 30, 2015. This increase of \$70,217 was due primarily to property tax collections exceeding debt service payments.

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 \$553,136 to \$1,002,951 during the fiscal year ended June 30, 2015. This increase of \$449,815 was due primarily to the accumulation of resources for upcoming capital projects.

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 \$553,229 or 2.6% 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:

- Budget supplements to carryover earmarked, encumbered, and unspent allocations from the prior fiscal year.
- Additional budget supplements to include in the budget revenue received in excess of the original budget.

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

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$22,411,902 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was \$530,885 or - 2.3%.

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

- Completed construction of an upgrade on the Flemington Elementary School gas trains to improve the school's heating system.
- Completed construction of an upgrade to the Anna Jarvis Elementary School HVAC controls to improve the efficiency of the school's heating system.
- Completed construction of an upgrade to the Taylor County Technical Center HVAC system to improve the efficiency of the school's heating and cooling system.

	2015	2014	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 946,416	\$ 946,416	\$ -
Buildings and improvements	20,021,911	20,325,429	(303,518)
Furniture and equipment	524,848	517,609	7,239
Vehicles	894,727	929,203	(34,476)
Construction in process	24,000	224,130	(200,130)
	<u>22,411,902</u>	<u>22,942,787</u>	<u>(530,885)</u>
Total capital assets	<u>\$ 22,411,902</u>	<u>\$ 22,942,787</u>	<u>\$ (530,885)</u>

Additional information on the Board's capital assets can be found in Note 6 to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the Board had total bonded debt outstanding of \$3,680,000 and capital lease obligations of \$28,721. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2015, the liability for such costs was \$810,079, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$2,173 at June 30, 2015.

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

	2015	2014	
	Governmental	Governmental	
	Activities	Activities	Variance
General obligation bonds	\$ 3,680,000	\$ 4,505,000	\$ (825,000)
Capital Lease obligations	28,721	57,442	(28,721)
Net Pension Liability – Proportionate Share	681,675	1,450,009	(768,334)
Compensated absences	2,173	2,923	(750)
OPEB	810,079	761,600	48,479
Total debt outstanding	<u>\$ 5,202,648</u>	<u>\$ 6,776,974</u>	<u>\$ (1,574,326)</u>

Additional information on the Board’s long-term debt can be found in Note 7 to the basic financial statements.

Net Pension Liability. The Board implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. The implementation of these new accounting pronouncements resulted in the Board recording its proportionate share of the net pension liability of approximately \$681,675 as of June 30.

Factors Bearing on the Board’s Future

Management is aware of several outside issues that could potentially impact the financial shape of the Board’s fiscal operations.

Management has been made aware of a court ruling from September 2013 that may require the Board to return approximately \$250,300 in over-collected property taxes. As of the publication date, no final resolution has been made, and so the liability has not been recorded in the fund statements, but is reflected in the district-wide statements.

Management is aware that the Centers for Medicare and Medicaid Services (CMS) have required the West Virginia Department of Health and Human Services (DHHR) to revise the school-based health services portion of the Medicaid State Plan which is expected to drastically reduce revenue from Medicaid reimbursements. The Board has already taken steps to mitigate lost Medicaid revenue, but the anticipated lost revenue is a major concern to management.

Management is also concerned about the overall economic climate of the State of West Virginia and its potential effect on state aid received to pay for staffing and other necessary costs. State budget issues have become an annual concern, and adjustments to the Public School Support Program could result in negative consequences for the Board.

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 Taylor County Board of Education, 71 Utt Dr., Grafton, WV 26354, (304) 265-2497.

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

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ 7,897,053
Investments	647,274
Taxes receivable, net of allowance for uncollectible taxes	233,322
Deposit with Retirement Board	6,890
Other deposits	7,264
Food service receivable	146,438
Other receivables	127,105
Prepaid Workers' Compensation	5,781
Due from other governments:	
State aid receivable	110,967
PELA allocation receivable	330,706
Reimbursements receivable	346,057
Capital Assets:	
Land	946,416
Buildings and improvements	36,386,468
Furniture and equipment	2,547,338
Vehicles	3,413,787
Construction in process	24,000
Less accumulated depreciation	<u>(20,906,107)</u>
Total capital assets, net of depreciation	<u>22,411,902</u>
Total assets	<u>32,270,760</u>
Deferred outflows of resources:	
Bond issuance costs from refunded debt	84,455
Other deferred outflows of resources	<u>71,190</u>
Total deferred outflows of resources	<u>155,645</u>
Total assets and deferred outflows of resources	<u>32,426,406</u>
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION	
Liabilities:	
Salaries payable and related payroll liabilities	1,462,183
PELA premiums payable	396,883
Compensated absences	2,173
Accounts payable	202,931
Other post employment benefit payable	810,079
Judgment payable	250,300
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	893,721
Accrued interest	18,148
Due beyond one year:	
Bonds, capital leases, and contracts	2,815,000
Bond Premium	228,959
Net pension liability - proportionate share	<u>681,675</u>
Total liabilities	<u>7,762,051</u>
Deferred inflows of resources:	<u>608,739</u>
Total deferred inflows of resources	<u>608,739</u>
Total liabilities and deferred inflows of resources	<u>8,370,790</u>
Net Position:	
Net investment in capital assets	18,558,677
Restricted for:	
Debt service	413,947
Special projects	402,201
Capital projects	19,088
Unrestricted	<u>4,661,702</u>
Total net position	<u>\$ 24,055,615</u>

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

TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

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	\$ 12,388,899	\$ 39,796	\$ 2,318,242	\$ -	\$ (10,030,862)
Supporting services:					
Students	1,191,127	3,825	239,333	-	(947,968)
Instructional staff	910,910	2,925	170,404	-	(737,581)
General administration	466,865	1,502	87,471	-	(377,892)
School administration	1,107,187	3,556	207,125	-	(896,506)
Central services	783,555	2,515	146,473	-	(634,567)
Operation and maintenance of facilities	3,024,518	9,711	565,674	-	(2,449,133)
Student transportation	2,176,245	6,991	407,236	-	(1,762,018)
Other support services	5,352	14	825	-	(4,513)
Food services	1,620,557	167,697	102,830	-	(1,350,030)
Community services	81,836	-	-	-	(81,836)
Interest on long-term debt	73,353	-	-	-	(73,353)
Total governmental activities	23,830,404	238,531	4,245,613	-	(19,346,259)
General revenues:					
Property taxes					8,480,007
Unrestricted state aid					12,837,338
Unrestricted investment earnings					12,933
Unrestricted grants and contributions					-
Gain (loss) on disposal of capital assets					12,622
Proceeds from insurance claims					30,006
Transfers in					1,415,047
Transfers (out)					(1,415,047)
Total general revenues, extraordinary items and transfers					21,372,906
Change in net position					2,026,646
Net position - beginning					23,387,960
Prior period adjustments (See Note 2)					(1,358,991)
Net position - beginning, as restated					22,028,969
Net position - ending					<u><u>\$ 24,055,615</u></u>

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

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

	11 General Current Expense	61 Special Revenue Fund	21 Debt Service Fund	51 Capital Projects Fund	Total Governmental
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 6,552,378	\$ 341,724	\$ -	\$ 1,002,951	\$ 7,897,053
Investments	228,000	-	419,274	-	647,274
Taxes receivable, net	189,993	-	43,329	-	233,322
Deposit with Retirement Board	6,890	-	-	-	6,890
Other Deposits	7,264	-	-	-	7,264
Prepaid Workers' Comp	5,781	-	-	-	5,781
Food service receivable, net	-	146,438	-	-	146,438
Other receivables	127,105	-	-	-	127,105
Due from other governments:					
State aid receivable	110,967	-	-	-	110,967
PEIA allocation receivable	330,706	-	-	-	330,706
Reimbursements receivable	96,637	249,420	-	-	346,057
Due from other funds	-	-	-	-	-
Total assets	7,655,721	737,583	462,603	1,002,951	9,858,858
Deferred outflows of resources					
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 7,655,721	\$ 737,583	\$ 462,603	\$ 1,002,951	\$ 9,858,858
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 1,308,726	\$ 153,457	\$ -	\$ -	\$ 1,462,183
Other post employment benefits payable	810,079	-	-	-	810,079
PEIA premiums payable	344,619	52,263	-	-	396,883
Accounts payable	176,100	26,831	-	-	202,931
Due to other funds	-	-	-	-	-
Total liabilities	2,639,524	232,551	-	-	2,872,075
Deferred inflows of resources					
Total deferred inflows of resources	244,080	102,830	30,508	-	377,419
Fund Balances:					
Nonspendable	19,935	-	-	-	19,935
Restricted	783,000	402,201	432,095	19,088	1,636,384
Assigned	2,711,953	-	-	983,863	3,695,816
Unassigned	1,257,229	-	-	-	1,257,229
Total fund balances	4,772,117	402,201	432,095	1,002,951	6,609,364
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,655,721	\$ 737,583	\$ 462,603	\$ 1,002,951	\$ 9,858,858
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.					22,411,902
Deferred charges are not reported in the funds.					84,455
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.					377,419
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					71,190
Deferred inflows of resources related to pensions					(608,739)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:					
Bonds payable, due within one year					(865,000)
Bonds payable, due beyond one year					(2,815,000)
Bond premium					(228,959)
Accrued interest on bonds					(18,148)
Capital leases payable					(28,721)
Judgment payable					(250,300)
Compensated absences					(2,173)
Net pension liability - proportionate share					(681,675)
Net position of governmental activities					<u>\$ 24,055,615</u>

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

TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2015

	General Current Expense	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental
Revenues:					
Property taxes	\$ 7,581,186	\$ -	\$ 1,031,989	\$ -	\$ 8,613,175
Other Local sources	214,611	245,467	378	-	460,456
State sources	15,583,663	1,063,782	-	-	16,647,445
Federal sources	150,070	2,780,652	-	-	2,930,722
Total revenues	23,529,530	4,089,901	1,032,367	-	28,651,798
Expenditures:					
Instruction	12,495,564	1,608,156	-	-	14,103,720
Supporting services:					
Students	1,011,907	326,121	-	-	1,338,028
Instructional staff	357,940	628,644	-	-	986,584
General administration	495,326	47,698	-	-	543,024
School administration	1,291,803	666	-	-	1,292,469
Central Services	812,846	7,984	-	-	820,830
Operation and maintenance of facilities	2,464,169	342	-	32,128	2,496,639
Student transportation	2,123,745	219,861	-	-	2,343,607
Other support services	5,352	-	-	-	5,352
Food services	105,619	1,589,241	-	-	1,694,860
Community services	73,368	-	-	-	73,368
Capital outlay	-	15,480	-	376,743	392,223
Debt service:					
Principal retirement	28,721	-	825,000	-	853,721
Interest and fiscal charges	-	-	137,150	-	137,150
Total expenditures	21,266,360	4,444,194	962,150	408,871	27,081,575
Excess (deficiency) of revenues over expenditures	2,263,171	(354,294)	70,217	(408,871)	1,570,223
Other financing sources (uses):					
Proceeds from disposal of real or personal property	12,622	-	-	-	12,622
Proceeds from insurance claims	30,006	-	-	-	30,006
Transfers in	72,864	483,496	-	858,686	1,415,047
Transfers (out)	(1,342,182)	(72,864)	-	-	(1,415,047)
Total other financing sources (uses)	(1,226,690)	410,631	-	858,686	42,627
Net change in fund balances	1,036,480	56,338	70,217	449,815	1,612,850
Fund balances - beginning	3,735,636	345,864	361,878	553,136	4,996,514
Fund balances - ending	\$ 4,772,117	\$ 402,201	\$ 432,095	\$ 1,002,951	\$ 6,609,364

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

**TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

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

Net change in fund balances - total governmental funds	\$	1,612,850
<p>Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceed depreciation in the current period.</p>		
Depreciation expense		(1,268,991)
Capital outlays		738,106
<p>Certain receivables will be collected this year but are not available soon enough to pay for the current period's expenditures. This is the amount by which such receivables increased (decreased).</p>		
Property taxes receivable		(133,168)
Operating Grants and Contributions		41,846
<p>The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net assets.</p>		
		853,721
<p>Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.</p>		
Cost of assets disposed		(210,619)
Accumulated depreciation of assets disposed		210,619
<p>Compensated absences are reported as liabilities in the statement of net assets, but are only reported in government funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased.</p>		
Accrued vacation payable		750
<p>Amortization of bond issuance costs from refunded debt are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.</p>		
		(22,032)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
		63,797
<p>Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense</p>		
District pension contributions		71,190
Cost of benefits earned net of employee contributions		68,577
		71,190
		68,577
Change in net position of governmental activities	\$	2,026,646

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

**TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015**

	Agency Funds	
	School Activity Funds	Scholarship Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets:		
Cash and cash equivalents	\$ 425,468	\$ 171,676
Total assets	425,468	171,676
Deferred outflows of resources:		
Total deferred outflows of resources	-	-
Total assets and deferred outflows of resources	\$ 425,468	\$ 171,676
 LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ -
Due to other funds	425,468	171,676
Total liabilities	425,468	171,676
Deferred inflows of resources:		
Total deferred inflows of resources	-	-
Total liabilities and deferred inflows of resources	\$ 425,468	\$ 171,676

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 1 - Summary of Significant Accounting Policies:

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

A. Reporting Entity:

The Taylor 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.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

The funds maintained by the Board are:

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

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

Debt Service Fund: The Debt Service Fund is used to account for the resources accumulated and payments made for principal, interest, and related costs on general obligation bonds issued by the Board for the acquisition of capital assets.

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

Agency Funds: Agency funds are used to account for assets that the Board holds for others in an agency capacity. These may include: Regional education service agencies (RESA's) and multi-county vocational centers (MCVC's) for the purpose of providing high quality, cost effective educational programs and to provide vocational training, respectively, in which the county board of education serves as the fiscal agent; school activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

C. Measurement Focus and Basis of Accounting

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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

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

D. Encumbrances:

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

E. Cash and Investments:

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

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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

	<u>Carrying Amount</u>		<u>Estimated Fair Value</u>		<u>Bank Balance</u>
Municipal Bond Commission	\$ 647,274	\$	647,274	\$	647,274
Deposits with financial institutions - Individual Schools/Scholarships	597,144		597,144		597,144
Deposits with financial institutions - Board of Education	7,897,053		7,897,053		8,371,032
Total deposits and investments	<u>\$ 9,141,471</u>	\$	<u>9,141,471</u>	\$	<u>9,615,450</u>

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

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

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

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

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.

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.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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

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

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

Interest Rate Risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All 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:

Security Type	Carrying Value (In thousands)	WAM (Days)
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/notes	6,000	30
Money market funds	59	1
	\$ 248,468	51

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

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.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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 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 \$28,205 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the Board.

G. Interfund receivables and payables:

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

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

H. Prepaid Items:

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

I. Capital Assets:

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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

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

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

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:

It is the Board’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick benefits can be accumulated up to 12 and unlimited days, respectively, and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred. In lieu of a cash payment at retirement, employees hired prior to July 1, 2015 can elect to use accumulated annual leave toward their postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

Other Post Employment Benefit (OPEB) Liability:

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

M. Long-term Obligations:

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenses during the period in which the bonds were issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital lease payments are reported in the general current expense 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, child nutrition and other receivables. Deferred inflows for the government-wide financial statements 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, 2015, the deferred inflow of resources for the government-wide financial statements was \$608,739.

O. Net Position:

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

- **Net investment in capital assets** - This represents the Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested capital assets, net of related debt.
- **Restricted net position** - This includes resources in which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

P. Fund Equity:

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

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2012. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

Q. Elimination and Reclassifications:

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

R. Accounting Estimates:

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

S. Restricted Resources:

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

T. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. This Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Implementation of GASB Statement No. 68 impacts only the district-wide statement of net position and statement of activities as an adjustment to pension expense, allocated among expense functions, and consequently an adjustment to net position due to the recognition of the Boards proportionate share of the cumulative net pension liability. Implementation of GASB Statement No. 68 has no effect on the governmental funds balance sheet, or the statement of revenues, expenditures, and changes in fund balances for the governmental funds. See note 2 for a discussion of the effect that adoption GASB Statement No. 68 had on the June 30, 2015 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, effective for fiscal years beginning after December 15, 2013. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The adoption of GASB Statement No. 69 had no impact on the June 30, 2015 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The adoption of GASB Statement No. 70 had no impact on the June 30, 2015 financial statements.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

The Governmental Accounting Standards Board has also issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, effective for fiscal years beginning after June 15, 2014. The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs. See note 2 for a discussion of the effect that adoption GASB Statement No. 71 had on the June 30, 2015 financial statements.

U. Recent Statements Issued by the GASB:

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

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

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

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

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

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

Note 2 – Changes in Accounting Principles:

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

	Governmental Activities
Beginning net position as previously reported at June 30, 2014	\$ 23,387,960
Prior period adjustment - Implementation GASB 68 & 71	
Beginning net pension liability	(1,450,009)
Deferred outflows of resources - 2014 Board contributions	91,018
Total prior period adjustment	(1,358,991)
Net position as restated, July 1, 2014	\$ 22,028,969

Note 3 - Risk Management:

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

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 3 - Risk Management (Continued):

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

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

Health coverage under these programs has no lifetime maximum benefit, while life insurance coverage is limited to \$10,000. Members may purchase up to an additional \$500,000 of life insurance coverage. Premiums are established by PEIA and are paid monthly. The PEIA risk pool retains the risk for the health and prescription features of its indemnity plan, has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider and has transferred risk of life insurance coverage to a third party insurer.

Workers Compensation Fund (WCF): Travelers insurance company provides workers' compensation coverage to Taylor County Board of Education. The cost of all coverage, as determined by Travelers Company, is paid by the Board. The Travelers Company'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.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 4 - Property Taxes (Continued):

According to West Virginia Code §11-8-6c, the maximum rates that county boards of education may impose on the various classes of property are: Class I - 22.95¢ per \$100 of assessed valuation; Class II - 45.90¢ per \$100 of assessed valuation; Class III - 91.80¢ per \$100 of assessed valuation; and Class IV - 91.80¢ per \$100 of assessed valuation.

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

County boards of education are also authorized to impose an additional (excess) levy not to extend beyond five years if approved by at least a majority of the voters. The rates of levy cannot exceed the maximum rates specified above and must be proportional for all classes of property. The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2015 were:

Class of Property	Assessed Valuations for Tax Purposes	Current Expense	Excess Levy	Bond Purposes
Class I	\$ -	19.40¢	11.475¢	4.13¢
Class II	\$ 320,849,890	38.80¢	22.95¢	8.26¢
Class III	\$ 381,479,216	77.60¢	45.90¢	16.52¢
Class IV	\$ 68,256,842	77.60¢	45.90¢	16.52¢

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

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

Taxes Receivable

Taxes receivable as of June 30, 2015 for the Board's funds are as follows:

	General Current <u>Expense Fund</u>	Debt <u>Service Fund</u>
Taxes receivable	\$611,980	\$96,752
Less: allowance for uncollectible	<u>(421,987)</u>	<u>(53,423)</u>
Taxes receivable, net	<u>\$189,993</u>	<u>\$43,329</u>

**TAYLOR COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015**

Note 5 - Excess Levy:

The Board had an excess levy in effect during the fiscal year ended June 30, 2015. The levy was authorized by the voters of the county at an election held on January 22, 2011 for the fiscal years ended June 30, 2012 through June 30, 2016 to provide funds for the following purposes:

Restriction	Estimated Collections
1. To provide funds for the purchase of instructional equipment, teaching supplies, library books, technology materials, school furniture, copying and operating expenses of school.	\$188,000
2. To provide funds for the purchase of elementary textbooks and materials.	\$50,000
3. To provide funds for the purchase of secondary textbooks and materials.	\$50,000
4. To provide funds for technology equipment, computers and materials.	\$54,642
5. To provide funds for capital improvements, including \$13,000 for Flemington Elementary School that is not eligible for State SBA funding.	\$300,000
6. To provide funds to continue extracurricular academic, music, athletic, student monitoring and student/teacher ratio supplements.	\$170,000
7. To provide funds for community service support for Taylor County Extension Service & Camp Towles, with a minimum of \$2,000 for 4-H.	\$10,000
8. To provide funds for transportation services including extra duty for academic activities, band, sports and for on-site educational activities.	\$55,000
9. To provide professional and service staff needed to operate the system that are not funded by the state aid formula.	\$50,000
10. To provide funds to continue extended employment supplements for professional employees and for professional substitute salaries.	\$250,000
11. To provide funds to continue local salary supplements and benefits for certified personnel.	\$220,000
12. To provide funds to continue extracurricular contracts, extended employment, substitutes, and local salary supplements and benefits for service personnel.	\$420,000

A total of \$2,854,721 was received by the Board from the excess levy during the fiscal year ended June 30, 2015.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 6 - Capital Assets:

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 946,416	\$ -	\$ -	\$ 946,416
Construction in process	224,130	24,000	(224,130)	24,000
Total non-depreciable capital assets	<u>1,170,546</u>	<u>24,000</u>	<u>(224,130)</u>	<u>970,416</u>
Capital assets, depreciable:				
Buildings and improvements	35,737,985	648,483	-	36,386,468
Furniture and equipment	2,471,440	75,898	-	2,547,338
Vehicles	3,410,551	213,855	(210,619)	3,413,787
Total depreciable capital assets	<u>41,619,976</u>	<u>938,236</u>	<u>(210,619)</u>	<u>42,347,593</u>
Less accumulated depreciation for:				
Buildings and improvements	(15,412,556)	(952,001)	-	(16,364,557)
Furniture and equipment	(1,953,831)	(68,659)	-	(2,022,490)
Vehicles	(2,481,348)	(248,331)	210,619	(2,519,060)
Total accumulated depreciation	<u>(19,847,735)</u>	<u>(1,268,991)</u>	<u>210,619</u>	<u>(20,906,107)</u>
Total depreciable capital assets, net	<u>21,772,241</u>	<u>(330,755)</u>	<u>-</u>	<u>21,441,486</u>
Total capital assets, net	<u>\$ 22,942,787</u>	<u>\$ (306,755)</u>	<u>\$ (224,130)</u>	<u>\$ 22,411,902</u>

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

Instruction	\$ 165,304
Supporting Services:	
Students	-
Instructional staff	-
Central administration	3,411
School administration	-
Business	-
Operation and maintenance of facilities	821,558
Transportation	241,748
Other support services	-
Food services	26,286
Community services	10,684
Total Depreciation expense - governmental activities	<u>\$ 1,268,991</u>

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 7 - Long-term Debt:

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

	Balance, Beginning of Year	Restatement	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
General obligation debt	\$ 4,505,000	\$ -	\$ -	\$ 825,000	\$ 3,680,000	\$ 865,000	\$ 2,815,000
Compensated absences	2,923	-	-	750	2,173	2,173	-
Net pension liability*	-	1,450,009	-	768,334	681,675	-	681,675
Capital lease payable	57,442	-	-	28,721	28,721	28,721	-
Long-term liabilities	\$ 4,565,365	\$ 1,450,009	\$ -	\$ 1,622,805	\$ 4,392,569	\$ 895,894	\$ 3,496,675

*Restated beginning balance for implementation of GASB 68/71.

On September 25, 2012, the Board issued general obligation bonds of \$6,130,000 with an interest rate of 3.0% to advance refund bonds with an interest rate of 3.5% and a par value of \$7,910,000. The refunded bonds mature on May 1, 2019. The general obligation bonds were issued at a premium of \$398,189.90 and, after paying issuance costs of \$151,718.33, the net proceeds were \$6,376,471.57.

The net proceeds of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District's financial statements.

Total amount of Refunding Bond Issue of 2012 outstanding at June 30, 2015 is:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 865,000	\$ 110,400	\$ 975,400
2017	900,000	84,450	984,450
2018	940,000	57,450	997,450
2019	<u>975,000</u>	<u>29,250</u>	<u>1,004,250</u>
Total	<u>\$ 3,680,000</u>	<u>\$ 281,550</u>	<u>\$ 3,961,550</u>

Note 8 - Leases:

The Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for an equipment purchase at Anna Jarvis Elementary School and those assets are leased from Bank of America for a period of fourteen years beginning March 1, 2003. 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 will remit yearly payments of \$28,721 for a period of fourteen years beginning in the fiscal year ended June 30, 2003. The payments will be deposited into an escrow account. The total payments paid by the Taylor County Board of Education, combined with the interest earned on the escrow account held by the Bank of America will be used to repay the debt.

The following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments as of June 30, 2015 for the Board's QZAB lease:

	<u>Year</u>	
	2016	\$ 28,721
Total minimum lease payments		<u>\$ 28,721</u>

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 9 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Defined Benefit Retirement System or the Teachers' Defined Contribution Retirement System. For the year ended June 30, 2015, the Board's total payroll for all employees was \$13,535,488 and the payroll was \$12,587,601 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.

Teachers' Defined Benefit Retirement System:

Plan Description: The Teachers' Defined Benefit Retirement System is a cost-sharing, multiple-employer public employee defined benefit retirement system which was established on July 1, 1941 and was closed for new members on July 1, 1991. Beginning July 1, 2005, all new employees become members of this plan. The West Virginia Legislature passed Senate Bill 529 in 2015 essentially adding a second tier of retirement benefits for those eligible to be a member of TRS who are hired for the first time and first become a member of TRS on or after July 1, 2015. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

Benefits provided: Prior to the passage of Senate Bill 529, to qualify for full benefits, a member must be age 60 with at least five years of credited service, or be age 55 with at least 30 years of credited service or any age with at least 35 years of credited service. A member may receive a disability benefit after completing ten years of service, if the member is disabled for six months, unable to perform his or her regular occupation, and the Retirement Board expects the disability to be permanent. With the passage of Senate Bill 529, to qualify for full benefits, employees hired for the first time and first becoming a member of TRS on or after July 1, 2015 must meet the following conditions:

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

**TAYLOR COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015**

Note 9 - Employee Retirement System (Continued):

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

School Board's proportionate share of the net pension liability	\$	681,675
State's proportionate share of the net pension liability associated with the School Board.		12,934,207
Total portion of net pension liability associated with the school board	\$	13,615,882

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 9 - Employee Retirement System (Continued):

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

For the year ended June 30, 2015, the School Board recognized pension expense of \$647,947 and for support provided by the State, revenue of \$716,524. At June 30, 2015, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resource</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 90,104
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	518,635
District contributions subsequent to the measurement Date	<u>71,190</u>	<u>-</u>
Total	<u>\$ 71,190</u>	<u>\$ 608,739</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, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years ending June 30,</u>		<u>Deferred Inflows of Resources</u>
2016	\$	105,776
2017		105,776
2018		105,776
2019		105,776
2020		79,860
Thereafter		-
Total	\$	<u>502,964</u>

Actuarial Assumptions:

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

Inflation – 2.2%

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

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

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

Discount Rate – 7.5%

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 9 - Employee Retirement System (Continued):

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	27.5%	7.6%
International Equity	27.5%	8.5%
Private Equity	10.0%	9.9%
Fixed Income	15.0%	2.9%
Hedge Fund	10.0%	5.0%
Real Estate	10.0%	6.8%
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 (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
School Board's proportionate share of the TRS net pension liability	\$ 1,428,442	\$ 1,101,442	\$ 820,705

Payables to the pension plan:

At June 30, 2015, the School Board did not report a liability for its unpaid legally required contributions to the pension plan. The liability would be included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 9 - Employee Retirement System (Continued):

Teachers' Defined Contribution Retirement System:

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

Effective July 1, 2005, the Teachers' Defined Contribution Plan was closed to new membership. All employees hired after that date became members of the Teachers' Defined Benefit Retirement System which was reopened for participation on July 1, 2005. Existing members of the Teachers' Defined Contribution Plan were given the option to transfer membership to the Teachers' Defined Benefit Retirement System during the 2008-09 fiscal year. To earn full benefits at retirement, however, members electing to transfer are required to contribute the 1.5% difference between the two plans' employee contribution rates.

A unique feature of the Teachers' Defined Contribution Plan is that each member chooses the investment options and may make changes at any time. The investment options are: Great-West SF Balanced Trust, Great-West Lifetime 2015 Trust II, Great-West Lifetime 2025 Trust II, Great-West Lifetime 2035 Trust II, Great-West Lifetime 2045 Trust II, Great-West Lifetime 2055 Trust II, American Funds EuroPacific R5, Franklin Mutual Global Discovery Fund – Z, DFA US Targeted Value R1, T. Rowe Price Diversified Small Cap Growth, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, Fidelity New Millennium, Taylor 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, 2014, this plan had approximately \$401.9 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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

Contribution Requirements and Payments Made: This is a fully-qualified plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants contribute 4.5% of their gross salary and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 12% annually.

Total payments reflected in the Board's financial statements to the defined contribution plan for FY 2015 were:

Employees' contributions (4.5%)	\$ 42,525
Employer's contributions (7.5%)	\$ <u>70,875</u>
Total contributions	\$ <u><u>113,400</u></u>

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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 other post-employment benefits (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, 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.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

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

Based on the latest actuarial evaluation of the RHBT, the annual required contribution (ARC) for the State and the boards of education for fiscal year ended June 30, 2015 was determined to be:

	Total	Amount /Policy Holder
Total Annual Required Contribution	\$ 298,240,000	\$ 4,663
Pay as you go - Retiree Subsidy	(150,000,000)	(1,966)
Remaining ARC	\$ 148,240,000	\$ 2,697

The following summarizes the Board's OPEB activity:

OPEB beginning of the year	\$	761,600
Current Year OPEB expense		923,619
Less: State Credit		(379,530)
Less: Pay-as-you-go payments and payables		(495,610)
OPEB liability at year end	\$	810,079
Portion attributable to personnel funded through the PSSP	\$	-
Portion attributable to remaining personnel	\$	810,079

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

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage Contributed
2015	\$544,089	91%
2014	\$563,421	95%
2013	\$564,098	98%

B. Current Year Credits

In February 2012, the West Virginia Legislature passed Senate Bill 469 that transferred the portion of the OPEB liability attributable to personnel funded through the state aid funding formula to the State of West Virginia. The Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issued credits to the Board. The amount of credit issued for fiscal year 2015 was \$379,530. This amount was treated as a reduction of current year operating expenses.

Note 11 – Payments on Behalf:

The Board may receive commitments or payments made by the State or an intermediate governmental jurisdiction for the benefit of the Board or contributions of equipment or supplies. Such revenue includes the payment to a pension fund by the State or an intermediate unit on behalf of the Board's employees for services rendered to the Board. The revenues recorded as Payments on Behalf of the Board are as follows:

Retirement allocation by the State (03911)	\$ 1,041,361
Tools for Schools (03914)	73,885
Unfunded Retirement Liability (03917)	2,469,505
PEIA Allocation (03918)	1,041,361
Value of Donated Commodities (04911)	40,409

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2015**

Note 12 - Pending Litigation:

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

Note 13 – Fund Balance

The detailed components of the various fund balance categories as of June 30, 2015, are as follows:

Fund Balances	General Current Expense	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Nonspendable:					
Prepaid Workers Comp	\$ 5,781				\$ 5,781
Deposits	7,264				7,264
Retirement Forfeiture	6,890				6,890
Restricted:					
Special Projects		\$ 402,201			402,201
Debt Service			\$ 432,095		432,095
Donor Contributions				\$ 19,088	19,088
Excess Levy	783,000				783,000
Assigned to:					
Projected Beginning Balance	1,200,000				1,200,000
Medicaid Reimbursement	483,111				483,111
Property Tax Settlement	250,300				250,300
Child Nutrition	180,000				180,000
Insurance Premiums	120,000				120,000
Transportation	107,397				107,397
Field Turf Replacement	80,000				80,000
Special Education	62,875				62,875
Personal Care Aides	55,000				55,000
Instruction	40,000				40,000
School Safety	40,000				40,000
Textbooks	30,000				30,000
Camp Towles	15,000				15,000
Staff Development	10,000				10,000
Student Supervision	10,000				10,000
Testing Coordinator	7,500				7,500
Encumbrances	7,170				7,170
School Nurses	5,000				5,000
Central Services	4,600				4,600
School Psychologist	4,000				4,000
Future Capital Projects				983,863	983,863
Unassigned :	1,257,228				1,257,228
Total fund balances	\$ 4,772,117	\$ 402,201	\$ 432,095	\$ 1,002,951	\$ 6,609,364

**TAYLOR COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015**

Note 14 - Commitments, Contingencies and Subsequent Events:

The Board has encumbrances totaling \$169,581 as of June 30, 2015.

	<u>General Current Expense</u>	<u>Special Revenue</u>
Total Encumbrances	\$ 74,857	\$ 94,724
Portion in Restricted	67,687	94,724
Portion in Assigned	7,170	

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

The Board has been made aware of litigation involving the Taylor County Assessor’s Office and a large business located in Taylor County to determine properly assessed values of the company’s property. A local court decision found that the assessor had established the assessed values at a rate far exceeding the rate approved by the WV State Tax Department and ruled that local governments in Taylor County must repay over-collected property taxes from prior years. The Board received a letter in the fall of 2012 stating the Board’s liability would amount to \$250,300 if the local ruling is not overturned. The ruling was appealed to the WV Supreme Court of Appeals and the outcome of the lawsuit is considered to be *possibly* detrimental to the Board. The accompanying district-wide financial statements at June 30, 2015, include the effects of the judgment.

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

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

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

**TAYLOR COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2015**

Note 15 - Interfund Balances and Transfers

During the fiscal year ended June 30, 2015, there were the following interfund transfers:

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

Interfund Transfers

<u>From</u>	<u>To</u>	<u>Amount</u>
General	Capital Projects	\$ 858,686
General	Special Revenue	483,496
Special Revenue	General	72,864
Total Transfers		<u>\$1,415,046</u>

Note 16 - Major Sources of Revenue:

The largest single source of revenue received by the Board is state aid funds through the Public School Support Program. In addition, the Board receives financial assistance from Federal and State governments in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the Board's independent auditor and state and federal regulatory agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable fund. Based on prior experience, the Board believes such disallowance, if any, would be immaterial.

REQUIRED SUPPLEMENTAL INFORMATION

TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis	Regulatory	Basis	
	Amounts	Basis	Amounts	Basis	Amounts	Final Budget
Revenues:						
Property taxes	\$ 7,057,997	\$ 7,157,997	\$ 7,581,186	\$ -	\$ 7,581,186	\$ 423,189
Other Local sources	164,000	178,978	214,611	-	214,611	35,634
State sources	12,583,481	12,604,481	15,583,663	(2,897,984)	12,685,679	81,198
Federal sources	170,000	170,000	150,070	-	150,070	(19,930)
Total revenues	19,975,478	20,111,456	23,529,530	(2,897,984)	20,631,546	520,091
Expenditures:						
Instruction	10,946,216	11,394,584	12,495,564	(1,855,338)	10,640,226	754,358
Supporting services:						
Students	937,945	963,997	1,011,907	(159,369)	852,538	111,458
Instructional staff	286,312	305,064	357,940	(85,102)	272,838	32,226
Central administration	468,291	483,689	495,326	(72,239)	423,087	60,601
School administration	1,092,540	1,113,567	1,291,803	(203,060)	1,088,743	24,823
Business	770,798	811,632	812,846	(65,434)	747,412	64,220
Operation and maintenance of facilities	2,421,122	2,394,570	2,464,169	(171,972)	2,292,197	102,373
Student transportation	2,054,186	2,144,730	2,123,745	(226,860)	1,896,885	247,845
Other supporting services	7,865	7,865	5,352	-	5,352	2,513
Food services	-	4,769	105,619	(104,981)	638	4,131
Community services	41,077	77,577	73,368	(2,109)	71,259	6,318
Capital outlay	205,000	82,539	-	-	-	82,539
Debt service:						
Principal retirement	28,721	28,721	28,721	-	28,721	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	19,260,073	19,813,302	21,266,360	(2,946,463)	18,319,897	1,493,405
Excess (deficiency) of revenues over expenditures	715,405	298,154	2,263,171	48,479	2,311,650	2,013,496
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	42,147	12,622	-	12,622	(29,525)
Transfers in	50,000	60,000	72,864	-	72,864	12,864
Transfers (out)	(737,517)	(1,685,507)	(1,342,182)	-	(1,342,182)	343,325
Total other financing sources (uses)	(687,517)	(1,583,360)	(1,256,696)	-	(1,256,696)	326,664
Change in fund balances	27,888	(1,285,207)	1,006,475	48,479	1,054,954	2,340,160
Fund balances - beginning	1,200,000	3,454,175	3,735,636	-	3,735,636	281,461
Fund balances - ending	\$ 1,227,888	\$ 2,168,968	\$ 4,742,111	\$ 48,479	\$ 4,820,596	\$ 2,651,628

The accompanying notes are an integral part of this schedule

**TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget
	Regulatory Basis		GAAP	
	Original	Final	Basis Amounts	
Revenues:				
Local sources	\$ 165,972	\$ 234,970	\$ 245,467	\$ 10,497
State sources	981,743	1,056,126	1,063,782	7,655
Federal sources	2,174,104	3,638,931	2,780,652	(858,280)
Total revenues	3,321,819	4,930,027	4,089,901	(840,127)
Expenditures:				
Instruction	1,213,845	1,798,033	1,608,156	189,877
Supporting services:				
Students	88,808	367,328	326,121	41,207
Instructional staff	144,093	754,920	628,644	126,276
Central administration	46,396	48,461	47,698	763
School administration	-	666	666	-
Business	-	10,515	7,984	2,530
Operation and maintenance of facilities	-	2,200	342	1,858
Student transportation	251,040	259,994	219,861	40,132
Food services	1,460,856	1,834,999	1,589,241	245,758
Community services	-	15,735	-	15,735
Capital outlay	-	42,080	15,480	26,600
Total expenditures	3,205,038	5,134,931	4,444,194	690,737
Excess (deficiency) of revenues over expenditures	116,781	(204,904)	(354,294)	(149,390)
Other financing sources (uses):				
Transfers in	737,517	737,968	483,496	(254,472)
Transfers (out)	(854,298)	(96,416)	(72,864)	23,552
Total other financing sources (uses)	(116,781)	641,551	410,631	(230,920)
Change in fund balances	-	436,648	56,338	(380,310)
Fund balances - beginning	-	18,723	345,864	327,141
Fund balances - ending	\$ -	\$ 455,370	\$ 402,201	\$ (53,169)

The accompanying notes are an integral part of this schedule

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

	2014
District's proportion of the net pension liability (asset)	0.019758%
District's proportionate share of the net pension liability (asset)	\$ 681,675
State's proportionate share of the net pension liability (asset) associated with the district	12,934,207
Total	13,615,882
District's covered-employee payroll	\$ 11,696,990
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.828%
Plan fiduciary net position as a percentage of the total pension liability	65.95%

The accompanying notes are an integral part of this schedule

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

	2015
Contractually required contribution	\$ 1,064,262
Contributions in relation to the contractually required contribution	(1,064,262)
Contribution deficiency (excess)	-
 District's covered-employee payroll	\$ 11,642,595
 Contributions as a percentage of covered-employee payroll	9.141%

The accompanying notes are an integral part of this schedule

**TAYLOR COUNTY BORD OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 YEAR ENDED JUNE 30, 2015**

A. Budgets and Budgetary Accounting:

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

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

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

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2015, the Board did not have any expenditures that exceeded appropriations at the function level within the General Current Expense Fund or the Special Revenue Fund, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

C. Actuarial Revisions:

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

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

OTHER SUPPLEMENTAL INFORMATION

**TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual GAAP Basis Amounts	Actual Regulatory Basis Amounts	Variance With Final Budget
	Regulatory Basis				
	Original	Final			
Revenues:					
Local sources	\$ 960,150	\$ 960,150	\$ 1,031,989	\$ 1,031,989	\$ 71,839
Other local sources	-	-	378	378	378
Miscellaneous sources	-	-	-	-	-
Total revenues	960,150	960,150	1,032,367	1,032,367	72,217
Expenditures:					
Debt service:					
Principal retirement	825,000	825,000	825,000	825,000	-
Interest and fiscal charges	135,150	497,028	137,150	137,150	359,878
Total expenditures	960,150	1,322,028	962,150	962,150	359,878
Excess (deficiency) of revenues over expenditures	-	(361,878)	70,217	70,217	432,095
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-
Change in fund balances	-	(361,878)	70,217	70,217	432,095
Fund balances - beginning	-	361,878	361,878	361,878	-
Fund balances - ending	\$ -	\$ -	\$ 432,095	\$ 432,095	\$ 432,095

The notes to the financial statements are an integral part of this statement.

**TAYLOR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Actual	Variance With
	Regulatory Basis		GAAP	Regulatory	
	Original	Final	Basis	Basis	Final Budget
Revenues:					
Local sources	\$ -	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-	-
Total revenues	-	-	-	-	-
Expenditures:					
Instruction	-	54,088	-	-	54,088
Capital outlay	-	650,606	376,743	376,743	273,863
Student Transportation	-	75,306	-	-	75,306
Operation and Maintenance of Facilities	-	32,128	32,128	32,128	-
Total expenditures	-	812,128	408,871	408,871	403,257
Excess (deficiency) of revenues over expenditures	-	(812,128)	(408,871)	(408,871)	403,257
Other financing sources (uses):					
Transfers in	-	258,992	858,686	858,686	599,694
Transfers (out)	-	-	-	-	-
Total other financing sources (uses)	-	258,992	858,686	858,686	599,694
Change in fund balances	-	(553,136)	449,815	449,815	1,002,951
Fund balance - beginning	-	553,136	553,136	553,136	-
Fund balance - ending	\$ -	\$ -	\$ 1,002,951	\$ 1,002,951	\$ 1,002,951

The notes to the financial statements are an integral part of this statement.

**TAYLOR COUNTY BORD OF EDUCATION
NOTES TO OTHER SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2015**

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). Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

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

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

	Beginning Cash Balance	Revenues Received	Expenditures Paid	Ending Cash Balance
Anna Jarvis Elementary	\$ 50,339	\$ 66,454	\$ 76,382	\$ 40,411
Flemington Elementary	6,620	9,287	9,650	6,257
West Taylor Elementary	29,922	68,216	65,615	32,523
Taylor County Middle	159,481	171,215	169,494	161,202
Grafton High School	<u>173,661</u>	<u>343,439</u>	<u>332,024</u>	<u>185,076</u>
Total	<u>\$ 420,023</u>	<u>\$ 658,610</u>	<u>\$ 653,165</u>	<u>\$ 425,468</u>

TAYLOR COUNTY BOARD OF EDUCATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 1,817,642	\$ 2,854,721	\$ 1,037,079	\$ 7,270,568	\$ 9,548,866	\$ 2,278,298
Expenditures (County Specific Levy Call):						
Excess Levy Expenditure Category						
1. To provide funds for the purchase of instructional equipment, teaching supplies, library books, technology materials, school furniture, copying and operating expenses of school.	188,000	212,867	(24,867)	752,000	841,483	(89,483)
Excess Levy Expenditure Category						
2. To provide funds for the purchase of elementary textbooks and materials.	50,000	50,000	-	200,000	200,000	-
Excess Levy Expenditure Category						
3. To provide funds for the purchase of secondary textbooks and materials.	50,000	11,608	38,392	200,000	161,608	38,392
Excess Levy Expenditure Category						
4. To provide funds for technology equipment, computers and materials.	54,642	319,746	(265,104)	218,568	902,787	(684,219)
Excess Levy Expenditure Category						
5. To provide funds for capital improvements, including \$13,000 for Flemington Elementary School that is not eligible for State SBA funding.	300,000	738,397	(438,397)	1,200,000	2,005,317	(805,317)
Excess Levy Expenditure Category						
6. To provide funds to continue extracurricular academic, music, athletic, student monitoring and student/teacher ratio supplements.	170,000	170,000	-	680,000	680,000	-
Excess Levy Expenditure Category						
7. To provide funds for community service support for Taylor County Extension Service & Camp Towles, with a minimum of \$2,000 for 4-H.	10,000	10,000	-	40,000	40,000	-
Excess Levy Expenditure Category						
8. To provide funds for transportation services including extra duty for academic activities, band, sports and for on-site educational activities.	55,000	65,111	(10,111)	220,000	263,426	(43,426)
Excess Levy Expenditure Category						
9. To provide professional and service staff needed to operate the system that are not funded by the state aid formula.	50,000	50,000	-	200,000	200,000	-
Excess Levy Expenditure Category						
10. To provide funds to continue extended employment supplements for professional employees and for professional substitute salaries.	250,000	356,679	(106,679)	1,000,000	1,106,679	(106,679)
Excess Levy Expenditure Category						
11. To provide funds to continue local salary supplements and benefits for certified personnel.	220,000	220,000	-	880,000	880,000	-
Excess Levy Expenditure Category						
12. To provide funds to continue extracurricular contracts, extended employment, substitutes, and local salary supplements and benefits for service personnel.	420,000	420,000	-	1,680,000	1,910,854	(230,854)
Total Expenditures	1,817,642	2,624,409	(806,767)	7,270,568	9,192,155	(1,921,587)
Excess (Deficiency) of Collections over Expenditures	\$ -	\$ 230,312	\$ 230,312	\$ -	\$ 356,711	\$ 356,711

Collections received from the excess levy above \$1,817,642 annually are assigned on the following basis: 50% of collections to maintenance, 30% of collections to technology, and 20% of collections to various school system needs. Those excess collections are not reflected on this statement in each provision.

**TAYLOR COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

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:			
	10.553/10.555/		
Food Service Centralized	10.559	N/A	\$ 843,040
Child & Adult Care Food Program	10.558	N/A	16,324
Fresh Fruit and Vegetable Program	10.582	N/A	39,748
Pass-through West Virginia Department of Agriculture			
Food Distribution – Donated	10.555	N/A	<u>40,409</u>
Total U.S. Department of Agriculture			<u>939,521</u>
 U.S. Department of Education			
Pass-through West Virginia Department of Education:			
Title II	84.367	Note 4	137,825
Title I	84.010	Note 4	684,835
Special Education Cluster (IDEA):			
IDEA Part B	84.027	Note 4	571,334
IDEA Part B – Preschool	84.173	Note 4	33,955
Vocational Education	84.048	Note 4	46,429
Mathematics & Science Partnerships Grant	84.366	C000405878	20,000
Rural Education	84.358	Note 4	41,393
Adult Education – Basic Grants to State	84.002	Note 4	28,355
School Improvement Grant	84.377	C000408313	<u>267,957</u>
Total U. S. Department of Education			<u>1,832,083</u>
Total Federal Awards			<u>\$ 2,771,604</u>

The accompanying notes are an integral part of this schedule.

**TAYLOR COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015**

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the grant activity of the Taylor County Board of Education and is presented on the basis of accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. 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 \$40,409 in food commodities from the Donated Foods Program for the year ended June 30, 2015.

3. Child Nutrition Program

Child Nutrition Program [CFDA #10.553, #10.555 and #10.559] expenditures of federal awards are based on the amount of federal funding received for each of the programs. Since the amount of total expenditures for the programs exceeds the amount of the federal awards received, it is presumed that the total received from the federal awards had been expended. The amount of expenditures funded by meal sales, sponsor's contributions and state matching funds for both programs has not been included in the Schedule of Expenditures of Federal Awards. The total combined expenditures for the three programs as funded from all sources was \$1,531,429.

4. Pass-Through Entity Identifying Numbers

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

Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number
Title I	84.010	C000399398, C000400097, C000400116, GRTAWD04021500001733
Title II	84.367	C000385029, C000399312, GRTAWD04021500001799
IDEA Part B	84.027	C000397327, C000404600, GRTAWD04021500001304
IDEA Part B – Preschool	84.173	C000397387, GRTAWD04021500001402
Adult Education – Basic Grant to State	84.002	C000396532, GRTAWD04021500001587
Vocational Education	84.048	C000397058, GRTAWD04021500001078
Rural Education	84.358	C000403661, GRTAWD04021500001853

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

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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
Taylor County Board of Education
Grafton, 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 Taylor County Board of Education as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Taylor County Board of Education's basic financial statements, and have issued our report thereon dated March 1, 2016.

Internal Control Over Financial Reporting

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Susan vanWebb, A.C.C.A.".

March 1, 2016

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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 OMB CIRCULAR A-133**

Honorable Members of
Taylor County Board of Education
Grafton, West Virginia

Report on Compliance for Each Major Federal Program

We have audited the Taylor County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Taylor County Board of Education's major federal programs for the year ended June 30, 2015. Taylor County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Taylor County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Taylor 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 Taylor County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, Taylor County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Taylor 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 Taylor County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Taylor County Board of Education's internal control over compliance.

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

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

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



March 1, 2016

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

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

None reported.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	No
Significant deficiency(ies) identified that is (are) not considered to be material weakness(es)?	None reported
Non compliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	No
Significant deficiency(ies) identified that is not considered to be material weakness(es)?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are Required to be reported in accordance With §__.510(a) of Circular A-133?	No
The programs tested as major programs included:	

<u>Name of Federal Program or Cluster</u>	<u>CFDA #</u>
U.S. Department of Education Pass through West Virginia Department of Education: Title I School Improvement Grant	84.010 84.377

Dollar threshold used to distinguish between Type A and Type B Program:	\$300,000
Auditee qualifies as a low-risk auditee?	Yes

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

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

None reported.