

**Independent Auditor's Report  
and Related Financial Statements  
For the Year Ended June 30, 2016**

**UPSHUR COUNTY BOARD OF EDUCATION**

**Buckhannon, West Virginia**

**UPSHUR COUNTY BOARD OF EDUCATION**  
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**June 30, 2016**

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**UPSHUR COUNTY BOARD OF EDUCATION  
Board Officials**

**Board Members for FYE June 30, 2016**

<u>Office</u>	<u>Elective</u>
Board Members	Dr. Greenbrier D. Almond
	Dr. Tammy J. Samples
	Alan M. Suder
	Carl R. Martin
	Patrick W. Long

<u>Office</u>	<u>Appointive</u>
Board President	Dr. Tammy J. Samples
Superintendent	Roy H. Wager
Treasurer	George P. Carver

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Schedule of Funds**  
**June 30, 2016**

**GOVERNMENTAL FUND TYPES**

General Current Expense

Special Revenue

Capital Projects Fund

**FIDUCIARY FUNDS**

School Activity Fund

Agency Fund

**Stephen P. Glaser CPA**  
1021 7<sup>th</sup> Avenue  
St. Albans, WV 25177

INDEPENDENT AUDITOR'S REPORT

The Honorable Members of the  
Upshur County Board of Education  
Buckhannon, West Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental type activities, the business type activities and the aggregate remaining fund information of Upshur County Board of Education as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Upshur 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 and business type activities, and the aggregate remaining fund information of Upshur County Board of Education, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension information on pages 6-14 and 50-53 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***

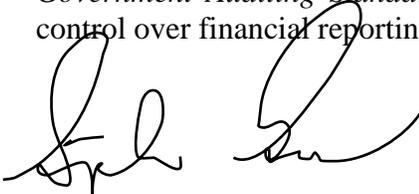
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Upshur County Board of Education's basic financial statements. The schedule of excess levy revenue and expenditures is presented for purpose of additional analysis and is not a required part of the 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 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

Such other information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other

additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2017, on our consideration of the Upshur County Board of Education’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Upshur County Board of Education’s internal control over financial reporting and compliance.



Stephen P. Glaser, CPA  
St. Albans, West Virginia  
February 6, 2017

**Upshur County Board of Education  
Required Supplementary Information  
Management's Discussion and Analysis  
June 30, 2016**

This narrative discussion and analysis of the Upshur County Board of Education's (Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2016. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

**Financial Highlights**

- The Board's assets plus deferred outflows of resources exceeded liabilities by \$24,744,917 at the close of the most recent fiscal year. Unrestricted net position is a negative \$2,973,364
- The Board's total net position decreased by \$2,119,079. The decrease is primarily attributable to adoption of GASB 68, investment in capital assets, a significant decrease in Medicaid reimbursement revenues, and a mid-year reduction in West Virginia state aid revenue. See the attached Notes to the Financial Statements for a discussion of the impact of implementing GASB 68. During the fiscal year, the Board completed a \$1,200,000 building renovation project to upgrade HVAC components at Union Elementary School.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of (\$1,795,314), a decrease of \$1,612,454 in comparison with the prior year. Unrestricted fund balance is (\$2,550,153)
- At the end of the current fiscal year, unassigned fund balance for the general fund was (\$2,377,089) or (6.8) percent of total general fund expenditures.

**Overview of the Financial Statements**

The discussion and analysis is intended to serve as an introduction to the Board's basic financial statements. The Board's basic financial statements comprise three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide financial statements** - The district-wide financial statements are designed to provide readers with a broad overview of the Board's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Board's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as

the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The district-wide financial statements can be found on pages 15-16 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 three 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, and the capital project 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 maintains two agency funds: to account for resources held for student activities and groups, and for the Fred Eberle Multi-County Vocational Center. The basic fiduciary fund financial statement can be found on page 21 of this report.

**Notes to the basic financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 to 48 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets exceeded liabilities by \$24,744,917 at the close of the most recent fiscal year.

	2016	2015	
	Governmental	Governmental	Variance
	<u>Activities</u>	<u>Activities</u>	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Assets			
Current and other assets	3,920,534	5,580,514	(1,659,980)
Capital assets	<u>28,945,116</u>	<u>28,946,696</u>	<u>(1,580)</u>
Total assets	32,865,650	34,527,210	(1,661,560)
Deferred outflows of resources TRS	764,002	186,218	577,784
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>LIABILITIES</b>			
Current and other liabilities	5,466,728	5,424,989	41,739
Long-term liabilities outstanding	1,485,810	960,096	525,714
Net pension liability - Proportionate share	<u>1,744,866</u>	<u>1,293,386</u>	<u>451,480</u>
Total liabilities	8,697,404	7,678,471	1,018,933
Deferred inflows of resources TRS	<u>187,330</u>	<u>170,961</u>	<u>16,369</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	27,459,306	27,986,600	(527,294)
Restricted	258,975	576,572	(317,597)
Unrestricted	<u>(2,973,364)</u>	<u>(1,699,176)</u>	<u>(1,274,188)</u>
Total net position	<u>\$ 24,744,917</u>	<u>\$ 26,863,996</u>	<u>\$ (2,119,079)</u>

- The largest portion of the Board's net assets reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Board's net assets represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for excess levy proceeds that can only be expended for specific purposes.
- The remaining balance of *unrestricted net assets* may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget. At the end of the current

fiscal year, the Board is able to report a positive balance in net investment in capital assets and restricted of net position where unrestricted is a negative balance.

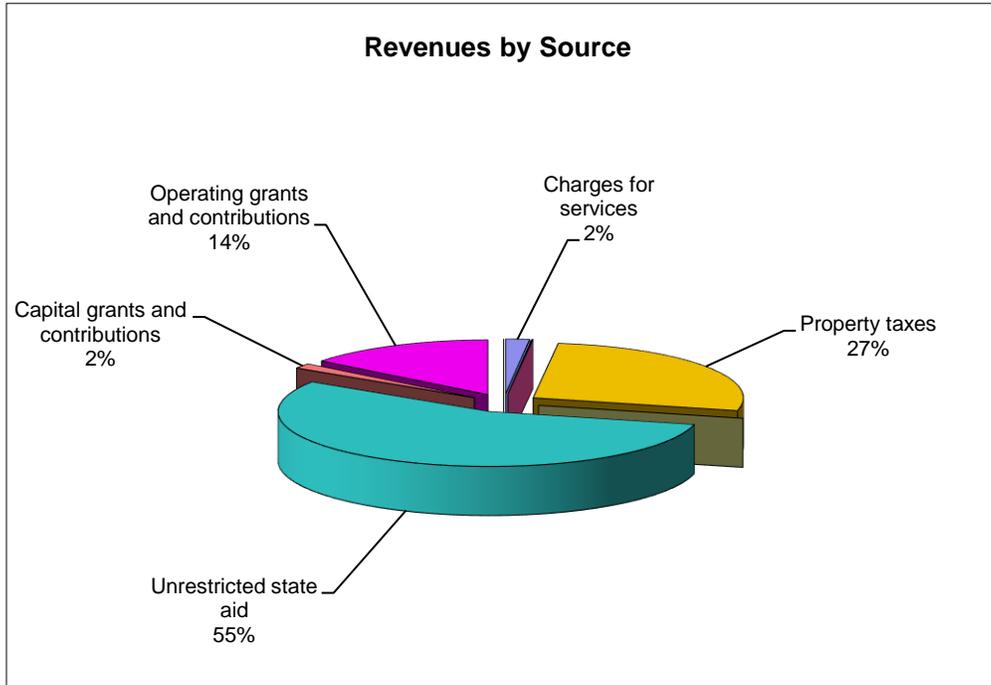
The following summarizes the statement of net position at June 30, 2016 in comparison with the previous fiscal years as follows:

	2016 Governmental Activities	2015 Governmental Activities	Variance
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 676,631	\$ 1,211,148	\$ (534,517)
Operating grants and contributions	5,387,456	5,355,407	32,049
Capital grants and contributions	463,861	1,486,154	(1,022,293)
General revenues:			
Property taxes	10,052,696	9,582,536	470,160
Unrestricted state aid	20,668,429	20,831,116	(162,687)
Unrestricted investment earnings	<u>30,176</u>	<u>19,329</u>	<u>10,847</u>
Total revenues	37,279,249	38,485,690	(1,206,441)
<b>EXPENSE</b>			
Instruction	22,653,984	22,440,765	213,219
Supporting services:			
Students	2,126,694	2,014,946	111,748
Instructional staff	906,602	1,129,242	(222,640)
General administration	729,337	801,127	(71,790)
School administration	1,946,728	1,884,613	62,115
Central services	506,034	488,373	17,661
Operation and maintenance of facilities	4,503,662	4,941,603	(437,941)
Student transportation	<u>3,323,422</u>	<u>2,755,783</u>	<u>567,639</u>
Total supporting services	14,042,480	14,015,687	26,793
Food services	2,510,880	2,468,873	42,007
Community services	131,700	128,700	3,000
Interest on long-term debt	<u>59,284</u>	<u>5,640</u>	<u>53,644</u>
Total expenses	<u>39,398,327</u>	<u>39,059,665</u>	<u>338,662</u>
Change in net position	(2,119,079)	(573,975)	(1,545,104)
Net position - Beginning	<u>26,863,996</u>	<u>27,437,971</u>	<u>(573,975)</u>
Net position - Ending	<u>\$ 24,744,917</u>	<u>\$ 26,863,996</u>	<u>\$ (2,119,079)</u>

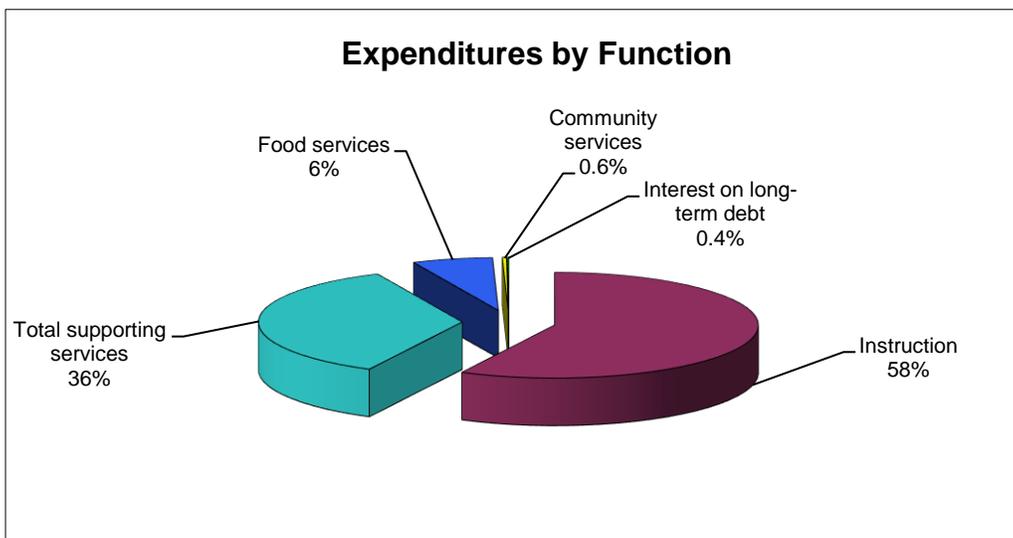
Revenue decreased \$1,206,441 from the prior year. The change from the prior year is due to decreases in charges for services of 534,517 decreases in unrestricted state aid of \$162,687 and decreased capital grants and contributions of \$1,022,293. This was partially offset by an increase in property tax revenue of \$470,160. Expenditures increased \$338,662 from the prior year. The change from the prior year is due to an increase of \$213,219 for instruction expenditures, an increase of \$111,748 for student support services, and an increase of \$567,639 in student

transportation expenditures. This was partially offset by a decrease in expenditures of \$222,640 for instructional staff services and a decrease of \$437,941 for operation and maintenance of facilities.

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



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



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

As noted earlier, the 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 (\$1,795,314).

Governmental funds report the differences between their assets, deferred outflows, liabilities and deferred inflows as fund balance, which is divided into non-spendable, restricted, committed, assigned, and unassigned portions. Non-spendable, restricted, committed, and assigned indicate the portion of the Board's fund balances that are not available for appropriation. The unassigned fund balance is available financial resources in governmental funds. The (\$1,894,262) fund balance of the general funds is primarily designated for the flowing purpose:

- \$203,350 is restricted Excess Levy funds available to be spent according to the terms of the enabling levy call.
- \$292,515 is committed for the replacement of synthetic field turf at Buckhannon-Upshur High School.
- The (\$2,377,089) unassigned portion.

Designations reflect the Board's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

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 Board had three major funds for the fiscal year ended June 30, 2016. Those funds are the General Current Expense Fund, Special Revenue Fund, and the Capital Projects Fund.

### *General Current Expense Fund*

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance decreased from (\$419,139) to (\$1,881,224) during the fiscal year ended June 30, 2016. As previously discussed, this decrease of \$1,426,085 was due primarily to an unanticipated reduction in Medicaid reimbursement revenues and a mid-year reduction in state aid revenue.

### *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 decreased from \$396,915 to \$85,910 during the fiscal year ended June 30, 2016. The decrease of \$311,005 was due primarily to expenditure of restricted funds received in prior years in the current fiscal year.

### *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 beginning fund balance of \$(160,636) was due to a timing issue of an inter-fund transfer from the general current expense fund and the fund balance at June 30, 2016 was \$0.

### **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 \$1,566,815 or 5% in total general revenue fund expenditures. The most significant difference may be summarized as follows:

- Budget supplements to carryover unrestricted prior year fund balances for use in the current fiscal year's budget
- Additional budget supplements to include increased revenue in excess of expected budget amounts

The special projects fund budget was increased during the year by \$1,613,045 or 29% in special projects fund expenditures. The most significant difference may be summarized as follows:

- Budget supplements to carryover earmarked, encumbered, and unspent grant funds from the prior fiscal year.
- Additional budget supplements to include in the budget new grant awards not included in the original budget amounts.

The capital projects fund budget was increased during the year by \$617,943 in capital fund expenditures. The most significant difference may be summarized as follows:

- Budget supplements to carryover restricted prior year fund balances for use in the current fiscal year's budget
- Additional budget supplement to reflect completion of an SBA project to renovate the HVAC system at Union Elementary school.

## Capital Asset and Debt Administration

**Capital assets** – The Board’s investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$28,945,116 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board’s investment in capital assets for the current fiscal year was about 8 percent.

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

- Transfer of \$765,139 in Construction in Progress to Buildings and Improvements, reflecting the completion of a \$1.2 million capital project to upgrade the HVAC system at Union Elementary School, a \$260,919 wastewater treatment plant at French Creek Elementary and a \$90,600 window replacement project at Hodgesville Elementary.
- The restoration and replacement of water damaged Buckhannon-Upshur High School gymnasium floor with insurance proceeds in the amount of \$171,441.31.
- The purchase and installation of a generator and related fence at the county warehouse in the amount of \$69,060.
- The purchase of three new school buses and a Ford pickup truck in the amount of \$349,084.
- The purchase of food service freezer equipment in the amount of \$36,725
- The purchase of assorted equipment in the amount of \$45,476.
- An increase in accumulated depreciation in the amount of \$1,428,274.

	2016 Governmental Activities	2015 Governmental Activities	Variance
Land	1,723,950	1,723,950	-
Buildings and improvements	23,829,218	22,876,971	952,247
Furniture and equipment	1,743,466	1,879,183	(135,717)
Vehicles	1,648,482	1,701,443	(52,961)
Construction in process	-	729,139	(729,139)
Total capital assets, net	<u>\$ 28,945,116</u>	<u>\$ 28,910,686</u>	<u>\$ 34,430</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 \$0 and capital lease obligations of \$1,485,810. 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 as a part of other post-employment benefits (OPEB) amounts in the current liability section of the Fund Basis Statements.

	2016	2015	
	Governmental	Governmental	
	<u>Activities</u>	<u>Activities</u>	<u>Variance</u>
Capital Lease obligations	\$ 1,485,810	\$ 960,096	\$ 525,714
Compensated absences	<u>24,050</u>	<u>19,669</u>	<u>4,381</u>
Total debt outstanding	<u>\$ 1,509,860</u>	<u>\$ 979,765</u>	<u>\$ 530,095</u>

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

### **Contacting the Upshur County Board of Education**

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 Upshur County Board of Education, Office of the Superintendent, 102 Smithfield Street, Buckhannon, WV 26201.

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Statement of Net Position**  
**June 30, 2016**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	Governmental
Assets:	<u>Activities</u>
Cash and cash equivalents	\$ 562,853
Investments	1,569,879
Taxes receivable, net of allowance for uncollectible taxes	394,730
Other receivables	598,593
Due from other governments:	
State aid receivable	177,046
PEIA allocation receivable	617,434
Capital Assets:	
Land	1,723,950
Buildings and improvements	44,123,748
Furniture and equipment	8,104,625
Vehicles	5,218,472
Less accumulated depreciation	<u>(30,225,678)</u>
Total capital assets, net of depreciation	<u>28,945,116</u>
Total assets	32,865,650
Deferred outflows of resources:	
Multiple-Employer Cost-Sharing TRS Pension Plan	<u>764,002</u>
Total assets and deferred outflows of resources	<u>\$ 33,629,652</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	
Liabilities:	
Salaries payable and related payroll liabilities	\$ 2,846,032
PEIA premiums payable	542,323
Compensated absences	24,050
Accounts payable	483,323
Other post employment benefit payable	1,556,107
Due to Other Fiscal Agents	14,894
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	173,152
Due beyond one year:	
Bonds, capital leases, and contracts	1,312,658
Net pension liability - Proportionate Share TRS	<u>1,744,866</u>
Total liabilities	8,697,404
Deferred inflows of resources:	
Multiple-Employer Cost-Sharing TRS Pension Plan	<u>187,330</u>
Total liabilities and deferred inflows of resources	<u>\$ 8,884,734</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	27,459,306
Restricted for:	
Special projects	258,975
Unrestricted	<u>(2,973,364)</u>
Total net position	<u>\$ 24,744,917</u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Statement of Activities**  
**June 30, 2016**

Functions	<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense), Revenue &amp; Changes in Net Assets Governmental Activities</u>
Governmental activities:					
Instruction	\$ 22,653,984	\$ 258,033	\$ 3,231,353	\$ -	\$ (19,164,598)
Supporting services:					
Students	2,126,694	85,551	62,990	-	(1,978,153)
Instructional staff	906,602	21,686	81,309	-	(803,606)
General administration	729,337	8,307	21,602	-	(699,428)
School administration	1,946,728	22,174	57,660	-	(1,866,894)
Central services	506,034	5,764	14,988	-	(485,282)
Operation and maintenance of facilities	4,503,662	51,297	168,393	234,614	(4,049,358)
Student transportation	3,323,422	37,854	98,435	229,247	(2,957,886)
Food services	2,510,880	185,964	1,650,726	-	(674,190)
Community services	131,700	-	-	-	(131,700)
Interest on long-term debt	59,284	-	-	-	(59,284)
Total governmental activities	<u>\$ 39,398,327</u>	<u>\$ 676,631</u>	<u>\$ 5,387,456</u>	<u>\$ 463,861</u>	<u>(32,870,380)</u>
General revenues:					
Property taxes					10,052,696
Unrestricted state aid					20,668,429
Unrestricted investment earnings					30,176
Transfers in					800,597
Transfers (out)					<u>(800,597)</u>
Total general revenues, extraordinary items and transfers					<u>30,751,301</u>
Change in net position					(2,119,079)
Net position - beginning					26,863,996
Net position - ending					<u>\$ 24,744,917</u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Balance Sheet – Governmental Funds**  
**June 30, 2016**

	<i>Fund 11</i> General Current Expense	<i>Fund 61</i> Special Revenue Fund	<i>Fund 51</i> Capital Projects Fund	Total Governmental
<b>Assets:</b>				
Cash and cash equivalents	\$ 555,577	\$ 7,275	\$ -	\$ 562,853
Investments	1,569,879	-	-	1,569,879
Taxes receivable, net	394,730	-	-	394,730
Other receivables	62,441	536,152	-	598,593
Due from other governments:				
State aid receivable	177,046	-	-	177,046
PEIA allocation receivable	617,434	-	-	617,434
Total assets	<u>3,377,107</u>	<u>543,427</u>	-	<u>3,920,534</u>
<b>Liabilities:</b>				
Salaries payable and related payroll liabilities	2,487,912	358,119	-	2,846,032
Other post employment benefits payable	1,556,107	-	-	1,556,107
PEIA premiums payable	464,743	77,580	-	542,323
Accounts payable & Payable to others	461,506	21,817	-	483,323
Due to other fiscal agents	14,894	-	-	14,894
Total liabilities	<u>4,985,162</u>	<u>457,516</u>	-	<u>5,442,678</u>
Deferred inflows of resources				
Unrealized property tax proceeds	273,169	-	-	273,169
Total deferred inflows of resources	<u>273,169</u>	-	-	<u>273,169</u>
<b>Fund Balances:</b>				
Restricted	203,350	258,975	-	462,325
Committed	292,515	-	-	292,515
Unassigned	(2,377,089)	(173,065)	-	(2,550,153)
Total fund balances	<u>(1,881,224)</u>	<u>85,910</u>	-	<u>(1,795,314)</u>
Total Liabilities, Deferred Inflow of Resources, and Fund Balance	<u>\$ 3,377,107</u>	<u>\$ 543,427</u>	<u>\$ -</u>	<u>\$ 3,920,534</u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Reconciliation of Balance Sheet Fund Balances of**  
**Governmental Funds to Statement of Net Assets**  
**June 30, 2016**

Amounts reported for governmental activities in the statement of net position differ due to:	
Ending Fund Balance	\$ (1,795,314)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	28,945,116
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 inflow (liability) in the funds	273,169
Deferred outflows and inflows of resources are related to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to TRS pensions	764,002
Deferred inflows of resources related to TRS pensions	(187,330)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds	
Capital leases payable	(1,485,811)
Compensated absences	(24,050)
Net pension liability - proportionate share TRS	(1,744,866)
Net position of governmental activities	<u>\$ 24,744,918</u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances – Governmental Funds**  
**June 30, 2016**

	<i>Fund 11</i>	<i>Fund 61</i>	<i>Fund 51</i>	
	General		Capital	
	Current	Special	Projects	Total
	Expense	Revenue	Fund	Governmental
Revenues:				
Property taxes	\$ 10,137,581	\$ -	\$ -	\$10,137,581
Other Local sources	425,818	58,493	-	484,311
State sources	23,262,404	1,619,451	234,614	25,116,469
Federal sources	377	4,206,916	-	4,207,293
Miscellaneous sources	<u>12,455</u>	<u>-</u>	<u>-</u>	<u>12,455</u>
Total revenues	33,838,635	5,884,860	234,614	39,958,108
Expenditures:				
Instruction	20,538,656	2,902,220	-	23,440,876
Supporting services:				
Students	1,955,922	245,900	-	2,201,821
Instructional staff	462,384	572,074	-	1,034,458
General administration	793,443	-	-	793,443
School administration	2,154,934	915	-	2,155,849
Central Services	482,848	70,769	-	553,618
Operation and maintenance of facilities	4,550,777	86,653	-	4,637,430
Student transportation	3,125,225	42,562	-	3,167,787
Other support services	-	-	-	-
Food services	120,223	2,373,093	-	2,493,316
Community services	131,700	-	-	131,700
Capital outlay	482,752	445,553	498,390	1,426,694
Debt service:				
Principal retirement	147,491	-	-	147,491
Interest and fiscal charges	<u>59,284</u>	<u>-</u>	<u>-</u>	<u>59,284</u>
Total expenditures	35,005,640	6,739,738	498,390	42,243,767
Excess (deficiency) of revenues over expenditures	(1,167,005)	(854,878)	(263,776)	(2,285,659)
Other financing sources (uses):				
Proceeds from capital lease	409,429	-	263,776	673,205
Transfers in	48,044	591,917	160,636	800,597
Transfers (out)	<u>(752,553)</u>	<u>(48,044)</u>	<u>-</u>	<u>(800,597)</u>
Total other financing sources (uses)	<u>(295,080)</u>	<u>543,873</u>	<u>424,412</u>	<u>673,205</u>
Net change in fund balances	(1,462,085)	(311,005)	160,636	(1,612,454)
Fund balances - beginning	<u>(419,139)</u>	<u>396,915</u>	<u>(160,636)</u>	<u>(182,860)</u>
Fund balances - ending	<u>\$ (1,881,224)</u>	<u>\$ 85,910</u>	<u>\$ -</u>	<u>\$(1,795,314)</u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the**  
**Statement of Activities**  
**June 30, 2016**

Amounts reported for governmental activities in the statement of activities are different due to:	
Net change in fund balances - total governmental funds	\$(1,612,454)
Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net assets is the amount by which capital outlays exceed depreciation in the current period.	
Depreciation expense	(1,428,274)
Capital outlays	2,191,833
Certain receivables will be collected this year but are not available soon enough to pay for the current period's expenditures. This is the amount by which such receivables increased (decreased).	
Property taxes receivable	(84,885)
A portion of the change in fund balances is the proceeds from capital leases. Those proceeds are not considered revenue items for the purpose of this statement.	
	(673,205)
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.	
	147,491
Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.	
Cost of assets disposed	(887,767)
Accumulated depreciation of assets disposed	122,628
Compensated absences are reported as liabilities in the statement of net assets, but are only reported in government funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased.	
Accrued vacation payable	(4,381)
Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense	
District pension contributions	267,632
Cost of benefits earned net of employee contributions	(157,697)
Change in net position of governmental activities	<u><u>\$(2,119,079)</u></u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Statement of Net Position- Fiduciary Funds**  
**June 30, 2016**

	Agency Funds	
	School Activity Funds	Fred Eberle Technical Center
<b>ASSETS</b>		
Cash and cash equivalents	\$ 633,766	\$ 867,461
<b>LIABILITIES</b>		
Due to other funds	633,766	867,461
<b>NET POSITION</b>	<u>\$ -</u>	<u>\$ -</u>

**Schedule of Changes in School Activity Funds**  
**June 30, 2016**

	Cash Balance <u>6/30/2015</u>	Revenues <u>Received</u>	Expenditures <u>Paid</u>	Cash Balance <u>6/30/2016</u>
High Schools:				
Buckhannon-Upshur High School	\$ 362,391	\$ 562,498	\$ 553,253	\$ 371,636
Total high schools	362,391	562,498	553,253	371,636
Middle and Junior High Schools:				
Buckhannon-Upshur Middle School	45,697	241,796	224,899	62,594
Total middle and junior high schools	45,697	241,796	224,899	62,594
Elementary Schools:				
Buckhannon Academy	69,206	61,807	55,158	75,854
French Creek	23,213	34,472	34,586	23,099
Hodgesville	13,322	23,830	16,584	20,568
Rock Cave	15,294	24,112	19,193	20,212
Tennerton	15,512	30,720	26,997	19,235
Union District	19,882	37,634	38,903	18,612
Washington District	20,694	33,913	32,651	21,956
Total elementary schools	177,122	246,488	224,073	199,537
Total schools	<u>\$ 585,209</u>	<u>\$ 1,050,782</u>	<u>\$ 1,002,225</u>	<u>\$ 633,766</u>

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

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Notes to the Financial Statements**  
**June 30, 2016**

**Note 1. Summary of Significant Accounting Policies:**

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

**A. Reporting Entity:**

The Upshur County Board of Education (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.

The funds maintained by the Board are:

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

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

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

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

### **C. Measurement Focus and Basis of Accounting**

The *district-wide statements* (Statement of Net Position and the Statement of Activities) were prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred,

regardless of when the related cash flows are received. Revenues and expenses resulting from exchange and exchange-like transactions are recognized when the exchange takes place; revenues and expenses resulting from non-exchange transactions, such as property taxes, federal and state grants, state aid to schools, and donations, are recognized in accordance with the requirements of GASB Statement 33. Property taxes are recognized in the fiscal year for which the taxes are levied; state aid to schools is recognized in the year for which the legislative appropriation is made; and grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 are presented as cash in the accompanying financial statements. Such deposits at June 30, 2016, were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Board's name.

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the Municipal Bond Commission 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.

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

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
Certificate of deposits	\$ 1,225,000	\$ 1,225,000	\$ 1,225,000
Deposits with financial institutions			
Board of Education	<u>907,731</u>	<u>907,731</u>	<u>907,731</u>
Total cash and cash equivalents	<u>\$ 2,132,731</u>	<u>\$ 2,132,731</u>	<u>\$ 2,132,731</u>

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

Money market/sweep accounts 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.

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Board manages its exposure to interest rate risk for investments is by purchasing short term investments that are less affected by changes in market rates as compared to long term investments.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Exposure to credit risk in the Government Money Market Pool is limited to U.S. Treasury issues and U.S. government agency issues and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

The Board's investments in the Consolidated Fund pool and related accounts have not been rated for credit risk by any organization.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. West Virginia statutes prohibit the Consolidated Fund Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2016, the Pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The overall weighted average maturity of the investments of the Government Money Market Pool within the Consolidated Fund Pool cannot exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date.

**F. Food Service receivables:**

The accounts receivable for the Food Service Program has been reduced for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the Board.

**G. Inter-fund 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 inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund 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:**

Payments made to vendors for services that will benefit periods beyond June 30, 2016, are generally not recorded as prepaid items but are considered as expenditures at the time checks are issued.

**I. Capital Assets:**

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

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

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

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

**J. 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.

**K. Compensated Absences and Other Post Employment Benefit Liability:**

**Compensated Absences:**

It is the Board’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick benefits can be accumulated up to unlimited days, and carried forward to the subsequent fiscal year. In lieu of a cash payment at retirement, an employee 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 11 for further discussion.

**L. Long-term Obligations:**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond

premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund, financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital lease payments are reported in the general current expense or special revenue fund.

#### **M. Net Position:**

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

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

#### **N. Fund Equity:**

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

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

- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- 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, 2016. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

**O. Elimination and Reclassifications:**

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

**P. Accounting Estimates:**

The preparation of financial statements in conformity with the basis of accounting prescribed by the West Virginia Department of Education requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Q. Restricted Resources:**

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

## **R. Newly Adopted 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. Investments held by the West Virginia Board of Treasury Investments and the Municipal Bond Commission are exempt from fair value reporting as allowed by GASB Statement No. 31. Therefore, the adoption of GASB Statement No. 72 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for fiscal years beginning after June 15, 2015 – except for those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. The requirements of this Statement extend the approach to accounting and financial reporting established in Statement 68 to all pensions. This Statement also clarifies the application of certain provisions of Statement 67 and Statement 68. The adoption of GASB Statement No. 73 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of GASB Statement No. 76 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for fiscal years beginning after June 15, 2015 – except for the provisions in paragraphs 18, 19, 23-26, and 40, which are effective for fiscal years beginning after December 15, 2015. This Statement enhances comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. Those criteria will provide qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement

for financial reporting purposes. That measurement approximates fair value and mirrors the operations of external investment pools that transact with participants at a stable net asset value per share. The adoption of GASB Statement No. 79 had no impact on the June 30, 2016 financial statements.

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

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

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

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

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

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

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

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

## **Note 2. Stewardship, Compliance and Accountability:**

### **A. Deficiencies in Net Changes in Fund Balances and Deficit Fund Balances**

The General Revenue Fund had a deficiency in net change in fund balance of \$1,462,085 for a year ending June 30, 2016 fund balance of \$(1,881,224). The net changes in fund balance deficiency in the General Revenue Fund is due to decreases in Medicaid reimbursement revenues, a mid-year reduction in state aid revenue and capital outlays. The Special Revenue Fund had deficiencies in net change in fund balance for the year ended of \$311,005 for a year ending June 30, 2016 fund balance of \$85,910.

The Special Revenue Fund has a positive fund balance at June 30, 2016. The Capital Projects Fund has a \$0 fund balance at June 30, 2016. The General Revenue Fund has a negative fund balances at June 30, 2016.

### **Note 3. Risk Management:**

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

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

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

Health coverage under these programs has no lifetime maximum benefit, while life insurance coverage is limited to \$10,000. Insureds may purchase up to an additional \$200,000 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):** Effective August 1, 2010, Westfield Insurance Company provides workers' compensation coverage to the Board. Nearly every employer in the State, including all boards of education, which have a payroll, must have coverage. The cost of all coverage, as determined by Westfield, is paid by the Board. Westfield'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; all notes, bonds and accounts receivable, stocks and any other evidences of indebtedness.

Class II - All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bona fide tenants.

Class III - All real and personal property situated outside of municipalities, exclusive of Class I and II property.

Class IV - All real and personal property situated inside of municipalities, exclusive of Class I and II property.

According to West Virginia Code §11-8-6c, the maximum rates that county boards of education may impose on the various classes of property are: Class I - 22.95¢ per \$100 of assessed valuation; Class II - 45.90¢ per \$100 of assessed valuation; Class III - 91.80¢ per \$100 of assessed valuation; 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 years 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. The rates of levy for the 2016 year were: 20.05¢ for Class I property, 40.10¢ for Class II property and 80.20¢ for classes III and IV property.

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, 2016 were:

Class of Property	Assessed Valuations for Tax Purposes	Current Expense	Excess Levy
Class I \$	0	19.40¢	9.83¢
Class II	\$ 477,780,215	38.80¢	19.66¢
Class III	\$ 498,354,129	77.60¢	39.32¢
Class IV	\$ 134,286,586	77.60¢	39.32¢

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

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

**Taxes Receivable**

Taxes receivable as of June 30, 2016, for the Board’s funds are as follows:

	General Fund
Taxes receivable	\$ 408,745
Less: allowance for uncollectible	<u>14,105</u>
Taxes receivable, net	<u>\$ 394,730</u>

The June receivable of \$121,561 was collected by the Board within 60 days after the close of the fiscal year and is included in the property tax revenue. The remaining \$273,169 receivable amount is recorded as a deferred inflow of resources on the Government Fund Balance statement.

**Note 5. Excess Levy:**

The Board had an excess levy in effect during the fiscal year ended June 30, 2015. The levy was authorized by the voters of the county at an election held on February 8, 2014 for the fiscal years ended June 30, 2015 through June 30, 2019 to provide funds for the following purposes:

- Textbooks, library books and supplies and essential school materials and equipment
- Technology access and improvement
- Capital improvements and preventive maintenance
- Substitute employees
- Extracurricular activities and extended employment agreements
- Contracted services including Prevention Resource Officers, tech services and athletic trainers
- Student related community services including admission to extracurricular events and student accident insurance

A total of \$3,450,733 was received by the Board from the excess levy during the fiscal year ended June 30, 2016.

**Note 6. Capital Assets:**

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

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2016</u>
Capital assets, non-depreciable:				
Land	\$ 1,723,950	\$ -	\$ -	\$ 1,723,950
Construction in process	765,139	-	(765,139)	-
Total non-depreciable capital assets	<u>2,489,089</u>	-	(765,139)	1,723,950
Capital assets, depreciable:				
Buildings and improvements	42,432,259	1,691,489	-	44,123,748
Furniture and equipment	7,953,365	151,260	-	8,104,625
Vehicles	4,992,016	349,084	(122,628)	5,218,472
Total depreciable capital assets	<u>55,377,640</u>	<u>2,191,833</u>	<u>(122,628)</u>	<u>57,446,845</u>
Less accumulated depreciation for:				
Buildings and improvements	19,555,288	739,241	-	20,294,529
Furniture and equipment	6,074,172	286,987	-	6,361,159
Vehicles	3,290,573	402,046	(122,628)	3,569,990
Total accumulated depreciation	<u>28,920,033</u>	<u>1,428,274</u>	<u>(122,628)</u>	<u>30,225,678</u>
Total depreciable capital assets, net	<u>26,457,607</u>	<u>763,559</u>	<u>-</u>	<u>27,221,166</u>
Total capital assets, net	<u>\$ 28,946,696</u>	<u>\$ 763,559</u>	<u>\$ (765,139)</u>	<u>\$ 28,945,116</u>

### **Depreciation Expense**

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

Instruction	\$ 1,011,227
Supporting Services:	
Operation and maintenance of facilities	12,965
Transportation	387,853
Other support services	-
Food services	16,229
Total Depreciation expense - governmental activities	<u>\$ 1,428,274</u>

### **Note 7. Long-term debt and Leases:**

Long-term liability activity for the year ended June 30, 2016 is as follows:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2016</u>	Amounts due within one year
Compensated absences	\$ 19,669	\$ 4,381	\$ -	\$ 24,050	\$ -
Capital Lease Purchase	375,393	-	39,156	336,237	40,438
HVAC Capital Lease	584,703	673,205	108,335	1,149,573	132,714
Net Pension Liability TRS	1,293,386	451,480	-	1,744,866	-
Total Long-term liabilities	<u>\$ 2,273,151</u>	<u>\$ 1,129,066</u>	<u>\$ 147,491</u>	<u>\$ 3,254,726</u>	<u>\$ 173,152</u>

The Board has entered into various capital lease-purchase agreements with the private sector, primarily for equipment. These agreements, accounted for as capital leases, are for various items. While these agreements contain clauses indicating that their continuation is subject to continuing

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

Other leases, principally for equipment are classified as operating leases with the lease payments recorded as expenditures during the life of the lease. Operating lease expenditures for the year ended June 30, 2016 were \$99,650.

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 for renovation of Buckhannon Academy elementary school and those assets are leased from The First Central Bank (now Premier Bank) for a period of fifteen years beginning October 1, 2007. 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 retaining the equipment at the end of any fiscal year, if the funding for the lease payments for the next fiscal year is not available.

The 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 payment as of June 30, 2016, for the Board's capital leases is as follows:

<u>Year</u>	
2017	\$ 44,796
2018	44,796
2019	44,796
2020	44,796
2021	44,796
2022-2023	<u>134,354</u>
Total minimum lease payments	358,334
Less: Amount representing interest	<u>22,097</u>
Present value of minimum lease payments	<u>\$ 336,237</u>

The Board has entered into a capital lease agreement pursuant to the provisions of West Virginia Code Section 18-5-9a, whereby energy conservation equipment has been installed in Union Elementary School, including heating and air conditioning systems. The equipment is leased from Country Roads Leasing LTD for a period of ten years beginning May 26, 2015. 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 retaining the equipment at the end of any fiscal year, if the funding for the lease payments for the next fiscal year is not available. The projects funded by the lease agreement total \$1,257,908 and were completed early in the FY 16 fiscal year.

Future minimum lease obligation for capital lease of energy conservation equipment is as follows for a total debt of \$1,149,573:

<u>Fiscal</u> <u>Year Ending</u>	<u>Total</u>
2017	176,705
2018	176,705
2019	176,705
2020	176,705
2021	176,705
2022-2025	421,173
Total	1,304,697
Less: Amount representing interest	155,124
Present Value of minimum lease payments	<u>\$ 1,149,573</u>

**Note 8. 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 (TRS) or the Teachers' Defined Contribution Retirement System (TDC). For the year ended June 30, 2016, the Board's total payroll for all employees was \$21,545,694 and the payroll was \$19,800,421 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 revenue (Contributions For/On Behalf of the LEA) in the 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 Board's financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The State's contribution to TRS on-behalf of the School Board meets the GASB Statement No. 68 definition of a special funding source. Therefore, the School Board has recorded pension expense and revenue for the portion of the State's total proportionate share of collective pension expense that is associated with the School Board in the financial statements prepared on the economic resources focus and accrual basis of accounting.

Conversion of leave for post-retirement: For employees hired for the first time and first becoming a member of the Teachers' Retirement System (TRS) before July 1, 2015, upon retirement, an employee's vacation and sick leave may be converted to a greater retirement benefit or payment of health insurance premiums. The cost of the increased retirement benefit or payment of health insurance premiums must be absorbed by the last agency employing the retiree. For employees hired for the first time and first becoming a member of the Teachers' Retirement System (TRS) on or after July 1, 2015, there is no provision to convert an employee's unused vacation and sick leave to a greater retirement benefit or payment of health insurance premiums.

## A. Teachers' Retirement System (TRS):

### **Plan Description:**

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

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

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

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

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

Upon retirement members select one of five benefit payment options. If a member terminates employment with at least five years of credited service, he may freeze his membership until he qualifies for retirement or he may withdraw his contributions from the plan. The employers' contributions remain with the plan. Retirement benefits are based on two percent of the average member's five highest fiscal years of total earnings from covered employment during the member's last 15 years of service.

The normal form of benefit is a single life annuity paid monthly, in an amount equal to 2% of the final average salary times years of credited service. Other forms of benefits may be elected subject

to actuarial reduction: Cash Refund Annuity, 50% or 100% Contingent Joint and Survivor Annuities, and ten year Certain and Life Annuities. Pre-retirement death benefits are paid to the spouse of a deceased member who had attained the age 50 and completed 25 years of credited service. The annuity payment is computed as if the member had retired on the date of death with a 100% Joint and Survivor pension. If the member's age and service are less than that required, the sum of the accumulated member's and employer contributions with interest is paid to the member's beneficiary or estate.

**Contribution Requirements and Payments Made:** This is a fully qualified plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants contribute 6% of their gross compensation and the board of education contributes up to 15% of covered members' gross compensation to the retirement plan, for a total of 21% annually. Participants who became members after July 1, 2005 contribute 6% of their gross compensation and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 13.5% annually.

The employers' contributions are derived from state appropriations and county funds. Federally funded grant programs provide the funding for the employer contributions for salaries paid from federal grants.

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

At June 30, 2016, the School Board reported a liability for its proportionate share of the TRS net pension liability that reflected a reduction for State pension support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Board were as follows:

School Board's proportionate share of the net pension liability	\$ 1,744,866
State's proportionate share of the net pension liability associated with the School Board.	<u>30,322,945</u>
Total portion of net pension liability associated with the school board	<u>\$ 32,067,811</u>

The TRS net pension liability was measured as of June 30, 2015, and the total pension liability was determined by an actuarial valuation as of July 1, 2014, rolled forward to the measurement date. The School Board's proportion of the net pension liability was based on its proportionate share of employer and non-employer contributions to the TRS Plan for the fiscal year ended on the measurement date.

For the year ended June 30, 2016, the School Board recognized pension expense of \$2,195,431 and for support provided by the State, revenue of \$2,028,882. At June 30, 2015, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 98,577	\$ 172,221
Differences between expected and actual experience	-	15,108
Changes in proportion and differences between School Board contributions and proportionate share of contributions	397,794	-
District contributions subsequent to the measurement Date	<u>267,632</u>	<u>-</u>
Total	<u>\$ 764,003</u>	<u>\$ 7,329</u>

School Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending June 30,	
2017	\$ 55,532
2018	55,532
2019	55,533
2020	108,084
2021	34,360
Thereafter	<u>-</u>
Total	<u>\$ 309,041</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** – 3.0%

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

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

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

**Discount Rate** – 7.5%

**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>	<b>Long-Term</b>	
	<b>Target Allocation</b>	<b>Expected Real Rate of Return</b>
Domestic Equity	27.50%	7.00%
International Equity	27.50%	7.70%
Private Equity	10.00%	9.40%
Fixed Income	7.50%	2.70%
Hedge Fund	10.00%	4.70%
Real Estate	10.00%	5.60%
High Yield Fixed Income	7.50%	5.50%
<b>Total</b>	<b>100%</b>	

**Discount Rate:**

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

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

	<b>1.0% Decrease</b>	<b>Current Discount Rate</b>	<b>1.0% Increase</b>
	<b><u>6.50%</u></b>	<b><u>7.50%</u></b>	<b><u>8.50%</u></b>
School Board's proportionate share of the TRS net pension liability	\$ 2,262,074	\$ 1,744,866	\$ 1,300,762

**Payables to the pension plan:**

At June 30, 2016, the School Board reported a liability of \$1,744,866 for its unpaid legally required contributions to the pension plan. The liability is included in the balance of salaries

payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

**Teachers' Defined Contribution Retirement System (TDC):**

Plan Description: 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 may, now or in the future, 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 may change to this plan and transfer the funds that were deposited in the old plan to this plan. Once a member has transferred to the defined contribution plan, the member is 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 the beginning of each calendar quarter. Seven investment options are provided from which a participant may choose in multiples of five percent. The investment options are: Great-West SF Balanced Trust, Great-West Lifetime 2015 Trust II, Great-West Lifetime 2025 Trust II, Great-West Lifetime 2035 Trust II, Great-West Lifetime 2045 Trust II, Great-West Lifetime 2055 Trust II, American Funds EuroPacific R5, Franklin Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, JHancock Large Cap Equity I, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund and Valic Fixed Annuity Option.

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2015, this plan had approximately \$418.8 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services-Empower Retirement, 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 2016 were:

Employees' contributions (4.5%)	\$	49,630
Employer's contributions (7.5%)		<u>82,716</u>
Total contributions	\$	132,346

**Note 10. Post-Employment Benefits Other Than Pension:**

**A. General Information**

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

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

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

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

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

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

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

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

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

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

	Total	Amount/ Policy Holder
Total Annual Required Contribution	\$ 314,888,000	\$ 5,145
Pay as you go – Retiree Subsidy	\$ 150,000,000	\$ 1,956
Remaining Annual Required Contribution (ARC)	\$ 164,888,000	\$ 3,189

The following summarizes the Board's OPEB activity:

Total OPEB expense	\$799,618
Less:	
State appropriation allocation	<u>701,628</u>
FY 16 Net OPEB Expense	\$ 97,990
 OPEB at year end	 \$1,556,107

Portion attributable to personnel funded through the PSSP	-0-
Portion attributable to remaining personnel	\$1,556,107

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 Ending June 30	Annual OPEB Cost	Percentage Contributed
2016	\$ 97,990	12%
2015	\$ 90,217	13%
2014	\$ 17,548	10%

**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 2016 was \$701,628. 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)	\$ 1,472,799
Technology allowance (03914)	\$ 117,797
OPEB Retirement allocation (03917)	\$ 3,232,773
PEIA Allocation (03918)	\$ 3,329,149

**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. Inter-fund Balances and Transfers:**

During the year ended June 30, 2016, there were the following inter-fund transfers:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Purpose</u>	<u>Amount</u>
General Current Expense	Special Revenue	Child Nutrition	\$ 571,000
General Current Expense	Special Revenue	Student Activity	4,641
General Current Expense	Special Revenue	Staff Development	16,276
General Current Expense	Capital Projects	HVAC Project	160,636
Special Revenue	Gen Current Exp.	Indirect Costs	48,044

#### **Note 14. Fund Balance**

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

<u>Fund Balances</u>	<u>General Current Expense</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental</u>
Nonspendable:	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Special Projects	-	258,975	-	258,975
Capital Projects	-	-	-	-
Excess Levies	203,350	-	-	203,350
Committed to:				
Tutf Fund	292,515	-	-	292,515
Assigned to:				
Unassigned	(2,377,089)	(173,065)	-	(2,550,153)
Total fund	<u>\$ (1,881,224)</u>	<u>\$ 85,910</u>	<u>\$ -</u>	<u>\$ (1,795,314)</u>

#### **Note 15. Major Sources of Revenue:**

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

#### **Note 16. Commitments, Contingencies and Subsequent Events:**

The Board had encumbrances totaling \$185,979 as of June 30, 2016, in the following funds:

General Current Expense	Special Revenue Fund
\$143,590	\$42,389

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

As of June 30, 2016, the following commitments for construction and other capital improvements existed, which are included in the restricted fund balance reflected in the accompanying financial statements:

<u>Replacement of BUHS Field Turf</u>	\$ <u>292,515</u>
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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 allowable 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.

Effective with the fiscal year ended June 30, 2015, the Medicaid school-based health services program through the West Virginia Department of Health and Human Resources (DHHR), Bureau for Medical Services has a cost settlement requirement. This change was required by the federal Centers for Medicare and Medicaid Services (CMS). Revenue has continued to be recognized in accordance with the fee-for-service billing as in prior years because there has been insufficient data to estimate the cost settlement amounts. The interim cost settlement for the fiscal year ended June 30, 2015 has not yet been finalized by DHHR although the annual cost report has been completed by the Board. It is anticipated that the Board will be required to repay approximately \$113,400 to DHHR. The impact of the repayment was recorded in the financial record by reducing Fund 11 Federal sources revenue and adding a payable to Accounts payable & Payable to others. The cost report for the fiscal year ended June 30, 2016 will be due on December 31, 2016 but the interim cost settlement is not projected to be estimated by DHHR until the summer of 2017. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management of the School Board believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Accordingly, such reviews could lead to disallowances and/or significant regulatory action, including fines, penalties and exclusion from the Medicaid program resulting in reimbursement of previously reported revenue, which could be material to the School Board's financial statements.

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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Budgetary Comparison Schedule – General Current Fund**  
**June 30, 2016**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With
	Regulatory Basis		GAAP	for	Regulatory	
REVENUES			Basis	Regulatory	Basis	
Property taxes	\$ 9,510,902	\$ 10,238,094	\$ 10,137,581	\$ -	\$ 10,137,581	\$ (100,513)
Other Local sources	185,000	406,553	425,818	-	425,818	19,265
State sources	20,135,126	19,976,143	23,262,404	(3,232,773)	20,029,631	53,488
Federal sources	500,000	500,000	377	-	377	(499,623)
Miscellaneous sources	-	-	12,455	-	12,455	12,455
Total revenues	<u>30,331,028</u>	<u>31,120,791</u>	<u>33,838,635</u>	<u>(3,232,773)</u>	<u>30,605,862</u>	<u>(514,928)</u>
<b>EXPENDITURES</b>						
Instruction	17,929,013	18,246,129	20,538,656	(2,167,882)	18,370,774	(124,646)
Supporting services:						
Students	1,752,110	1,829,800	1,955,922	(118,406)	1,837,516	(7,716)
Instructional staff	457,975	367,238	462,384	(129,534)	332,850	34,388
General administration	765,877	765,511	793,443	(75,114)	718,329	47,183
School administration	1,933,999	1,947,999	2,154,934	(236,516)	1,918,418	29,581
Central services	447,012	462,012	482,848	(52,205)	430,643	31,368
Operation and maintenance of facilities	3,447,533	4,356,647	4,550,777	(169,469)	4,381,308	(24,661)
Student transportation	2,956,643	2,873,945	3,125,225	(270,652)	2,854,573	19,372
Other	385,195	265,161	-	-	-	265,161
Food services	96,992	107,992	120,223	(12,995)	107,228	764
Community services	130,700	138,200	131,700	-	131,700	6,500
Capital outlay	237,266	522,700	482,752	-	482,752	39,948
Debt Service:						
Principal	39,923	255,846	147,491	-	147,491	108,355
Interest	4,873	12,746	59,284	-	59,284	(46,538)
Total expenditures	<u>30,585,111</u>	<u>32,151,926</u>	<u>35,005,640</u>	<u>(3,232,773)</u>	<u>31,772,867</u>	<u>379,058</u>
Excess (deficiency) of revenues over expenditures	(254,083)	(1,031,135)	(1,167,005)	-	(1,167,005)	(135,870)
Other financing sources (uses):						
Proceeds from capital lease	-	472,897	409,429	-	409,429	(63,467)
Transfers in	50,000	50,000	48,044	-	48,044	(1,956)
Transfers (out)	(595,917)	(595,917)	(752,553)	-	(752,553)	(156,636)
Total other financing sources (uses)	<u>(545,917)</u>	<u>(73,020)</u>	<u>(704,509)</u>	<u>-</u>	<u>(295,080)</u>	<u>(222,059)</u>
Change in fund balances	(800,000)	(1,104,155)	(1,871,514)	-	(1,462,085)	(357,929)
Fund balances - beginning	800,000	800,000	(419,139)	-	(419,139)	(1,219,139)
Fund balances - ending	<u>\$ -</u>	<u>\$ (304,155)</u>	<u>\$ (2,290,653)</u>	<u>\$ -</u>	<u>\$ (1,881,224)</u>	<u>\$ (1,577,069)</u>

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Budgetary Comparison Schedule – Special Revenue Fund**  
**June 30, 2016**

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget
	Original	Final				
<b>REVENUES</b>						
Local sources	\$ 300,203	\$ 380,933	\$ 58,493	\$ -	\$ 58,493	\$ (322,440)
State sources	1,417,269	1,599,542	1,619,451	-	1,619,451	19,909
Federal sources	3,168,754	3,985,295	4,206,916	-	4,206,916	221,621
Total revenues	4,886,225	5,965,770	5,884,860	-	5,884,860	(80,911)
<b>EXPENDITURES</b>						
Instruction	2,436,520	2,940,782	2,902,220	-	2,902,220	38,562
Supporting services:						
Students	118,615	369,387	245,900	-	245,900	123,487
Instructional staff	312,696	841,265	572,074	-	572,074	269,191
General administration	-	1,000	-	-	-	1,000
School administration	-	915	915	-	915	-
Central services	65,073	68,150	70,769	-	70,769	(2,619)
Operation and maintenance of facilities	60,000	137,470	86,653	-	86,653	50,818
Student transportation	9,641	41,790	42,562	-	42,562	(772)
Food services	2,250,351	2,248,875	2,373,093	-	2,373,093	(124,218)
Capital outlay	229,247	445,553	445,553	-	445,553	-
Total expenditures	5,482,142	7,095,187	6,739,738	-	6,739,738	355,450
Excess (deficiency) of revenues over expenditures	(595,917)	(1,129,417)	(854,878)	-	(854,878)	274,539
Other financing sources (uses):						
Transfers in	595,917	595,917	591,917	-	591,917	(4,000)
Transfers (out)	-	(52,360)	(48,044)	-	(48,044)	4,316
Total other financing sources (uses)	595,917	543,557	543,873	-	543,873	316
Change in fund balances	-	(585,860)	(311,005)	-	(311,005)	274,855
Fund balances - beginning	-	-	396,915	-	396,915	396,915
Fund balances - ending	\$ -	\$ (585,860)	\$ 85,910	\$ -	\$ 85,910	\$ 671,770

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Budgetary Comparison Schedule – Capital Projects Fund**  
**June 30, 2016**

	Budgeted Amounts		Actual	Adjustments	Actual	Variance With
	Regulatory Basis		GAAP	for	Regulatory	
	Original	Final	Basis	Regulatory	Basis	Final Budget
			Amounts	Basis	Amounts	
Revenues:						
State sources	\$ -	\$ 454,598	\$ 234,614	\$ -	\$ 234,614	\$ (219,984)
Miscellaneous sources	-	-	-	-	-	-
Total revenues	-	454,598	234,614	-	234,614	(219,984)
Expenditures:						
Capital outlay	-	617,943	498,390	-	498,390	119,554
Total expenditures	-	617,943	498,390	-	498,390	119,554
Excess (deficiency) of revenues over expenditures	-	(163,345)	(263,776)	-	(263,776)	(100,431)
Other financing sources (uses):						
Proceeds from capital leases	-	-	263,776	-	263,776	263,776
Transfer In	-	163,345	160,636	-	160,636	160,636
Total other financing sources (uses)	-	163,345	424,412	-	424,412	424,412
Change in fund balances	-	-	160,636	-	160,636	323,981
Fund balance - beginning	-	-	(160,636)	-	(160,636)	(160,636)
Fund balance - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Notes to Required Supplementary Information**  
**June 30, 2016**

**A. Budgets and Budgetary Accounting:**

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

- 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.
- 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, 2016, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

<u>General Current Expense Fund</u>	
Instruction	\$ (124,646)
Supporting services:	
Students	\$ (7,716)
Operation and maintenance of facilities	\$ (24,661)
 <u>Special Revenue Fund</u>	
Supporting services:	
Central services	\$ (2,619)
Student transportation	\$ (772)
Food services	\$ (124,218)

The over-expenditures in these programs were funded within the existing funds and the deficiency has no impact on the financial results of the funds.

**C. Actuarial Revisions:**

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

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

**OTHER SUPPLEMENTARY INFORMATION**

**UPSHUR COUNTY BOARD OF EDUCATION  
Excess Levy Schedule – Revenue and Expenditures  
June 30, 2016**

**2015 to 2019 EXCESS LEVY CALL**

	<u>Current Year</u>			<u>Levy To Date</u>		
	<u>Estimated</u>			<u>Estimated</u>		
	<u>Per Levy</u>			<u>Per Levy</u>		
	<u>Call</u>	<u>Actual</u>	<u>Variance</u>	<u>Call</u>	<u>Actual</u>	<u>Variance</u>
<b>Excess Levy Collections</b>	\$ 3,346,000	\$ 3,450,733	\$ 104,733	\$ 6,692,000	\$ 6,716,392	\$ 24,392
<b>Expenditures (County Specific Levy Call):</b>						
<b>Excess Levy Expenditure Category</b>						
Instructional Programs and Supplies	800,000	709,029	(90,971)	1,600,000	1,130,233	(469,767)
<b>Excess Levy Expenditure Category</b>						
Technology Access and Improvements	450,000	161,966	(288,034)	900,000	262,813	(637,187)
<b>Excess Levy Expenditure Category</b>						
Capital Improvements and Preventive Maintenance	1,000,000	1,445,554	445,554	2,000,000	3,249,849	1,249,849
<b>Excess Levy Expenditure Category</b>						
Substitute Employees	500,000	378,365	(121,635)	1,000,000	686,677	(313,323)
<b>Excess Levy Expenditure Category</b>						
Extracurricular activities and extended employment agreements	346,000	453,913	107,913	692,000	562,965	(129,035)
<b>Excess Levy Expenditure Category</b>						
Contracted Services Including Prevention Resource Officers, Technology Services and Athletic Trainers	200,000	213,162	13,162	400,000	366,248	(33,752)
<b>Excess Levy Expenditure Category</b>						
Student Related Community Services	50,000	80,578	30,578	100,000	149,523	49,523
<b>Excess Levy Expenditure Category</b>						
Amounts above base levy amount due to increases and additions to assessed values may be expended in substitution for or in addition to any of the above purposes. (All of the funds on this line have been expended for maintenance of facilities.)	-	104,733	104,733	-	104,733	104,733
<b>Total Expenditures</b>	<u>3,346,000</u>	<u>3,547,301</u>	<u>201,301</u>	<u>6,692,000</u>	<u>6,513,042</u>	<u>(178,958)</u>
<b>Excess (Deficiency) of Collections over Expenditures</b>	<u>\$ -</u>	<u>\$ (96,567)</u>	<u>\$ (96,567)</u>	<u>\$ -</u>	<u>\$ 203,351</u>	<u>\$ 203,351</u>

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

Federal Grantor/Pass-through Grantor/Program	CFDA <u>Number</u>	Pass Through <u>ID Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture			
Child Nutrition Cluster:			
National School Lunch Program	10.555	N/A	\$ 2,371,919
Donated Food U S Department of Agriculture	10.550	N/A	<u>62,916</u>
Total U. S. Department of Agriculture			2,434,835
U.S. Department of Education			
Passed-through West Virginia Department of Education			
Title I Grants to - Local Education Agencies (LEA)	84.010	C#:GRTAWD04021500001736 C#:GRTAWD04021600000496	1,131,496
Special Education Cluster			
Special Education - Grants to States	84.027	C#:C000397331 C#:GRTAWD04021500003297 C#:GRTAWD04021500004395 C#:GRTAWD04021600000311 C#:GRTAWD04021600001771 C#:GRTAWD04021600004136 C#:GRTAWD04021600004136 C#:GRTAWD04021600005017	872,065
Special Education - Preschool Grants	84.173	C#:GRTAWD04021600000441	<u>21,850</u>
Total Special Education			<u>893,915</u>
Title II	84.367	C#:GRTAWD04021600000974	241,511
Career and Technical Education Grants to States	84.048A	C#:GRTAWD04021600001116	29,577
Rural and Low Income School Grant	84.358B	C#:GRTAWD04021600003204	<u>76,905</u>
Total U. S. Department of Education		C#:GRTAWD04021500001857	<u>2,373,403</u>
Total expenditures of federal awards			<u>\$ 4,808,238</u>

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2016**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Upshur County Board of Education, and is prepared based on accounting prescribed or permitted by the West Virginia Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting is described in detail in Note 1 to the financial statements of the Upshur County Board of Education, for the year ended June 30, 2016. The information in Schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**NOTE 2 NON-CASH ASSISTANCE**

Upshur County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$62,961 is included in the Schedule of Federal Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and discloses the amount distributed for the year ended June 30, 2016.

**Stephen P. Glaser CPA**  
1021 7<sup>th</sup> Avenue  
St. Albans, WV 25177

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*

The Honorable Members of the  
Upshur County Board of Education  
Buckhannon, West Virginia

We have audited, in accordance with the 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 Upshur County Board of Education as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Upshur County Board of Education's basic financial statements, and have issued our report thereon dated February 6, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Upshur 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 Upshur County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of Upshur 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 a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

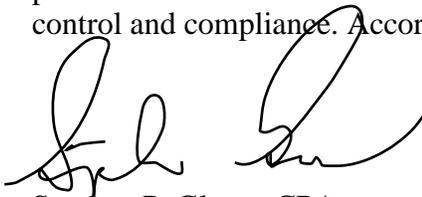
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not 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 Upshur 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.



Stephen P. Glaser, CPA  
Saint Albans, West Virginia  
February 6, 2017

**Stephen P. Glaser CPA**  
1021 7<sup>th</sup> Avenue  
St. Albans, WV 25177

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
UNIFORM GUIDANCE

The Honorable Members of the  
Upshur County Board of Education  
Buckhannon, West Virginia

**Report on Compliance for Each Major Federal Program**

We have audited Upshur County Board of Education compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Upshur County Board of Education's major federal programs for the year ended June 30, 2016. Upshur 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 Upshur 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 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Upshur 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 Upshur County Board of Education's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Upshur County Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016

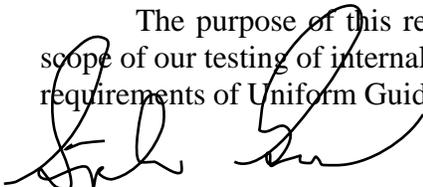
### **Report on Internal Control over Compliance**

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



Stephen P. Glaser, CPA  
Saint Albans, West Virginia  
February 6, 2017

**UPSHUR COUNTY BOARD OF EDUCATION  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2016**

**Section I – Summary of Auditors’ Results**

***Financial Statements***

Type of auditors’ report issued; Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   x   No

Non -compliance material to the financial statements noted? \_\_\_\_\_ Yes   x   No

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes   x   No
- Significant deficiency(ies) identified that is/are not considered to be material weakness(es)? \_\_\_\_\_   x   Yes \_\_\_\_\_ None Reported

Type of auditors’ report issued on compliance for major programs; Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance \_\_\_\_\_   X   Yes \_\_\_\_\_ No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I Grants to - Local Education Agencies (LEA) Special Education Cluster
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants

Dollar threshold used to distinguish between Type A and Type B Program:

Awards before 12/26/2014	\$ 300,000
Awards on or after 12/26/2014	\$ 750,000

Auditee qualified as a low-risk auditee? \_\_\_\_\_ Yes   x   No

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended June 30, 2016**

**Section II – Financial Statement Findings**

There are no findings reported.

**Section III – Federal Award Findings and Questioned Costs**

**2016-001 Special Tests and Provisions**

Grant Title: Title I Grants to LEA CFDA #84.010

Federal Agency  
U.S. Department of Education

Pass-through agency  
WV Department of Education

**CONDITON**

Upshur County Board of Education did not meet the federal program requirements regarding highly qualified teachers for Title I teachers.

**CONTEXT:**

It was noted in FY 2014 audit that Upshur County Schools did not meet the requirements for highly qualified teachers for the Title I program. The finding and the resulting corrective action plan were not finalized until the end of March 2015. Thus, not allowing Upshur County Schools to implement and correct the finding before June 30, 2016. Therefore, the same condition regarding Title I highly qualified teachers still existed during the FY 2016 audit period.

**CRITERIA:**

As stated in the Review of NCLB (No Child Left Behind) Federal Requirements for LEA (Local Education Agency) Compliance Commendations/Recommendations and /or Findings, dated January 2, 2009, as prepared by the West Virginia Department of Education, According to No Child Left Behind (NCLB) Title I state: "...the local education agency (LEA) must develop and implement a highly qualified plan that includes an annual increase in the percentage of highly qualified teachers to ensure all teachers teaching in core subjects are highly qualified not later than the end of the 2006-2007 school year."

In accordance with Title I §1119(a)(1) which states: "In General - Beginning with the first day of the first school year after the date of enactment of the No Child Left Behind Act of 2001, each local educational agency receiving assistance under this part shall ensure that all teachers hired after such day and teaching in a program supported with funds under this part are highly qualified."

In accordance with Title I §2122(b)(10) which states in part: "...the local educational agency will use funds under this subpart to meet the requirements of section § 1119."

**UPSHUR COUNTY BOARD OF EDUCATION**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016 (continued)**

**QUESTIONED COSTS:**

Not determinable.

**CAUSE:**

The Board did not have procedures in place to meet the requirements for Special Tests and Provisions of the Title I federal program.

**EFFECT:**

As a result of this noncompliance, the Upshur County Board of Education did not meet the requirements for highly qualified teachers in the Title I program.

**RECOMMENDATION:**

The Upshur County Board of Education should have the appropriate central office staff continue implementation of the county's highly qualified plan to ensure that all newly hired teachers assigned to teach core academic subjects enter the system with highly qualified status. If the individuals placed in these positions are the most qualified applicants, the LEA should ensure the individuals pursue the proper certification.

**RESPONSE / PLANNED CORRECTIVE ACTIONS:**

See Section V

**Section IV – Summary Schedule of Prior Audit Findings**

<u>Finding</u>	<u>Status</u>
2015 -1 Special Tests and Provisions Grant Title: Title I Grants to LEA Title I - highly qualified teachers	<u>Not Corrected</u>

**Section V – Corrective Action Plan**

Corrective action plan as adopted March 4 2015 is summarized as follows: