

County: Mason  
RFP: 15-037

# MASON COUNTY BOARD OF EDUCATION

## Financial Statements

June 30, 2014

MASON COUNTY BOARD OF EDUCATION  
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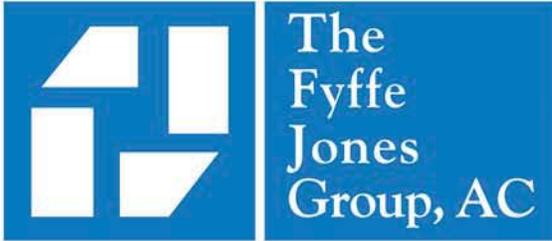
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MASON COUNTY BOARD OF EDUCATION  
SCHOOL BOARD OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

<b>Office</b>	<b>Name</b>	<b>Term</b>
	<u>Elective</u>	
School Board President	Randy Searls	07/01/2010 – 06/30/2014
School Board Members:	Greg Fowler	07/01/2012 – 06/30/2014
	Thomas Nunnery	07/01/2012 – 06/30/2016
	Paul Sayre	07/01/2012 – 06/30/2016
	Dale Shobe	07/01/2010 – 06/30/2014
	<u>Appointive</u>	
Superintendent	Suzanne Dickens	07/01/2013 – 06/30/2015
Treasurer	Gary Hendricks	07/01/2013 – 06/30/2014



The Fyffe Jones Group, AC

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Mason County Board of Education  
Point Pleasant, West Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mason County Board of Education as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board'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.

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

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

### ***Opinions***

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

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 – 11 and 46 – 50 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.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mason County Board of Education's basic financial statements. The budgetary comparison information for non-major funds, the schedule of changes in school activity funds, and the schedule of excess levy revenues and expenditures is presented for purposes 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 Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are 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 June 2, 2016, on our consideration of the Mason County Board of Education 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 the Mason County Board of Education s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "The Fyffe Jones Group, AC". The signature is written in a cursive, flowing style.

THE FYFFE JONES GROUP, AC  
Huntington, West Virginia  
June 2, 2016

MASON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Our discussion and analysis of the Mason County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2014. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

### **Financial Highlights**

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$66,552,211 (*net position*), at the close of the most recent fiscal year. Of this amount, \$294,366 (*unrestricted net position*), may be used to meet the government's ongoing obligations to citizens and creditors
- The Board's total net position increased by \$1,308,805. The majority of this increase is attributable to a decrease in long term debt.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$1,801,784, an increase of \$1,159,600, as restated, in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$(261,746).
- The Board's total debt decreased by \$1,473,279, during the current fiscal year. The key factor in this decrease was payment to reduce debt.

### **Overview of the Financial Statements**

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

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

The *statement of net position* presents information on all of the Board's assets, deferred outflows of resources, liabilities, and deferred inflow of resources. Net position is reported as assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The *statement of 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 position may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating. The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*.

MASON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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 12-13 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 six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the debt service fund, (list all applicable funds), all of which are considered major funds.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the district-wide financial statement because the Board cannot use these funds to finance its operations.

The Board uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 18 of the financial statements.

**Notes to the basic financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements.

MASON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**District-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$66,552,211, at the close of the most recent fiscal year.

	<b>2014</b>	<b>2013</b>	
	<b>Governmental</b>	<b>Governmental</b>	<b>Variance</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current and other assets	\$ 8,211,995	\$ 7,232,608	\$ 979,387
Capital assets	68,688,241	69,973,399	(1,285,158)
Prior Period Adjustments – Restatement & Correction	-	690,486	(690,486)
<b>Total assets and deferred outflows</b>	<b>\$ 76,900,236</b>	<b>\$ 77,896,493</b>	<b>\$ (996,257)</b>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>			
<b>Liabilities and deferred inflows:</b>			
Current and other liabilities	\$ 7,429,285	\$ 8,163,254	\$ (733,969)
Long-term liabilities outstanding	2,918,740	4,489,833	(1,571,093)
<b>Total liabilities and deferred inflows</b>	<b>10,348,025</b>	<b>12,653,087</b>	<b>(2,305,062)</b>
<b>Net position:</b>			
Invested in capital assets	64,226,907	64,013,040	213,867
Restricted	2,030,938	1,229,311	801,627
Unrestricted	294,366	(689,431)	983,797
Prior Period Adjustments – Restatement & Correction	-	690,486	(690,486)
<b>Total net position</b>	<b>66,552,211</b>	<b>65,243,406</b>	<b>1,308,805</b>
<b>Total liabilities, deferred inflows and net position</b>	<b>\$ 76,900,236</b>	<b>\$ 77,896,493</b>	<b>\$ (996,257)</b>

- The largest portion of the Board's net position 96.5% reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Board's net position 3.0% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for debt service.
- The remaining balance of unrestricted net position 0.5% 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 positive balances in all categories of net position. At the end of the prior year, the board reported positive balances in one category
- Restricted net position increased by \$801,627, during the year ended June 30, 2014.
- The Board's net position *increased* by \$1,380,805, during the current year. The following discussion and analysis on governmental activities focuses on this *increase*:

MASON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

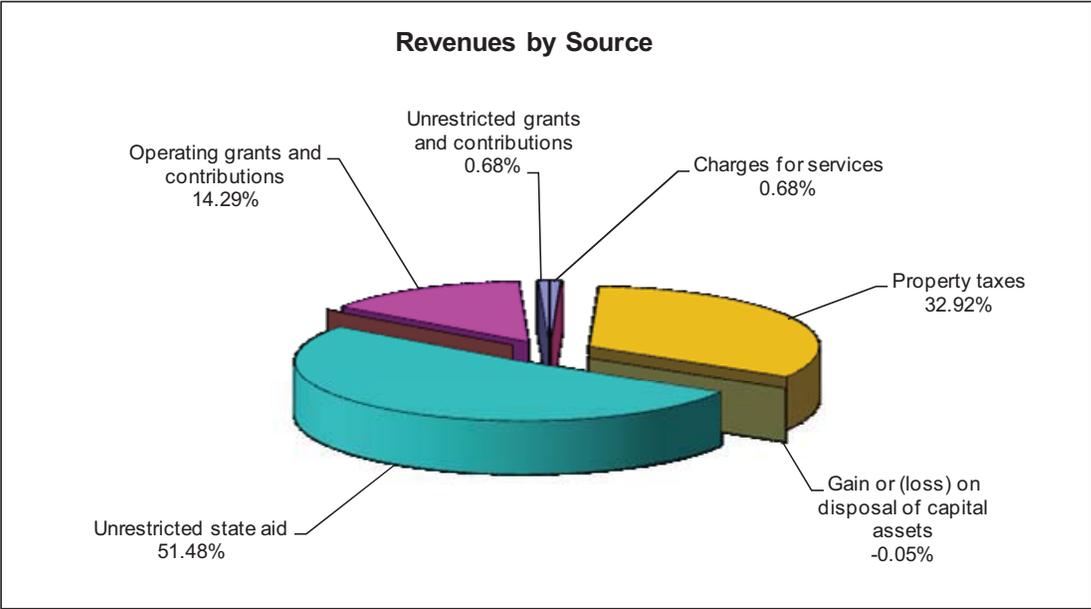
The key elements of the *increase* of the Board's net position for the year ended June 30, 2014, are as follows:

	2014 Governmental Activities	2013 Governmental Activities	Variance
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 349,378	\$ 135,990	\$ 213,388
Operating grants and contributions	7,374,217	7,518,771	(144,554)
General revenues:			
Property taxes	16,992,933	17,477,335	(484,402)
Unrestricted state aid	26,569,780	26,352,516	217,264
Unrestricted investment earnings	415	1,100	(685)
Unrestricted grants and contributions	350,653	365,229	(14,576)
Gain (loss) on sale of assets	(23,970)	-	(23,970)
<b>Total revenues</b>	<u>51,613,406</u>	<u>51,850,941</u>	<u>(237,535)</u>
<b>Expenses:</b>			
Instruction	<u>30,379,760</u>	<u>30,323,614</u>	<u>56,146</u>
Supporting services:			
Students	1,928,037	1,966,636	(38,599)
Instructional staff	2,032,644	1,945,462	87,182
District admin.	616,363	603,891	12,472
School admin.	2,566,602	2,791,312	(224,710)
Business services	473,920	474,937	(1,017)
Operation and maintenance	4,715,179	4,798,531	(83,352)
Student transportation	4,168,056	4,047,362	120,694
Other support services	6,672	-	6,672
Total supporting services	<u>16,507,473</u>	<u>16,628,131</u>	<u>(120,658)</u>
Food services	3,188,043	3,037,589	150,454
Community services	40,000	100,600	(60,600)
Interest on long-term debt	189,325	232,705	(43,380)
<b>Total expenses</b>	<u>50,304,601</u>	<u>50,322,639</u>	<u>(18,038)</u>
<b>Change in net position</b>	1,308,805	1,528,302	(219,497)
<b>Net position - July 1</b>	64,552,920	63,024,618	1,528,302
<b>Restatement – Restatement &amp; Correction</b>	<u>690,486</u>	<u>-</u>	<u>690,486</u>
<b>Net position - June 30</b>	<u>\$ 66,552,211</u>	<u>\$ 64,552,920</u>	<u>\$ 1,999,291</u>

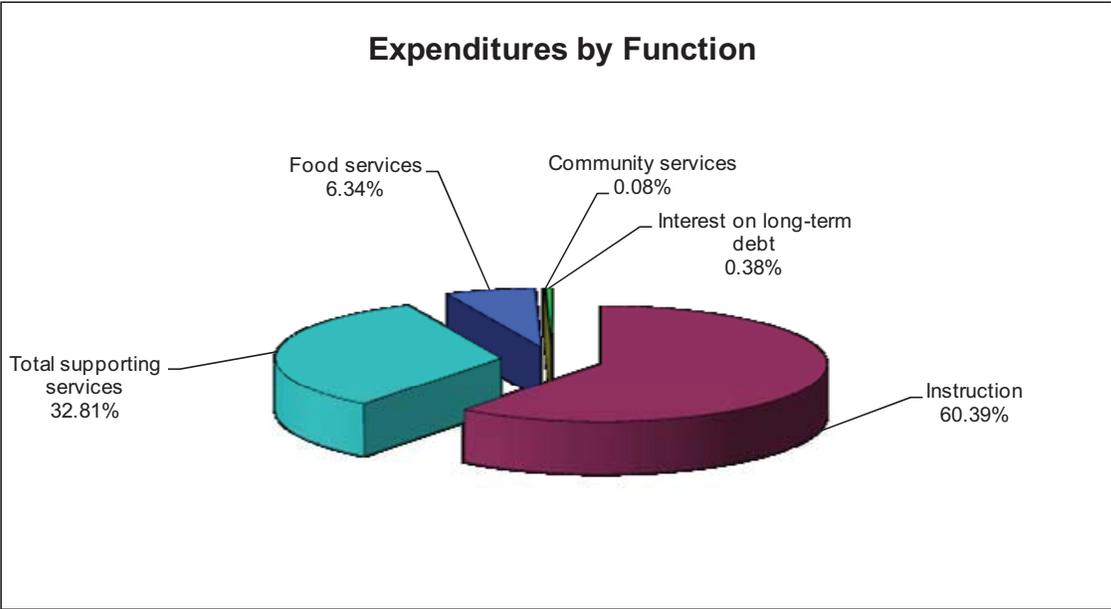
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$66,552,211, at the close of the most recent fiscal year.

MASON COUNTY BOARD OF EDUCATION  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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



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



MASON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**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 \$1,801,784.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into five classifications, including non-spendable, restricted, committed, assigned, and unassigned. Assignments are self-imposed limitations on the use of otherwise available expendable financial resources in governmental funds.

In addition, the following other changes in fund balances should be noted:

- The General Current Expense Fund (the operating fund) showed a significant increase due to a slight reduction in expenditures, increase in revenue and decrease in transfers to other funds.

**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 \$685,874, or 2% in total general fund expenditures. The most significant difference may be summarized as follows:

- Actual beginning balance was greater than original estimate

**Capital Asset and Debt Administration**

**Capital assets** - The Board's investment in capital assets for its governmental activities as of June 30, 2014, amounts to \$68,668,241 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 2 percent.

	<b>2014</b>	<b>2013</b>	<b>Variance</b>
	<b>Governmental</b>	<b>Governmental</b>	
	<b>Activities</b>	<b>Activities</b>	
Land	\$ 4,376,280	\$ 4,376,280	\$ -
Buildings and improvements	60,956,018	62,900,087	(1,944,069)
Furniture and equipment	538,161	56,425	481,736
Vehicles	2,817,782	2,641,423	176,359
Total capital assets	\$ 68,688,241	\$ 69,974,215	\$ (1,285,974)

Additional information on the Board's capital assets can be found in Note 7 to the basic financial statements.

MASON COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Long-term debt** – At the end of the current fiscal year, the Board had total bonded debt outstanding of \$2,385,000. 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. In accordance with guidance of GASB Statement 45, other post employment benefits attributable to sick leave convertible to health insurance premiums have been calculated to be \$1,936,537, and reported as a liability in the fund statements. The obligation for compensated absences for vacations was \$210,869, at June 30, 2014.

	<b>2014</b> <b>Governmental</b> <b>Activities</b>	<b>2013</b> <b>Governmental</b> <b>Activities</b>	<b>Variance</b>
General obligation bonds	\$ 2,385,000	\$ 3,510,000	\$ (1,125,000)
Capital lease obligations	2,076,334	2,450,359	(374,025)
Compensated absences	210,869	185,123	25,746
Total debt outstanding	<u>\$ 4,762,703</u>	<u>\$ 6,145,482</u>	<u>\$ (1,473,279)</u>

Additional information on the Board's long-term debt can be found in Notes 8 and 9 to the basic financial statements.

**Factors Bearing on the Board's Future**

As of June 30, 2014, the Board has reported a deficit general fund balance of \$(251,713). This deficit is achieved through a liability for other post-employment benefits.

**Contacting the Board's Financial Management**

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Mason County Board of Education, 1200 Main Street, Point Pleasant, WV 25550.

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2014

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,191,763
Taxes receivable, net of allowance for uncollectible taxes	883,423
Deposit with retirement board	10,033
Food service receivable	5,707
Due from other governments:	
PEIA allocation receivable	537,410
Reimbursements receivable	583,659
Capital Assets:	
Land	4,376,280
Buildings and improvements	82,471,167
Furniture and equipment	4,286,419
Vehicles	5,778,129
Less accumulated depreciation	(28,223,754)
Total capital assets, net of depreciation	68,688,241
<b>Total assets</b>	76,900,236
 <b>DEFERRED OUTFLOW OF RESOURCES</b>	
	-
<b>Total deferred outflows of resources</b>	-
<b>Total assets and deferred outflows of resources</b>	\$ 76,900,236
 <b>LIABILITIES</b>	
Salaries payable and related payroll liabilities	\$ 2,792,009
Other post employment benefits payable-all other employees	1,936,537
PEIA premiums payable	760,155
Compensated absences	210,869
Accounts payable	164,560
Due within one year:	
Bonds, capital leases, and contracts	1,542,594
Accrued interest	22,561
Due beyond one year:	
Bonds, capital leases, and contracts	2,918,740
<b>Total liabilities</b>	10,348,025
 <b>DEFERRED INFLOW OF RESOURCES</b>	
	-
<b>Total deferred inflows of resources</b>	-
<b>Total liabilities and deferred inflows of resources</b>	\$ 10,348,025
 <b>NET POSITION</b>	
Invested in capital assets, net of related debt	\$ 64,226,907
Restricted for:	
Debt service	1,344,640
Special projects	686,298
Unrestricted	294,366
<b>Total net position</b>	\$ 66,552,211

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 30,379,760	\$ 226,364	\$ 2,981,186	\$ (27,172,210)
Supporting services:				
Students	1,928,037	14,360	199,420	(1,714,257)
Instructional staff	2,032,644	15,163	210,580	(1,806,901)
General administration	616,363	4,594	63,805	(547,964)
School administration	2,566,602	19,125	265,603	(2,281,874)
Central services	473,920	3,529	49,006	(421,385)
Operation and maintenance of facilities	4,715,179	35,148	488,119	(4,191,912)
Student transportation	4,168,056	31,060	916,957	(3,220,039)
Other support services	6,672	35	485	(6,152)
Food services	3,188,043	-	2,199,056	(988,987)
Community services	40,000	-	-	(40,000)
Interest on long-term debt	189,325	-	-	(189,325)
Total governmental activities	\$ 50,304,601	\$ 349,378	\$ 7,374,217	\$ (42,581,006)
General revenues:				
Property taxes				16,992,933
Unrestricted state aid				26,569,780
Unrestricted investment earnings				415
Unrestricted grants and contributions				350,653
Gain on sale of capital asset				(23,970)
Transfers in				1,418,535
Transfers (out)				(1,418,535)
Total general revenues and transfers				43,889,811
Change in net position				1,308,805
Net position - beginning				64,552,920
Prior period adjustments - (See Note 13)				690,486
Net position - beginning, as restated				65,243,406
Net position - ending				\$ 66,552,211

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2014

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,814,594	\$ 20,623	\$ 1,356,546	\$ 6,191,763
Taxes receivable, net	821,526	-	61,897	883,423
Deposit with retirement board	10,033	-	-	10,033
Food service receivable, net	-	5,707	-	5,707
Due from other governments:				
PEIA allocation receivable	537,410	-	-	537,410
Reimbursements receivable	242,939	340,720	-	583,659
Due from other funds	-	410,054	-	410,054
<b>Total assets</b>	<b>6,426,502</b>	<b>777,104</b>	<b>1,418,443</b>	<b>8,622,049</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 6,426,502</b>	<b>\$ 777,104</b>	<b>\$ 1,418,443</b>	<b>\$ 8,622,049</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Salaries payable and related payroll liabilities	\$ 2,702,023	\$ 89,986	\$ -	\$ 2,792,009
Other post employment benefits payable-all other employees	1,936,537	-	-	1,936,537
PEIA premiums payable	760,155	-	-	760,155
Accounts payable	163,741	819	-	164,560
Due to other funds	410,054	-	-	410,054
<b>Total liabilities</b>	<b>5,972,510</b>	<b>90,805</b>	<b>-</b>	<b>6,063,315</b>
<b>Deferred inflows of resources</b>	<b>705,705</b>	<b>-</b>	<b>51,245</b>	<b>756,950</b>
<b>Total deferred inflows of resources</b>	<b>705,705</b>	<b>-</b>	<b>51,245</b>	<b>756,950</b>
<b>Fund Balances:</b>				
Nonspendable	10,033	-	-	10,033
Restricted	-	686,299	1,367,198	2,053,497
Unassigned	(261,746)	-	-	(261,746)
<b>Total fund balances</b>	<b>(251,713)</b>	<b>686,299</b>	<b>1,367,198</b>	<b>1,801,784</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 6,426,502</b>	<b>\$ 777,104</b>	<b>\$ 1,418,443</b>	<b>\$ 8,622,049</b>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2014

Total fund balance on the governmental fund's balance sheet	\$	1,801,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet		68,688,241
Property taxes receivable and food service billings will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore in deferred funds		756,948
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds payable, due within one year		(1,170,000)
Bonds payable, due beyond one year		(1,215,000)
Accrued interest on bonds		(22,559)
Capital lease payable		(2,076,334)
Compensated absences		(210,869)
		(4,694,762)
Net position of governmental activities	\$	66,552,211

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 15,607,985	\$ -	\$ 1,421,874	\$ 17,029,859
Other local sources	337,785	330,262	415	668,462
State sources	26,569,780	2,037,017	-	28,606,797
Federal sources	349,381	5,006,940	-	5,356,321
Miscellaneous sources	12,868	-	-	12,868
<b>Total revenues</b>	<b>42,877,799</b>	<b>7,374,219</b>	<b>1,422,289</b>	<b>51,674,307</b>
<b>Expenditures:</b>				
Instruction	25,190,435	3,552,127	-	28,742,562
Supporting services:				
Students	1,644,502	283,535	-	1,928,037
Instructional staff	1,197,331	832,597	-	2,029,928
General administration	578,563	250	-	578,813
School administration	2,553,908	11,795	-	2,565,703
Central services	457,813	-	-	457,813
Operation and maintenance of facilities	4,913,963	-	-	4,913,963
Student transportation	3,864,228	537,345	-	4,401,573
Other support services	-	6,672	-	6,672
Food services	334	3,153,786	-	3,154,120
Community services	40,000	-	-	40,000
Debt service:				
Principal retirement	-	-	1,470,526	1,470,526
Interest and fiscal charges	-	-	224,997	224,997
<b>Total expenditures</b>	<b>40,441,077</b>	<b>8,378,107</b>	<b>1,695,523</b>	<b>50,514,707</b>
Excess (deficiency) of revenues over expenditures	2,436,722	(1,003,888)	(273,234)	1,159,600
<b>Other financing sources (uses):</b>				
Transfers in	7,738	996,355	414,442	1,418,535
Transfers (out)	(1,410,797)	(7,738)	-	(1,418,535)
<b>Total other financing sources (uses)</b>	<b>(1,403,059)</b>	<b>988,617</b>	<b>414,442</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>1,033,663</b>	<b>(15,271)</b>	<b>141,208</b>	<b>1,159,600</b>
<b>Fund balances - beginning</b>	<b>(1,285,376)</b>	<b>-</b>	<b>1,229,311</b>	<b>(56,065)</b>
<b>Restatement of fund balance (See Note 13)</b>	<b>-</b>	<b>701,570</b>	<b>(3,321)</b>	<b>698,249</b>
<b>Fund balances - beginning, as restated</b>	<b>(1,285,376)</b>	<b>701,570</b>	<b>1,225,990</b>	<b>642,184</b>
<b>Fund balances - ending</b>	<b>\$ (251,713)</b>	<b>\$ 686,299</b>	<b>\$ 1,367,198</b>	<b>\$ 1,801,784</b>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Net change in fund balances - total governmental funds \$ 1,159,600

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

Depreciation expense	(2,044,638)
Capital outlays	790,397

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	(36,927)
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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.

1,499,025

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	(239,704)
Accumulated depreciation of assets disposed	215,734

Compensated absences are reported as liabilities in the statement of net position, 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	(25,746)
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Amortization of bond issuance costs are reported in the statement of activities but do not require the use of current financial resources and, therefore, are not reported as expenditures in government funds.

(16,107)

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

\$7,171

Change in net position of governmental activities	<u><u>\$ 1,308,805</u></u>
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See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2014

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$582,374
<b>Total assets</b>	<u>\$582,374</u>
<b>LIABILITIES</b>	
Due to other funds	\$582,374
<b>Total liabilities</b>	<u>\$582,374</u>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

**A. Reporting Entity:**

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

GASB Statement 14 establishes the criteria for determining the governmental reporting entity and the component units that should be included within the reporting entity. Under provisions of this statement, the School Board is considered 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.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The *fund financial statements* provide information about the individual funds maintained by the School Board. All funds maintained by the school district are considered 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.

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

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

Agency Funds: Agency funds are used to account for assets that the Board holds for others in an agency capacity. These 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

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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 in either checking or savings accounts or other highly liquid investments with an original maturity of three months or less are presented as cash in the accompanying financial statements.

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the West Virginia Municipal Bond Commission (MBC) for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof; certificates of deposit; and repurchase agreements. Funds of the Board are temporarily invested by the MBC specifically on behalf of the Board as part of the MBC’s consolidated investment pool. Deposits with the State Consolidated Investment Pool are held by the West Virginia Board of Treasury Investments (BTI). The deposits with the MBC are held for debt service requirements of the Board. The deposits with the BTI and MBC are not separately identifiable as to specific types of securities. Investment income is prorated to the Board at rates specified by the BTI and MBC. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

equivalents in the accompanying basic financial statements. These investments are considered cash and cash equivalents due to their liquid nature. The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The BTI was established by the State Legislature and is subject to oversight by the State Legislature.

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

	<b>Carrying Amount</b>	<b>Estimated Fair Value</b>	<b>Bank Balance</b>
State Investment Pool	\$ 3,761	\$ 3,761	\$ 3,761
Municipal Bond Commission	1,356,546	1,356,546	1,356,546
Deposits with Financial Institutions – Board of Education	3,064,124	3,064,124	3,064,124
Deposits with Financial Institutions – Individual Schools	582,374	582,374	582,374
<b>Total Investments</b>	<b>\$ 5,006,805</b>	<b>\$ 5,006,805</b>	<b>\$ 5,006,805</b>

**WV Government Money Market Pool - Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2013, the WV Government Money Market Pool has been rated AAAM by Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s.

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

At June 30, 2014, the Board has \$1,356,546, invested with the West Virginia Municipal Bond Commission. Pool investments of the Municipal Bond Commission are held in a Government Money Market with the WV Board of Treasury Investments Consolidated Fund.

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days.

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	2014	
	Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 101,500	3
U.S. Treasury notes	50,112	103
U.S. Treasury bills	4,999	76
U.S. agency discount notes	125,474	67
U.S. agency bonds/notes	5,000	34
Money market funds	99	1
	\$ 287,184	50

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

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

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

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

**Deposits** - Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the BTI's Consolidated Fund's investment pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**F. Food Service receivables:**

The accounts receivable for the Food Service Program has been reduced to \$0, for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the Board.

**G. Interfund receivables and payables:**

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

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

**H. Inventories:**

The Board has reported no material inventories as of June 30, 2014.

**I. Prepaid Items:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. On June 30, 2014, the Board has recorded \$10,033, as retirement forfeiture as a prepaid item.

**J. 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.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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

**K. Deferred Outflow of Resources:**

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period.

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts.

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

**Compensated Absences:**

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick benefits can be accumulated up to 45 and unlimited days, respectively, and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred. In lieu of a cash payment at retirement, 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.

**M. Long-term Obligations:**

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

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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.

**N. Deferred Inflow of Resources:**

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period.

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts.

**O. 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.
- **Restricted net position, nonexpendable** - This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. The Board does not have any restricted nonexpendable assets at June 30, 2014.
- **Unrestricted net position** - This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**P. Fund Equity:**

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

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2014. 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 whom the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

**Q. Elimination and Reclassifications:**

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

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

**R. Accounting Estimates:**

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

**S. Restricted Resources:**

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

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

The Governmental Accounting Standards Board has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective for fiscal years beginning after December 15, 2012. This statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. See note 3 for a discussion of the anticipated effect.

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

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

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

The Governmental Accounting Standards Board has also issued Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, effective for fiscal years beginning after June 15, 2014. This Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension

MASON COUNTY BOARD OF EDUCATION  
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**Note 1 - Summary of Significant Accounting Policies (Cont.):**

liability and a more comprehensive measure of pension expense. The Board has not yet determined the effect that the adoption of GASB Statement No. 68 may have on its financial statements.

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

The Governmental Accounting Standards Board has also issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, effective for fiscal years beginning after June 15, 2013. The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This Statement also will enhance the information disclosed about a government's obligations and risk exposure from extending nonexchange financial guarantees. This Statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The Board has not yet determined the effect that the adoption of GASB Statement No. 70 may have on its financial statements.

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

**Note 2 - Stewardship, Compliance and Accountability:**

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

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2014:

Fund	Amount
Special Revenue	\$15,272

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

MASON COUNTY BOARD OF EDUCATION  
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**Note 2 - Stewardship, Compliance and Accountability (Cont.):**

The following funds have a deficit fund balance at June 30, 2014:

Fund	Fund Balance
General Current Expense Fund	\$251,713

**Note 3 - Change in Accounting Policy:**

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

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

**Unavailable Revenue:** Property tax collections, Medicaid collections, and other receivables that are not received soon enough after year-end to pay liabilities of the current period, are now required to be presented as deferred inflows of resources. For fiscal year ended June 30, 2014, the Board reported deferred inflows of resources relating to such unavailable revenues totalling \$756,949. These were previously reported as deferred revenues.

**Note 4 - 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

MASON COUNTY BOARD OF EDUCATION  
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**Note 4 - Risk Management (Cont.):**

are established by the PEIA Finance Board. The cost of all coverage as determined by the Finance Board is paid by the participants.

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

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

The Travelers Insurance Company's risk pool retains the risk related to the compensation of injured employees under the program.

**Note 5 - Property Taxes:**

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

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

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

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

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

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

Class II - 45.90¢ per \$100 of assessed valuation; Class III - 91.80¢ per \$100 of assessed valuation; and Class IV - 91.80¢ per \$100 of assessed valuation.

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

MASON COUNTY BOARD OF EDUCATION  
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**Note 5 - Property Taxes (Cont.):**

State Legislature holds a public hearing. The amounts to be paid to the Assessors Valuation Fund are also to be excluded from the calculation.

County boards of education are also authorized to impose an additional (excess) levy not to extend beyond five years if approved by at least a majority of the voters. The rates of levy cannot exceed the maximum rates specified above and must be proportional for all classes of property.

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2014, were:

<b>Class of Property</b>	<b>Assessed Valuations for Tax Purposes</b>	<b>Current Expense</b>	<b>Excess Levy</b>	<b>Permanent Improvement</b>	<b>Bond Purposes</b>
Class I	\$ -	19.40¢	20.45¢	n/a	3.68¢
Class II	374,597,696	38.80¢	40.96¢	n/a	7.36¢
Class III	628,056,551	77.60¢	81.92¢	n/a	14.72¢
Class IV	99,161,376	77.60¢	81.92¢	n/a	14.72¢

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, 2014, for the Board's funds are as follows:

	<b>General Current Expense Fund</b>	<b>Debt Service Fund</b>
Taxes Receivable	\$ 1,241,671	\$ 100,667
LESS: Allowance for Uncollectible	420,145	38,770
<b>Taxes Receivable, net</b>	<b>\$ 821,526</b>	<b>\$ 61,897</b>

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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**Note 6 - Excess Levy:**

The Board had an excess levy in effect during the fiscal year ended June 30, 2014. The levy was authorized by the voters of the county at an election held on November 4, 2008, for the fiscal years ended June 30, 2010, through June 30, 2014, to provide funds for the following purposes:

- To continue to provide instructional materials, free textbooks, instructional equipment, 21st century technology and accident insurance for all students at an approximately total annual cost of \$1,550,000.
- To continue to provide financial support of designated community organizations and agencies, including but not limited to Sheriff's Department – Prevention Resource Officers at \$100,000; Mason County Library at \$20,000; and WV Cooperative Extension at \$20,000 total annual cost approximately \$140,000.
- To update computer technology including computer purchases, repairs, upgrades, software, and contracting at an approximately total annual cost of \$105,000.
- To continue to provide for the upkeep and maintenance of existing facilities and construction by providing the necessary supplies, services, or equipment at an approximate annual cost of \$2,175,000.
- The continuation of the local salary schedule with required social security, unemployment compensation, workers compensation and other employee benefits for school personnel at an approximate total annual cost of \$2,208,366. Such funding will allow Mason County to employ and retain highly qualified personnel to continue to provide the highest quality education for the children of Mason County.
- To provide transportation for students including maintenance of equipment, vehicle replacement, and fuel for vehicles at an approximate annual cost of \$500,000.
- To provide extra- and co-curricular activities for students including field trips, school competitions, and other extra and co-curricular activities at an approximate annual cost of \$270,000.

A total of \$7,924,493, was received by the Board from the excess levy during the fiscal year ended June 30, 2014.

MASON COUNTY BOARD OF EDUCATION  
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**Note 7 - Capital Assets:**

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

	Beginning Balance	Restatement (See Note 13)	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 4,376,280	\$ -	\$ -	\$ -	\$ 4,376,280
Total non-depreciable capital assets	4,376,280	-	-	-	4,376,280
Capital assets, depreciable:					
Buildings and improvements	82,817,702	(544,891)	198,356	-	82,471,167
Furniture and equipment	3,728,699	529,923	27,797	-	4,286,419
Vehicles	5,449,589	4,000	564,244	(239,704)	5,778,129
Total depreciable capital assets	91,995,990	(10,968)	790,397	(239,704)	92,535,715
Less accumulated depreciation for:					
Buildings and improvements	(19,917,615)	-	(1,597,534)	-	(21,515,149)
Furniture and equipment	(3,672,274)	(10)	(75,974)	-	(3,748,258)
Vehicles	(2,808,166)	3,215	(371,130)	215,734	(2,960,347)
Total accumulated depreciation	(26,398,055)	3,205	(2,044,638)	215,734	(28,223,754)
Total depreciable capital assets, net	65,597,935	(7,763)	(1,254,241)	(23,970)	64,311,961
Total capital assets, net	\$69,974,215	\$ (7,763)	\$(1,254,241)	\$ (23,970)	\$ 68,688,241

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

Instruction	\$1,637,199
Supporting Services:	
Instructional Staff	2,716
Central administration	11,803
School administration	899
Operation and maintenance of facilities	27,369
Transportation	330,729
Food services	33,923
Total Depreciation expense - governmental activities	<u>\$2,044,638</u>

**Note 8 - Long-term Debt:**

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

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
General obligation debt	\$ 3,510,000	\$ -	\$ 1,125,000	\$ 2,385,000	\$ 1,170,000	\$ 1,215,000
Compensated absences	185,123	25,746	-	210,869	-	210,869
Capital lease payable	2,450,359	-	374,025	2,076,334	372,594	1,703,740
Long-term liabilities	\$ 6,145,482	\$ 25,746	\$ 1,499,025	\$ 4,672,203	\$ 1,542,594	\$ 3,129,609

MASON COUNTY BOARD OF EDUCATION  
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**Note 8 - Long-term Debt (Cont.):**

The Board's future debt service requirements for bonded debt are as follows:

Year Ending June 30,	Principal	Interest	Total
2015	\$1,170,000	\$110,475	\$1,280,475
2016	1,215,000	60,750	1,275,750
<b>Total</b>	<b>\$2,385,000</b>	<b>\$171,225</b>	<b>\$2,556,225</b>

**Note 9 - Leases:**

The Board has entered into various lease/purchase agreements with the private sector, primarily for equipment. These agreements, accounted for as capital leases, are for various terms. While these agreements contain clauses indicating that their continuation is subject to continuing appropriation by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes. 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, 2014, were \$374,025.

The Board has entered into a second capital lease-purchase agreement pursuant to the provisions of West Virginia Code Section 18-5-9a whereby HVAC equipment for Wahama, Hannan, and Point Pleasant Junior/Senior High Schools is leased from Farmer's Bank for a period of ten years beginning August 19, 2005. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

The future minimum lease obligations as of June 30, 2014, for the Board's capital lease are as follows:

Year	Payment
2015	\$ 110,038
2016	<u>110,038</u>
Total Minimum lease payments	\$220,076
Less: Amount representing interest	<u>14,415</u>
Present Value of Minimum Lease	\$205,661

The Board has entered into a third capital lease-purchase agreement pursuant to the provisions of West Virginia Code Section 18-5-9a whereby HVAC equipment for Point Pleasant Junior/Senior High School is leased from Farmers Bank and Savings Company for a period of ten years beginning March 24, 2009. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

MASON COUNTY BOARD OF EDUCATION  
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**Note 9 – Leases (Cont.):**

The following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments as of June 30, 2014, of the Board’s capital leases:

<b>Year</b>	<b>Payment</b>
2015	\$122,000
2016	123,000
2017	123,800
2018	124,400
2019	<u>124,800</u>
Total Minimum lease payments	\$618,000
Less: Amount representing interest	<u>68,000</u>
Present Value of Minimum Lease	\$550,000

The Board has entered into a fourth capital lease-purchase agreement in the amount of \$926,000, pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for a HVAC/control system at Point Pleasant Junior/Senior High School and those assets are leases from Ohio Valley Bank for a period of fifteen years beginning April 15, 2004, with annual payments of \$53,391. These payments will earn interest at a rate of 2.03 per cent, for a total of \$125,140, in interest, which will be applied towards the capital lease payments. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. Future minimum lease obligations at June 30, 2014, are \$266,953.

The Board has entered into a fifth capital lease-purchase agreement in the amount of \$1,000,000, pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for a HVAC/control system at New Haven Elementary School and those assets are leases from Ohio Valley Bank for a period of sixteen years beginning July 18, 2006, with annual payments of \$53,017. These payments will earn interest at a rate of 2.13 per cent, for a total of \$151,734, in interest, which will be applied towards the capital lease payments. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. Future minimum lease obligations at June 30, 2014, are \$424,136.

The Board has entered into a sixth capital lease-purchase agreement in the amount of \$1,000,000, pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for HVAC equipment at Point Pleasant Junior/Senior High School and those assets are leased from Ohio Valley Bank for a period of fifteen years beginning September 18, 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 returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

MASON COUNTY BOARD OF EDUCATION  
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**Note 9 – Leases (Cont.):**

The future minimum lease obligations at June 30, 2014, are as follows:

<b>Year</b>	<b>Payment</b>
2015	\$ 75,802
2016	75,802
2017	75,802
2018	75,802
2019	75,802
2020	75,802
2021	75,802
2022	75,802
2023	<u>75,802</u>
Total Minimum lease payments	\$ 682,218
Less: Amount representing interest	<u>53,035</u>
Present Value of Minimum Lease	\$ 629,183

**Note 10 - Employee Retirement System:**

All full-time board of education employees are required to participate in one of two statewide, cost sharing, multiple-employer retirement benefit plans, the Teachers’ Defined Benefit Retirement System or the Teachers’ Defined Contribution Retirement System. For the year ended June 30, 2014, the Board’s total payroll for all employees was \$25,862,855, and the payroll was \$24,071,480, for employees covered by the two retirement programs.

Of the total amount appropriated by the State for retirement, the portion equal to the employers’ average required contribution rate for both the defined benefit and the defined contribution plans is considered to be the employers’ contribution for the current cash flow requirements for personnel funded under the Public School Support Program and is reflected as state revenue (Contributions For/On Behalf of the LEA) in the Board’s financial statements. The balance is considered to be the State’s contribution toward the past service unfunded liability and is included as a for/on behalf revenue and expenditure in the Board’s financial statements.

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

Conversion of leave for post-retirement: Upon retirement, an employee’s vacation and sick leave may be converted to a greater retirement benefit or payment of health insurance premiums. The cost of the increased retirement benefit or payment of health insurance premiums must be absorbed by the last agency employing the retiree.

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**Note 10 - Employee Retirement System (Cont.):**

**Teachers' Defined Benefit Retirement System:**

Plan Description: The Teachers' Defined Benefit Retirement System is a cost-sharing, multiple-employer public employee defined benefit retirement system, which was established on July 1, 1941, and was closed for new members on July 1, 1991. Beginning July 1, 2005, all new employees become members of this plan. To qualify for full benefits, a member must be age 60 with at least five years of credited service, or be age 55 with at least 30 years of credited service or any age with at least 35 years of credited service. A member may receive a disability benefit after completing ten years of service, if the member is disabled for six months, unable to perform his or her regular occupation, and the Retirement Board expects the disability to be permanent.

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

The normal form of benefit is a single life annuity paid monthly, in an amount equal to 2% of the final average salary times years of credited service. Other forms of benefits may be elected subject to actuarial reduction: Cash Refund Annuity, 50% or 100% Contingent Joint and Survivor Annuities, and ten year Certain and Life Annuities. Pre-retirement death benefits are paid to the spouse of a deceased member who had attained the age 50 and completed 25 years of credited service. The annuity payment is computed as if the member had retired on the date of death with a 100% Joint and Survivor pension. If the member's age and service are less than that required, the sum of the accumulated member's and employer contributions with interest is paid to the member's beneficiary or estate.

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

Contribution Requirements and Payments Made: This is a fully qualified plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants contribute 6% of their gross compensation and the board of education contributes 15% of covered members' gross compensation to the retirement plan, for a total of 21% annually for those who became members prior to July 1, 1991. Participants who became members after July 1, 2005 contribute 6% of their gross compensation and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 13.5% annually.

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

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 10 - Employee Retirement System (Cont.):**

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

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

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

Employees' contributions (6%)	\$ 1,349,758
Employer’s contributions (15% or 7.5%)	1,941,490
Total contributions	<u>\$ 3,291,248</u>

**Teachers' Defined Contribution Retirement System:**

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

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

A unique feature of the Teachers' Defined Contribution Plan is that each member chooses the investment options and may make changes at any time. The investment options are: Great-West SF Balanced Trust, Great-West Lifetime 2015 Trust II, Great-West Lifetime 2025 Trust II, Great-West Lifetime 2035 Trust II, Great-West Lifetime 2045 Trust II, Great-West Lifetime 2055 Trust II, American Funds EuroPacific R5, Franklin Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, JHancock Large Cap Equity I, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund, and Valic Fixed Annuity Option.

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2013, this plan had approximately \$350.6 million in net position held in trust for pension

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 10 - Employee Retirement System (Cont.):**

benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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

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

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

Employees' contributions (4.5%)	\$ 57,650
Employer's contributions (7.5%)	96,082
Total contributions	<u>\$ 153,732</u>

**Note 11 - 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 include 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

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 11 - Post-Employment Benefits Other Than Pension (Cont.):**

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. This subsidy has created the major portion of the OPEB actuarial liability.

Based on the latest actuarial evaluation of the RHBT, the annual required contribution (ARC) for the State and the boards of education for fiscal year ended June 30, 2014, was determined to be:

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

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 11 - Post-Employment Benefits Other Than Pension (Cont.):**

The following summarizes the Board's OPEB activity:

OPEB, beginning of year as of July 1, 2013	\$ 1,887,781
Total OPEB expense	1,298,519
Less: Pay-as-you-go payments and other credits	(1,249,762)
OPEB at year end as of June 30, 2014	1,936,538
Portion attributable to remaining personnel	\$1,936,538

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:

<b>Fiscal Year Ending June 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage Contributed</b>
2014	\$ 1,298,519	96%
2013	1,017,968	97%
2012	1,506,100	64%

**B. Current Year Credits**

In February 2012, the West Virginia Legislature passed Senate Bill 469 that transferred the portion of the OPEB liability attributable to personnel funded through the state aid funding formula to the State of West Virginia. The Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issues credits to the Board. The amount of credit issued for fiscal year 2014 was \$273,842. This amount was treated as a reduction of current year operating expenses.

**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.

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 13 - Restatement:**

**A. Restatement of Fund Balance:**

The fund balance at the beginning of the year of the following funds required restatement:

	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>
Fund balance at June 30, 2013, as previously stated	\$ -	\$ 1,229,311
Total Adjustments (See Below)	<u>701,570</u>	<u>(3,321)</u>
Fund balance at June 30, 2013, Restated	<u>\$ 701,570</u>	<u>\$ 1,225,990</u>

The adjustments consisted of the following:

**Special Revenue Fund:**

The Board's Statement of Activities for June 30, 2014, shows a prior year adjustment in the amount of \$701,570. This amount was a restatement due to a change in the regulatory agency's prescribed procedure previously requiring restricted special revenue funds to be classified in the liability section of the balance sheet as deferred revenue. Those types of balances are now recorded in the equity section of the balance sheet as restricted funds.

**Debt Service Fund:**

The Board's Statement of Activities for June 30, 2014, shows a correction of prior year in the amount of \$3,321. This amount corrected an overstatement of the debt service fund.

**B. Restatement of Beginning Net Position:**

During the year ended June 30, 2014, the Board restated its beginning net position balance for the correction of an error related to a capital assets, as the capital asset inventory at June 30, 2013, was incorrect. The impact on the beginning net position balance was as follows:

Net position, June 30, 2013, as previously stated	\$ 64,552,920
Special Revenue Fund adjustment (described above)	701,570
Debt Service Fund adjustment	(3,321)
District-wide capital asset adjustment	<u>(7,763)</u>
Net Position, June 30, 2013, as restated	\$ 65,243,406

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 14 - Fund Balance:**

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

Fund Balances	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Total Governmental
<b>Nonspendable:</b>				
Prepaid Items	\$ 10,033	\$ -	\$ -	\$ 10,033
<b>Restricted for:</b>				
Special Projects	-	686,298	-	686,298
Debt Service	-	-	1,367,199	1,367,199
<b>Unassigned</b>	<b>(261,746)</b>	<b>-</b>	<b>-</b>	<b>(261,746)</b>
<b>Total fund balances</b>	<b>\$ (251,713)</b>	<b>\$ 686,298</b>	<b>\$ 1,367,199</b>	<b>\$ 1,801,784</b>

**Note 15 - Commitments, Contingencies and Subsequent Events:**

The Board had encumbrances totaling \$175,917, as of June 30, 2014, in the following funds:

General Current Expense Fund	Special Revenue Fund
\$ 85,238	\$ 90,679

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

Subsequent to June 30, 2014, the following additional commitments for construction and other capital improvements have been entered into:

Commitment and/or Improvement	Amount
Purchase of Property	\$649,000

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

For the fiscal year ended June 30, 2014, Medicaid school-based health services revenue was recognized in accordance with fee-for-service billing as in prior years by the Board. However, the Centers for Medicare and Medicaid Services (CMS) have required the West Virginia Department of Health and Human Services (DHHR) to revise the school-based health services portion of the Medicaid State Plan. When implemented, revenue will be recognized based on an estimated annual cost settlement. Based on the current negotiations between CMS and DHHR, the anticipated effective date of the revised methodology

MASON COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Note 15 - Commitments, Contingencies and Subsequent Events (Cont.):**

will be July 1, 2014. However, the possibility exists that CMS may require an earlier effective date. If the July 1, 2014, effective date is not approved by CMS, the Medicaid revenue amounts for the fiscal year ended June 30, 2014, could be significantly different from the amounts currently presented.

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

All commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through June 2, 2016, the date of this report.

**Note 16 - Interfund Balances and Transfers:**

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Current Expense	Special Revenue Fund	\$ 996,355
General Current Expense	Debt Service Fund	414,442
Special Revenue Fund	General Current Expense	7,738
<b>Total Transfers</b>		<b>\$1,418,535</b>

**Interfund Transfers**

During the year ended June 30, 2014, the General Current Expense Fund transferred funds to the Special Revenue Fund and the Debt Service Fund to move unrestricted revenue, collected in the General Fund to finance programs accounted for in these Funds in accordance with budgetary authorization. The Special Revenue Fund reimbursed the General Fund an amount from indirect costs.

**Note 17 - Major Sources of Revenue:**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL CURRENT EXPENSE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
<b>Revenues:</b>						
Property taxes	\$ 14,666,957	\$ 14,666,957	\$ 15,607,985	\$ -	\$ 15,607,985	\$ 941,028
Other local sources	203,260	391,880	337,785	-	337,785	(54,095)
State sources	26,505,573	26,509,633	26,569,780	-	26,569,780	60,147
Federal sources	505,000	505,000	349,381	-	349,381	(155,619)
Miscellaneous sources	-	-	12,868	-	12,868	12,868
<b>Total revenues</b>	<b>41,880,790</b>	<b>42,073,470</b>	<b>42,877,799</b>	<b>-</b>	<b>42,877,799</b>	<b>804,329</b>
<b>Expenditures:</b>						
Instruction	25,417,652	25,776,734	25,190,435	(48,757)	25,141,678	635,056
Supporting services:						
Students	1,755,818	1,756,243	1,644,502	-	1,644,502	111,741
Instructional staff	1,199,532	1,199,532	1,197,331	-	1,197,331	2,201
Central administration	609,341	618,841	578,563	-	578,563	40,278
School administration	2,661,643	2,664,997	2,553,908	-	2,553,908	111,089
Business	511,867	511,442	457,813	-	457,813	53,629
Operation and maintenance of facilities	4,800,987	5,031,282	4,913,963	-	4,913,963	117,319
Student transportation	3,657,389	3,741,032	3,864,228	-	3,864,228	(123,196)
Food services	-	-	334	-	334	(334)
Community services	40,000	40,000	40,000	-	40,000	-
<b>Total expenditures</b>	<b>40,654,229</b>	<b>41,340,103</b>	<b>40,441,077</b>	<b>(48,757)</b>	<b>40,392,320</b>	<b>947,783</b>
Excess (deficiency) of revenues over expenditures	1,226,561	733,367	2,436,722	48,757	2,485,479	1,752,112
<b>Other financing sources (uses):</b>						
Transfers in	20,000	20,000	7,738	-	7,738	(12,262)
Transfers (out)/reserves	1,532,604	1,532,604	(1,410,797)	-	-	(1,532,604)
<b>Total other financing sources (uses)</b>	<b>1,552,604</b>	<b>1,552,604</b>	<b>(1,403,059)</b>	<b>-</b>	<b>7,738</b>	<b>(1,544,866)</b>
<b>Change in fund balances</b>	<b>2,779,165</b>	<b>2,285,971</b>	<b>1,033,663</b>	<b>48,757</b>	<b>2,493,217</b>	<b>207,246</b>
<b>Fund balances - beginning</b>	<b>(1,285,376)</b>	<b>(1,285,376)</b>	<b>(1,285,376)</b>	<b>-</b>	<b>(1,285,376)</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 1,493,789</b>	<b>\$ 1,000,595</b>	<b>\$ (251,713)</b>	<b>\$ 48,757</b>	<b>\$ 1,207,841</b>	<b>\$ 207,246</b>

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
<b>Revenues:</b>						
Local sources	\$ 156,880	\$ 396,041	\$ 330,262	\$ -	\$ 330,262	\$ (65,779)
State sources	1,689,391	2,033,604	2,037,017	-	2,037,017	3,413
Federal sources	4,623,993	5,474,204	5,006,940	-	5,006,940	(467,264)
<b>Total revenues</b>	<b>6,470,264</b>	<b>7,903,849</b>	<b>7,374,219</b>	<b>-</b>	<b>7,374,219</b>	<b>(529,630)</b>
<b>Expenditures:</b>						
Instruction	2,821,717	4,156,290	3,552,127	-	3,552,127	604,163
Supporting services:						
Students	73,465	294,330	283,535	-	283,535	10,795
Instructional staff	638,134	1,105,753	832,597	-	832,597	273,156
Central administration	-	250	250	-	250	-
School administration	21,954	14,827	11,795	-	11,795	3,032
Business	4,528	7,521	-	-	-	7,521
Operation and maintenance of facilities	-	9,000	-	-	-	9,000
Student transportation	491,961	541,031	537,345	-	537,345	3,686
Other Support Services	-	-	6,672	-	-	(6,672)
Food services	2,914,920	3,052,473	3,153,786	-	3,153,786	(101,313)
<b>Total expenditures</b>	<b>6,966,679</b>	<b>9,181,475</b>	<b>8,378,107</b>	<b>-</b>	<b>8,371,435</b>	<b>803,368</b>
Excess (deficiency) of revenues over expenditures	(496,415)	(1,277,626)	(1,003,888)	-	(997,216)	273,738
<b>Other financing sources (uses):</b>						
Transfers in	1,114,081	1,114,081	996,355	-	996,355	(117,726)
Transfers (out)/reserves	22,447	8,068	(7,738)	-	(7,738)	(15,806)
<b>Total other financing sources (uses)</b>	<b>1,136,528</b>	<b>1,122,149</b>	<b>988,617</b>	<b>-</b>	<b>988,617</b>	<b>(133,532)</b>
<b>Change in fund balances</b>	<b>640,113</b>	<b>(155,477)</b>	<b>(15,271)</b>	<b>-</b>	<b>(8,599)</b>	<b>140,206</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Restatement of fund balance</b>	<b>-</b>	<b>-</b>	<b>701,570</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balances - ending</b>	<b>\$ 640,113</b>	<b>\$ (155,477)</b>	<b>\$ 686,299</b>	<b>\$ -</b>	<b>\$ (8,599)</b>	<b>\$ 140,206</b>

MASON COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
<b>Revenues:</b>						
Local sources	\$ 1,282,475	\$ 1,282,475	\$ 1,421,874	\$ -	\$ 1,421,874	\$ 139,399
Federal sources	-	-	415	-	415	415
<b>Total revenues</b>	<b>1,282,475</b>	<b>1,282,475</b>	<b>1,422,289</b>	<b>-</b>	<b>1,422,289</b>	<b>139,814</b>
<b>Expenditures:</b>						
Debt service:						
Principal retirement	1,497,262	1,497,262	1,499,025	-	1,499,025	(1,763)
Interest and fiscal charges	203,736	203,736	196,498	-	196,498	7,238
<b>Total expenditures</b>	<b>1,700,998</b>	<b>1,700,998</b>	<b>1,695,523</b>	<b>-</b>	<b>1,695,523</b>	<b>5,475</b>
Excess (deficiency) of revenues over expenditures	(418,523)	(418,523)	(273,234)	-	(273,234)	145,289
<b>Other financing sources (uses):</b>						
Transfers in	418,523	418,523	414,442	-	414,442	(4,081)
<b>Total other financing sources (uses)</b>	<b>418,523</b>	<b>418,523</b>	<b>414,442</b>	<b>-</b>	<b>414,442</b>	<b>(4,081)</b>
<b>Change in fund balances</b>	<b>-</b>	<b>-</b>	<b>141,208</b>	<b>-</b>	<b>141,208</b>	<b>141,208</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>1,225,990</b>		<b>1,225,990</b>	<b>1,225,990</b>
<b>Fund balances - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,367,198</b>	<b>\$ -</b>	<b>\$ 1,367,198</b>	<b>\$ 1,367,198</b>

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**A. Budgets and Budgetary Accounting:**

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

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

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

**B. Excess of Expenditures over Appropriations:**

For the year ended June 30, 2014, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

**GENERAL FUND:**

<u>Function</u>	<u>Amount</u>
Student Transportation	\$ 123,196
Food Service	334

The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs, available beginning fund balance or revenues received in excess of the anticipated amounts budgeted.

MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**SPECIAL REVENUE FUND:**

<u>Function</u>	<u>Amount</u>
Food Services	\$101,313

The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs or revenues received in excess of the anticipated amounts budgeted.

**DEBT SERVICE FUND:**

<u>Function</u>	<u>Amount</u>
Interest	\$21,261

The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs revenues or received in excess of the anticipated amounts budgeted.

**OTHER SUPPLEMENTARY INFORMATION**

MASON COUNTY BOARD OF EDUCATION  
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Cash Balance 7/1/13	Revenues Received	Expenditures Paid	Cash Balance 6/30/14
Beale Elementary	\$ 43,093	\$ 39,916	\$ 34,182	\$ 48,827
Leon Elementary	18,476	30,054	29,290	19,240
New Haven Elementary	43,127	86,907	89,942	40,092
Roosevelt Elementary	38,974	40,365	44,715	34,624
Ashton Elementary	28,773	48,353	44,691	32,435
Point Pleasant Primary	10,773	41,836	34,873	17,736
Point Pleasant Intermediate	22,332	20,849	17,068	26,113
Hannan Jr./Sr. High	55,905	55,665	69,832	41,738
Point Pleasant Jr./Sr. High	160,101	413,116	417,506	155,711
Wahama Jr./Sr. High	139,512	192,990	256,419	76,083
Mason County Career Center	92,564	115,384	118,173	89,775
	<u>92,564</u>	<u>115,384</u>	<u>118,173</u>	<u>89,775</u>
<b>Total</b>	<u>\$ 653,630</u>	<u>\$ 1,085,435</u>	<u>\$ 1,156,691</u>	<u>\$ 582,374</u>

MASON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
<b>Excess Levy Collections</b>	\$ 6,948,366	\$ 7,924,493	\$ 976,127	\$ 34,741,830	\$ 38,305,231	\$ 3,563,401
<b>Expenditures Mason County Levy Call:</b>						
<b>Professional and Service Salary Supplements, Personnel Taxes and Benefits</b>						
Professional and Service Salary Supplements, Personnel Taxes and Benefits - Including, but not limited to, school nurse health services above state aid funding, supplemental salaries for dual credit courses, existing county supplements, salaries of personnel in excess of 200 days, supplemental co-curricular and extracurricular salaries (academic & athletic), supplemental salaries for after-school activity runs, FICA taxes, unemployment taxes, workers' compensation taxes, retirement, dental, vision and long-term disability insurance.	2,208,366	3,517,623	1,309,257	11,041,830	15,317,877	4,276,047
<b>Textbooks, Supplies, and Equipment and Insurance</b>						
Including, but not limited to, free textbooks and textbook-related materials, duplicating paper, computer paper, writing paper, notebook paper, instructional supplies and equipment, including library, office operating expenses, and accident insurance for all county students during school and school-related activities.	1,550,000	1,015,265	(534,735)	7,750,000	5,255,773	(2,494,227)
<b>Extra and co-curricular activities</b>						
Including, but not limited to, field trips, school competitions and other extra- and co-curricular expenses.	270,000	311,903	41,903	1,350,000	1,496,395	146,395
<b>Construction, Repair, Maintenance and Building Utilities</b>						
Including, but not limited to, construction, building repairs, roof replacement, asbestos projects, structural repairs, fire code corrections, Americans with Disabilities Act compliance, equipment maintenance, paving, safety and security systems, lawn maintenance, lease purchase and QZAB payments, and all utilities and utility-related costs.	2,175,000	2,169,487	(5,513)	10,875,000	12,129,856	1,254,856
<b>Computer Technology</b>						
Including, but not limited to, technician salaries and related benefits, computer purchases, repair, upgrades, software and contracting.	105,000	167,386	62,386	525,000	664,280	139,280
<b>Student Transportation</b>						
Including, but not limited to, maintenance of equipment, vehicle replacement, gasoline tanks, transportation equipment, fuel and tools.	500,000	602,829	102,829	2,500,000	2,881,050	381,050
<b>Supplemental Support of the Following County Agencies:</b>						
Sheriff's Dept. - Prevention Resource Officers - \$100,000	140,000	140,000	-	700,000	560,000	(140,000)
Mason County Library - \$20,000	6,948,366	7,924,493	976,127	34,741,830	38,305,231	3,563,401
WV Cooperative Extension - \$20,000						
<b>Total Expenditures</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Excess of Collections over Expenditures</b>						

MASON COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Paid</u>
U.S. Department of Agriculture			
Pass Through West Virginia Department of Education			
Child Nutrition Cluster:			
National School Breakfast and Lunch Program	10.553/10.555	88	\$ 1,831,981
After School	10.555	88	4,974
Donated Foods (Non-cash)	10.555	88	234,117
Total Child Nutrition Cluster:			<u>2,071,072</u>
 Fresh Fruit and Veggies	 10.582	 88	 <u>79,306</u>
Total U.S. Department of Agriculture			<u>2,150,378</u>
 U.S. Department of Education			
Pass Through West Virginia Department of Education			
Adult Basic Education	84.002	61	11,826
Title I Grants to Local Education Agencies	84.010	41	1,307,707
Vocational Education	84.048	50	84,881
Special Education Cluster:			
Special Education Grants to States	84.027	43	1,077,534
Special Education - Pre-School	84.173	43	61,369
Total Special Education Cluster:			<u>1,138,903</u>
 Rural and Low Income	 84.358B	 59	 98,486
Title II Improving Teacher Quality	84.367	40	<u>248,667</u>
Total U.S. Department of Education			<u>2,890,470</u>
Total Federal Expenditures			<u>\$ 5,040,848</u>

See Notes to the Schedule of Expenditures of Federal Awards.

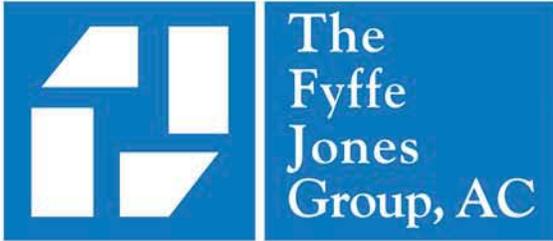
MASON COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**A. Budgets and Budgetary Accounting:**

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

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

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



The Fyffe Jones Group, AC

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INDEPENDENT AUDITORS' 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*

To the Mason County Board of Education  
Point Pleasant, 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 and each major fund of the Mason County Board of Education, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Mason County Board of Education's basic financial statements, and have issued our report thereon dated June 2, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Mason 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 the Mason County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mason 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of audit findings that we consider a material weakness. We consider finding 2014-001 to be a material weakness.

## **Compliance and Other Matters**

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

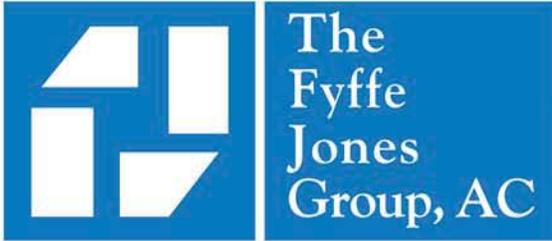
## **Purpose of this Report**

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

A handwritten signature in cursive script that reads "The Fyffe Jones Group, AC".

THE FYFFE JONES GROUP, AC

Huntington, West Virginia  
June 2, 2016



The Fyffe Jones Group, AC

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

To the Mason County Board of Education  
Point Pleasant, West Virginia

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

We have audited the Mason County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Mason County Board of Education's major federal programs for the year ended June 30, 2014. Mason 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.

***Auditors' Responsibility***

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

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

In our opinion, the Mason 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, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which OMB Circular A-133 requires us to report, described in the accompanying schedule of audit findings as item 2014-002. This finding did not require us to modify our compliance opinion on the major federal programs.

The Board's response to our noncompliance finding is described in the accompanying schedule of audit findings and corrective action plan. We did not audit the Board's response and, accordingly, we express no opinion on it.

### **Report on Internal Control Over Compliance**

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

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

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

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

*The Fyffe Jones Group, AC*

THE FYFFE JONES GROUP, AC  
Huntington, West Virginia  
June 2, 2016

MASON COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	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 Circular A-133 Section 510 (a)?	Yes

Programs tested:

<u>CFDA Numbers</u>	<u>Name of Federal Program/Cluster</u>
84.010	Title I Grants to Local Education Agencies
84.027/84.173	Special Education/Special Education Pre-School
84.367	Title II Improving Teacher Quality

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

**Section II – Financial Statement Findings**

**Finding:** 2014-001 – Untimely presentation of supporting documentation for the financial statement audit

MASON COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

- Condition:** During the course of the audit it was noted that management could not provide its auditors with the necessary supporting documentation in a timely manner.
- Criteria:** Management should have easy access to all supporting documentation for amounts and activity presented on the financial statements.
- Effect:** Due to management not being able to easily obtain supporting documentation for the amounts and activity presented in the financial statements, the audit could not be completed and the financial statements could not be issued.
- Recommendation:** As the organization conducts its year-end close and prepares its year-end financial statements, management should obtain the necessary supporting documentation for the amounts and activity presented on the financial statements.
- Response:** We will work to implement this going forward.

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

- Finding:** 2014-002 – Untimely filing of financial statement audit
- CFDA Number and Title:** 84.010, Title I Grants to Local Education Agencies, 84.027/84.173 Special Education/Special Education Pre-School, 84.367 Title II Improving Teacher Quality
- Federal Agency:** U.S. Department of Education
- Pass-Through Agency:** West Virginia Department of Education

**Noncompliance:**

**Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, Section .200(b)** provides that a non-federal entity that expends \$500,000 or more in a year in federal awards shall have a single audit conducted as discussed in the Circular. Section .105 defines such entities as “auditees”. **Section .300(a)** states, an auditee shall “identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal programs and award identification shall include, as applicable, the Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, name of the Federal agency, and name of the passthrough entity.”

**Section .300(e)** further states, an auditee shall “ensure that the audits required by this part are properly performed and submitted when due.” **Section .320(a)** provides that single audits shall be completed and a reporting package submitted to the federal clearinghouse designated by OMB, within the earlier of 30

MASON COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

The Board expended in excess of \$500,000 in federal awards during the fiscal year ended June 30, 2014; however, the Board did not file their report with the Federal Audit Clearinghouse at the time of this audit, which is past the March 31 filing deadline. We recommend the Board develop procedures for timely submission of its A-133 reporting package.

**Officials' Response:** The Board had an auditing firm conduct some fieldwork in 2014; however, the firm did not issue a report in a timely manner. As a result, the Board requested the WV State Auditor terminate the contract with that auditor and allow the Board to rebid the FY 2014 audit.

MASON COUNTY BOARD OF EDUCATION  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

There were no findings in the prior audit.

MASON COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

**Finding:** 2014-001 – Untimely presentation of supporting documentation for the financial statement audit

**Planned Corrective Action:** As the 2015 audit has already began, this cannot be implemented for the subsequent audit, but we will obtain the necessary support during the closing process for the June 30, 2016, fiscal year end.

**Anticipated Completion Date:** September, 2016

**Responsible Contact Person:** Gary Hendricks, CSBO/Treasurer

**Finding:** 2014-002 – Untimely filing of financial statement audit

**Planned Corrective Action:** As the 2015 audit has not yet been completed, this will not be corrected for the next audit; for the 2016 audit, the Board plans on filing the annual Federal Audit Clearinghouse within the nine month period after year end.

**Anticipated Completion Date:** January, 2017

**Responsible Contact Person:** Gary Hendricks, CSBO/Treasurer