

County: Mason
RFP: 15-037

MASON COUNTY BOARD OF EDUCATION

Financial Statements

June 30, 2015

MASON COUNTY BOARD OF EDUCATION
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MASON COUNTY BOARD OF EDUCATION
 SCHOOL BOARD OFFICIALS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Office	Name	Term
	<u>Elective</u>	
School Board President	Greg Fowler	07/01/2014 – 06/30/2018
School Board Members:	Dale Shobe	07/01/2014 – 06/30/2018
	Jared Billings	07/01/2014 – 06/30/2018
	Thomas Nunnery	07/01/2012 – 06/30/2016
	Paul Sayre	07/01/2012 – 06/30/2016
	<u>Appointive</u>	
Superintendent	Suzanne Dickens	07/01/2013 – 12/31/2014
Interim Superintendent	Jack Cullen	01/01/2015 – 06/30/2015
Treasurer	Gary Hendricks	07/01/2014 – 06/30/2015



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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, 2015, 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, 2015, 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 48 – 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 22, 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.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC
Huntington, West Virginia
June 22, 2016

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$65,699,888 (*net position*), at the close of the most recent fiscal year. Of this amount, (\$1,414,999) (*unrestricted net position*), may be used to meet the government's ongoing obligations to citizens and creditors
- The Board's total net position decreased by \$823,824. The majority of this decrease is attributable to recognizing the proportionate share of net pension liability per GASB 68.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$2,515,365, an increase of \$713,581, in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$0.
- The Board's total debt decreased by \$1,562,974, 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, 2015

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, 2015

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$65,699,888, at the close of the most recent fiscal year.

	2015	2014	
	Governmental	Governmental	Variance
	Activities	Activities	
ASSETS AND DEFERRED OUTFLOWS			
Current and other assets	\$ 8,969,841	\$ 8,211,995	\$ 757,846
Capital assets	67,773,075	68,688,241	(915,166)
Deferred outflows of resources	590,335	-	590,335
Total assets and deferred outflows	\$ 77,333,251	\$ 76,900,236	\$ 433,015
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Liabilities and deferred inflows:			
Current and other liabilities	\$ 5,987,719	\$ 5,864,130	\$ 123,589
Long-term liabilities outstanding	2,934,955	4,483,895	(1,548,940)
Net pension liability – proportionate share	2,394,220	-	2,394,220
Deferred inflows of resources	316,469	-	316,469
Total liabilities and deferred inflows	11,633,363	10,348,025	1,285,338
Net position:			
Invested in capital assets	64,854,335	64,226,907	627,428
Restricted	2,260,552	2,030,938	229,614
Unrestricted	(1,414,999)	294,366	(1,709,365)
Total net position	65,699,888	66,552,211	(852,323)
Total liabilities, deferred inflows and net position	\$ 77,333,251	\$ 76,900,236	\$ 433,015

- The largest portion of the Board's net position 98.7% 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 3.4% 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 (2.1%) 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 restricted categories of net position. At the end of the prior year, the Board reported positive balances in categories of debt service and special projects.
- Restricted net position increased by \$229,614, during the year ended June 30, 2015.
- The Board's net position *decreased* by \$852,323, during the current year. The following discussion and analysis on governmental activities focuses on this *decrease*:

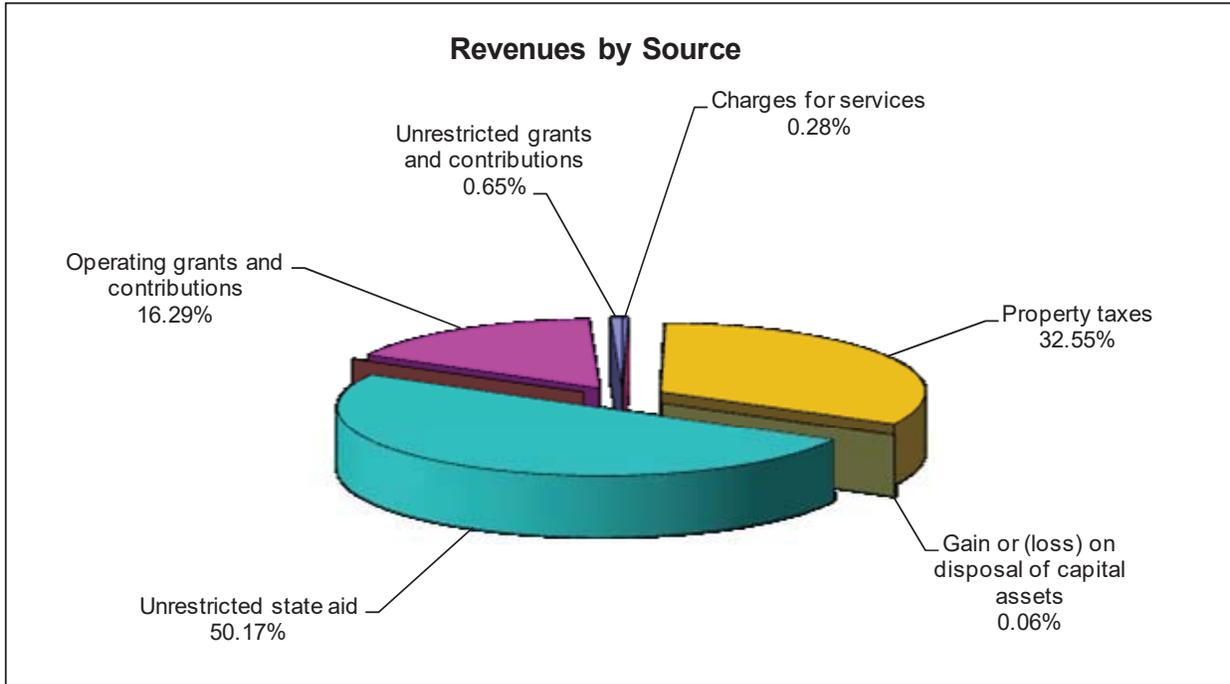
MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

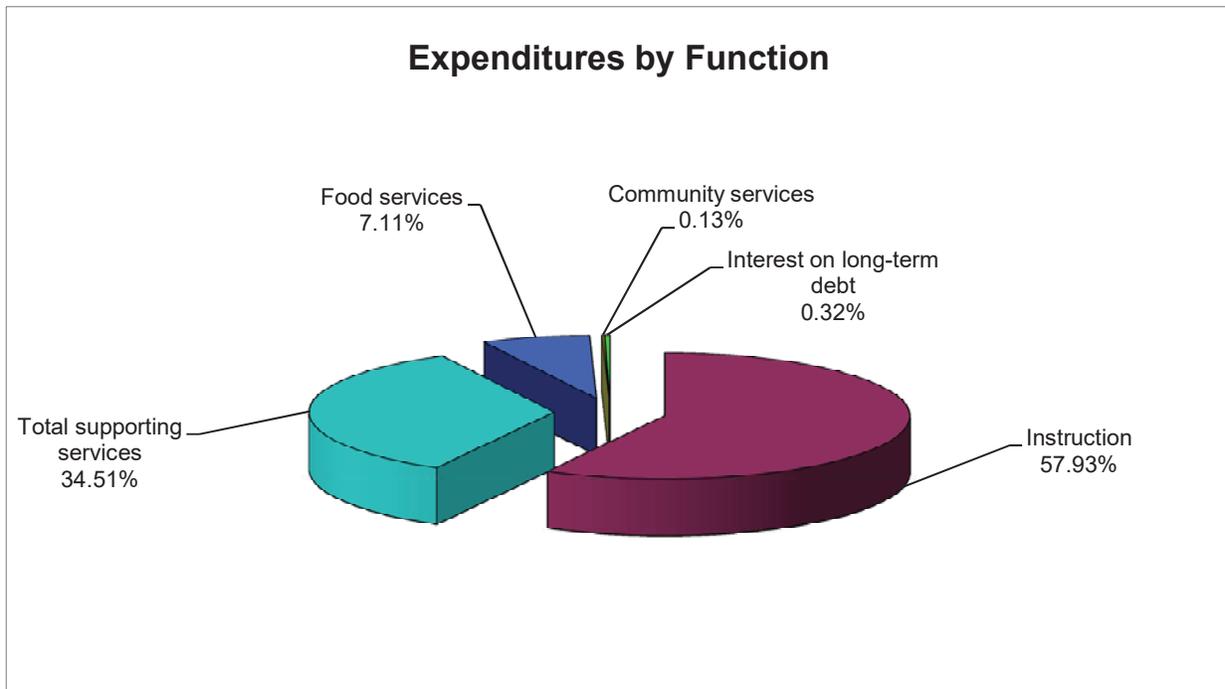
	2015 Governmental Activities	2014 Governmental Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 130,815	\$ 349,378	\$ (218,563)
Operating grants and contributions	7,725,501	7,374,217	351,284
General revenues:			
Property taxes	15,433,005	16,992,933	(1,559,928)
Unrestricted state aid	23,791,065	26,569,780	(2,778,715)
Unrestricted investment earnings	552	415	137
Unrestricted grants and contributions	309,534	350,653	(41,119)
Gain (loss) on sale of assets	28,643	(23,970)	52,613
Total revenues	<u>47,419,115</u>	<u>51,613,406</u>	<u>(4,194,291)</u>
Expenses:			
Instruction	<u>26,752,195</u>	<u>30,379,760</u>	<u>(3,627,565)</u>
Supporting services:			
Students	1,874,741	1,928,037	(53,296)
Instructional staff	1,789,464	2,032,644	(243,180)
District admin.	544,037	616,363	(72,326)
School admin.	2,656,697	2,566,602	90,095
Business services	482,409	473,920	8,489
Operation and maintenance	4,586,567	4,715,179	(128,612)
Student transportation	3,998,904	4,168,056	(169,152)
Other support services	2,426	6,672	(4,246)
Total supporting services	<u>15,935,245</u>	<u>16,507,473</u>	<u>(572,228)</u>
Food services	3,282,542	3,188,043	94,499
Community services	60,000	40,000	20,000
Interest on long-term debt	147,786	189,325	(41,539)
Total expenses	<u>46,177,768</u>	<u>50,304,601</u>	<u>(4,126,833)</u>
Change in net position	1,241,347	1,308,805	(67,458)
Net position - July 1	66,552,211	64,552,920	1,999,291
Restatement	(2,093,670)	690,486	(2,784,156)
Net position - June 30	<u>\$ 65,699,888</u>	<u>\$ 66,552,211</u>	<u>\$ (852,323)</u>

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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



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



MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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 \$2,515,365.

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 \$296,475, or 0.7% 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, 2015, amounts to \$67,773,075 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 1.33%.

	2015	2014	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 4,592,472	\$ 4,376,280	\$ 216,192
Buildings and improvements	59,798,931	60,956,018	(1,157,087)
Furniture and equipment	503,445	538,161	(34,716)
Vehicles	2,878,227	2,817,782	60,445
Total capital assets	\$ 67,773,075	\$ 68,688,241	\$ (915,166)

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, 2015

Long-term debt – At the end of the current fiscal year, the Board had total bonded debt outstanding of \$1,215,000.

	2015	2014	Variance
	Governmental Activities	Governmental Activities	
General obligation bonds	\$ 1,215,000	\$ 2,385,000	\$ (1,170,000)
Capital lease obligations	1,703,740	2,076,334	(372,594)
Compensated absences	190,489	210,869	(20,380)
Total debt outstanding	\$ 3,109,229	\$ 4,762,703	\$ (1,562,974)

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

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 \$2,064,591, and reported as a liability in the fund statements. This includes a current year expenditure of \$128,053. Additional information can be found in Note 11 to the Basic Financial Statements. The obligation for compensated absences for vacations was \$190,489, at June 30, 2015.

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, 2015

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,643,835
Investments	3,765
Taxes receivable, net of allowance for uncollectible taxes	852,120
Other receivables	95,403
Due from other governments:	
State aid receivable	206,737
PEIA allocation receivable	538,994
Reimbursements receivable	628,987
Capital Assets:	
Land	4,592,472
Buildings and improvements	82,903,975
Furniture and equipment	4,321,788
Vehicles	6,086,449
Less accumulated depreciation	(30,131,609)
Total capital assets, net of depreciation	67,773,075
Total assets	76,742,916
 DEFERRED OUTFLOW OF RESOURCES	
	590,335
Total deferred outflows of resources	590,335
	\$ 77,333,251
 LIABILITIES	
Salaries payable and related payroll liabilities	\$ 2,724,674
Other post employment benefits payable-all other employees	2,064,591
PEIA premiums payable	777,658
Compensated absences	190,489
Accounts payable	230,307
Due within one year:	
Bonds, capital leases, and contracts	1,604,043
Accrued interest	16,215
Due beyond one year:	
Bonds, capital leases, and contracts	1,314,697
Net pension liability - Proportionate Share	2,394,220
Total liabilities	11,316,894
 DEFERRED INFLOW OF RESOURCES	
	316,469
Total deferred inflows of resources	316,469
	\$ 11,633,363
 NET POSITION	
Invested in capital assets, net of related debt	\$ 64,854,335
Restricted for:	
Debt service	1,400,054
Special projects	860,498
Unrestricted	(1,414,999)
Total net position	\$ 65,699,888

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 26,752,195	\$ 81,982	\$ 3,545,330	\$ (23,124,883)
Supporting services:				
Students	1,874,741	5,745	71,805	(1,797,191)
Instructional staff	1,789,464	5,484	598,074	(1,185,906)
General administration	544,037	1,667	20,836	(521,534)
School administration	2,656,697	8,141	101,750	(2,546,806)
Central services	482,409	1,478	18,476	(462,455)
Operation and maintenance of facilities	4,586,567	14,056	178,164	(4,394,347)
Student transportation	3,998,904	12,255	570,411	(3,416,238)
Other support services	2,426	7	93	(2,326)
Food services	3,282,542	-	2,620,562	(661,980)
Community services	60,000	-	-	(60,000)
Interest on long-term debt	147,786	-	-	(147,786)
Total governmental activities	\$ 46,177,768	\$ 130,815	\$ 7,725,501	\$ (38,321,452)
General revenues:				
Property taxes				15,433,005
Unrestricted state aid				23,791,065
Unrestricted investment earnings				552
Unrestricted grants and contributions				309,534
Gain on sale of capital asset				28,643
Transfers in				1,619,748
Transfers (out)				(1,619,748)
Total general revenues and transfers				39,562,799
Change in net position				1,241,347
Net position - beginning				66,552,211
Prior period adjustments - (See Note 2)				(2,093,670)
Net position - beginning, as restated				64,458,541
Net position - ending				\$ 65,699,888

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 5,158,397	\$ 101,301	\$ 1,384,137	\$ -	\$ 6,643,835
Investments	3,765	-	-	-	3,765
Taxes receivable, net	793,099	-	59,021	-	852,120
Other receivables	-	95,403	-	-	95,403
Due from other governments:					
State aid receivable	206,737	-	-	-	206,737
PEIA allocation receivable	538,994	-	-	-	538,994
Reimbursements receivable	-	628,987	-	-	628,987
Due from other funds	-	284,726	-	250,000	534,726
Total assets	6,700,992	1,110,417	1,443,158	250,000	9,504,567
Deferred outflows of resources					
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 6,700,992	\$ 1,110,417	\$ 1,443,158	\$ 250,000	\$ 9,504,567
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 2,621,570	\$ 103,104	\$ -	\$ -	\$ 2,724,674
Other post employment benefits payable-all other employees	2,064,591	-	-	-	2,064,591
PEIA premiums payable	777,658	-	-	-	777,658
Accounts payable	83,492	146,815	-	-	230,307
Due to other funds	534,509	-	216	-	534,725
Total liabilities	6,081,820	249,919	216	-	6,331,955
Deferred inflows of resources					
Total deferred inflows of resources	614,359	-	42,888	-	657,247
Fund Balances:					
Restricted	-	860,498	1,400,054	-	2,260,552
Assigned	4,813	-	-	250,000	254,813
Total fund balances	4,813	860,498	1,400,054	250,000	2,515,365
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 6,700,992	\$ 1,110,417	\$ 1,443,158	\$ 250,000	\$ 9,504,567

MASON COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance on the governmental fund's balance sheet	\$ 2,515,365
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet	67,773,075
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	657,247
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	590,335
Deferred inflows of resources related to pensions	(316,469)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, due within one year	(1,215,000)
Accrued interest on bonds	(16,215)
Capital lease payable	(1,703,741)
Compensated absences	(190,489)
Net pension liability - proportionate share	<u>(2,394,220)</u>
Net position of governmental activities	<u>\$ 65,699,888</u>

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, 2015

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 14,217,671	\$ -	\$ 1,315,034	\$ -	\$ 15,532,705
Other local sources	309,534	343,003	552	-	653,089
State sources	27,752,069	1,929,282	-	-	29,681,351
Federal sources	130,816	5,453,215	-	-	5,584,031
Total revenues	42,410,090	7,725,500	1,315,586	-	51,451,176
Expenditures:					
Instruction	24,204,475	3,280,003	-	-	27,484,478
Supporting services:					
Students	1,555,734	533,100	-	-	2,088,834
Instructional staff	1,204,964	806,960	-	-	2,011,924
General administration	558,583	-	-	-	558,583
School administration	2,934,743	23,758	-	-	2,958,501
Central services	535,016	-	-	-	535,016
Operation and maintenance of facilities	4,876,938	3,000	-	-	4,879,938
Student transportation	4,065,419	403,994	-	-	4,469,413
Other support services	-	3,077	-	-	3,077
Food services	-	3,370,003	-	-	3,370,003
Community services	60,000	-	-	-	60,000
Capital outlay	664,673	-	-	-	664,673
Debt service:					
Principal retirement	-	-	1,542,593	-	1,542,593
Interest and fiscal charges	-	-	154,130	-	154,130
Total expenditures	40,660,545	8,423,895	1,696,723	-	50,781,163
Excess (deficiency) of revenues over expenditures	1,749,545	(698,395)	(381,137)	-	670,013
Other financing sources (uses):					
Proceeds from disposal of real or personal property	43,568	-	-	-	43,568
Transfers in	41,581	914,175	413,992	250,000	1,619,748
Transfers (out)	(1,578,167)	(41,581)	-	-	(1,619,748)
Total other financing sources (uses)	(1,493,018)	872,594	413,992	250,000	43,568
Net change in fund balances	256,527	174,199	32,855	250,000	713,581
Fund balances - beginning	(251,714)	686,299	1,367,199	-	1,801,784
Fund balances - ending	\$ 4,813	\$ 860,498	\$ 1,400,054	\$ 250,000	\$ 2,515,365

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, 2015

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

Net change in fund balances - total governmental funds \$ 713,581

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	(2,042,160)
Capital outlays	1,141,919

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	(99,704)
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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.

1,542,595

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	(149,229)
Accumulated depreciation of assets disposed	134,305

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	20,380
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

6,344

Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	185,850
Cost of benefits earned net of employee contributions	<u>(212,534)</u>

Change in net position of governmental activities	<u>\$ 1,241,347</u>
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MASON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<hr/>	
ASSETS	
Cash and cash equivalents	\$632,352
Total assets	<u>\$632,352</u>
LIABILITIES	
Due to other funds	\$632,352
Total liabilities	<u>\$632,352</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, 2015

Note 1 - Summary of Significant Accounting Policies:

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

A. Reporting Entity:

The 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, 2015

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 recognized in the fiscal year for which the taxes are levied; state aid

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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 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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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, 2015, consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
State Investment Pool	\$ 3,765	\$ 3,765	\$ 3,765
Municipal Bond Commission	1,384,137	1,384,137	1,384,137
Deposits with Financial Institutions – Board of Education	3,448,405	3,448,405	3,448,405
Deposits with Financial Institutions – Individual Schools	632,352	632,352	632,352
Total Investments	\$ 5,468,659	\$ 5,468,659	\$ 5,468,659

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, 2014, 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, 2015, the Board has \$1,384,137, 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, 2015

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	\$ 64,400	1
U.S. Treasury notes	37,016	67
U.S. Treasury bills	3,000	73
U.S. agency discount notes	122,056	45
U.S. agency bonds/notes	12,453	40
Money market funds	29	1
	\$ 238,954	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.

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. The Board participates in Community Eligibility Program in which most meals are served free to all.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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, 2015.

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, 2015, the Board has recorded \$0, for prepaid items.

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.

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.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teacher Retirement System (TRS) and additions to/deductions from the TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further discussion.

M. 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.

N. Long-term Obligations:

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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.

O. 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.

P. 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, 2015

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

Q. 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.

R. 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, 2015

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

S. 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.

T. 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.

U. Newly Adopted Statements Issued by the GASB:

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

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

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

V. Recent Statements Issued by the GASB:

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

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

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

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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

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

Note 2 – Change in Accounting Principles:

Effective July 1, 2014, the School Board adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* (the Statements). The Statements address accounting and financial reporting for pensions provided to School Board employees who participate in the State Teachers’ Retirement System (TRS). The Statements also require various note disclosures (Note 10) and required supplementary information. As a result, beginning net position has been restated as follows:

	Governmental Activities
Beginning net position as previously reported at June 30, 2014	\$ 66,552,211
Prior period adjustment – Implementation GASB 68 & 71	
Beginning net pension liability	(2,413,349)
Deferred outflows of resources – 2014 Board contributions	319,679
Total prior period adjustment	(2,093,670)
Net position as restated, July 1, 2014	\$ 64,458,541

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 3 - Stewardship, Compliance and Accountability:

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

On June 30, 2015, the Board did not record any deficiencies in net changes in fund balances.

The Board did not have any deficit fund balances at June 30, 2015.

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 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.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

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

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2015, were:

Class of Property	Assessed Valuations for Tax Purposes	Current Expense	Excess Levy	Permanent Improvement	Bond Purposes
Class I	\$ -	19.40¢	22.95¢	n/a	3.90¢
Class II	381,588,874	38.80¢	45.90¢	n/a	7.80¢
Class III	532,301,683	77.60¢	91.80¢	n/a	15.60¢
Class IV	97,885,764	77.60¢	91.80¢	n/a	15.60¢

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 distraint for delinquent taxes any goods and chattels belonging to a person assessed.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 5 - Property Taxes (Cont.):

All current taxes assessed on real and personal property may be paid in two installments. The first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first.

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

Taxes Receivable

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

	General Current Expense Fund	Debt Service Fund
Taxes Receivable	\$ 1,418,934	\$ 116,654
LESS: Allowance for Uncollectible	625,835	57,633
Taxes Receivable, net	\$ 793,099	\$ 59,021

Note 6 - Excess Levy:

The Board had an excess levy in effect during the fiscal year ended June 30, 2015. The levy was authorized by the voters of the county at an election held on November 6, 2012, for the fiscal years ended June 30, 2015, through June 30, 2019, 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 \$1,800,000.
- 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 \$30,000; WV Cooperative Extension at \$20,000; and the Mason County Fair at \$10,000, total annual cost approximately \$160,000.
- To update computer technology including computer purchases, repairs, upgrades, software, and contracting at an approximately total annual cost of \$180,000.
- 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 \$2,750,000.
- 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 \$2,681,724. 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.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 6 - Excess Levy (Cont.):

- To provide transportation for students including maintenance of equipment, vehicle replacement, and fuel for vehicles at an approximate annual cost of \$600,000.
- 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 \$290,000.

A total of \$7,771,142, was received by the Board from the excess levy during the fiscal year ended June 30, 2015.

Note 7 - Capital Assets:

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

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 4,376,280	\$ 216,192	\$ -	\$ 4,592,472
Total non-depreciable capital assets	4,376,280	216,192	-	4,592,472
Capital assets, depreciable:				
Buildings and improvements	82,471,167	432,808	-	82,903,975
Furniture and equipment	4,286,419	35,369	-	4,321,788
Vehicles	5,778,129	457,550	(149,230)	6,086,449
Total depreciable capital assets	92,535,715	925,727	(149,230)	93,312,212
Less accumulated depreciation for:				
Buildings and improvements	(21,515,149)	(1,589,895)	-	(23,105,044)
Furniture and equipment	(3,748,258)	(70,085)	-	(3,818,343)
Vehicles	(2,960,347)	(382,180)	134,305	(3,208,222)
Total accumulated depreciation	(28,223,754)	(2,042,160)	134,305	(30,131,609)
Total depreciable capital assets, net	64,311,961	(1,116,433)	(14,925)	63,180,603
Total capital assets, net	\$ 68,688,241	\$ (900,241)	\$ (14,925)	\$ 67,773,075

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

Instruction	\$1,625,622
Supporting Services:	
Instructional Staff	1,985
Central administration	11,803
School administration	899
Operation and maintenance of facilities	28,087
Transportation	345,350
Food services	28,414
Total Depreciation expense - governmental activities	<u>\$2,042,160</u>

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 8 - Long-term Debt:

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

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
General obligation debt	\$ 2,385,000	\$ -	\$ 1,170,000	\$ 1,215,000	\$ 1,215,000	\$ -
Compensated absences	210,869	-	20,380	190,489	190,489	-
Capital lease payable	2,076,334	-	372,594	1,703,740	389,044	1,314,696
Long-term liabilities	<u>\$ 4,672,203</u>	<u>\$ -</u>	<u>\$ 1,562,974</u>	<u>\$ 3,109,229</u>	<u>\$ 1,794,533</u>	<u>\$ 1,314,696</u>

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

Year Ending June 30,	Principal	Interest	Total
2016	\$ 1,215,000	\$ 60,750	\$ 1,275,750
Total	\$ 1,215,000	\$ 60,750	\$ 1,275,750

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, 2015, were \$372,594.

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, 2015, for the Board's capital lease are as follows:

Year	Payment
2016	<u>\$ 110,038</u>
Total Minimum lease payments	\$110,038
Less: Amount representing interest	<u>7,208</u>
Present Value of Minimum Lease	\$102,830

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
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2015, of the Board's capital leases:

Year	Payment
2016	123,000
2017	123,800
2018	124,400
2019	<u>124,800</u>
Total Minimum lease payments	\$496,000
Less: Amount representing interest	<u>46,000</u>
Present Value of Minimum Lease	\$450,000

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, 2015, are \$213,562.

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, 2015, are \$371,119.

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
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 9 – Leases (Cont.):

The future minimum lease obligations at June 30, 2015, are as follows:

Year	Payment
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	\$ 606,416
Less: Amount representing interest	<u>42,654</u>
Present Value of Minimum Lease	\$ 563,762

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, 2015, the Board's total payroll for all employees was \$26,212,671, and the payroll was \$22,513,421, for employees covered by the two retirement programs.

Of the total amount appropriated by the State for retirement, the portion equal to the employers' average required contribution rate for both the defined benefit and the defined contribution plans is considered to be the employers' contribution for the current cash flow requirements for personnel funded under the Public School Support Program and is reflected as state revenue (Contributions For/On Behalf of the LEA) in the School Board's financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The balance is considered to be the State's contribution toward the past service unfunded liability and is included as a for/on behalf revenue and expenditure in the School Board's financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The State's contribution to TRS on-behalf of the School Board meets the GASB Statement No. 68 definition of a special funding source. Therefore, the School Board has recorded pension expense and revenue for the portion of the State's total proportionate share of collective pension expense that is associated with the School Board in the financial statements prepared on the economic resources focus and accrual basis of accounting.

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 - Employee Retirement System (Cont.):

Teachers' Defined Benefit Retirement System (TDBS):

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

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

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

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

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

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

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.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 - Employee Retirement System (Cont.):

Funding Status: According to the February 17, 2015, Actuarial Valuation Report of the Teachers' Retirement System, the plan's actuarial unfunded liability was \$3.417 billion, as of July 1, 2014.

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

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

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

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

School Board's proportionate share of the net pension liability	\$ 2,394,220
State's proportionate share of the net pension liability associated with the school board	45,428,316
	\$ 47,822,536

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

For the year ended June 30, 2015, the School Board recognized pension expense of \$2,729,154, and for support provided by the State, revenue of \$2,516,619. At June 30, 2015, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 316,469
Changes in proportion and differences between School Board contributions and proportionate share of contributions	404,485	-
District contributions subsequent to the measurement Date	185,850	-
	\$ 590,335	\$ 316,469

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 - Employee Retirement System (Cont.):

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

Years Ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 68,441	\$ 63,294
2017	68,441	63,294
2018	68,441	63,294
2019	68,441	63,294
2020	62,280	-
Thereafter	-	-
Total	\$ 336,044	\$ 253,176

Actuarial Assumptions:

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

Inflation – 2.2%

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

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

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

Discount Rate – 7.5%

Investment Asset Allocation:

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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 - Employee Retirement System (Cont.):

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.5%	7.6%
International Equity	27.5%	8.5%
Private Equity	10.0%	9.9%
Fixed Income	15.0%	2.9%
Hedge Fund	10.0%	5.0%
Real Estate	10.0%	6.8%
Total	100%	

Discount Rate:

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

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

	1.0% Decrease (6.5%)	Current Discount Rate (7.5%)	1.0% Increase (8.5%)
School Board's proportionate share of the TRS net pension liability	\$ 31,050,331	\$ 23,942,265	\$ 17,839,824

Payables to the pension plan:

At June 30, 2015, the School Board reported a liability of \$45,000, for its unpaid legally required contributions to the pension plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 - Employee Retirement System (Cont.):

The required contributions for the year ended June 30, 2015, were:

	2015
Contractually required contribution	\$ 1,924,622
Contributions in relation to the contractually required contribution	(1,924,622)
Total	-
District's covered-employee payroll	\$ 22,511,652
Contributions as a percentage of covered-employee payroll	8.549%

Data prior to 2015 is unavailable.

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

Employees' contributions (6%)	\$ 1,350,753
Employer's contributions (15% or 7.5%)	1,924,754
Total contributions	\$ 3,275,507

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.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Note 10 - Employee Retirement System (Cont.):

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2014, this plan had approximately \$401.9 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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

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

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

Employees' contributions (4.5%)	\$	55,662
Employer's contributions (7.5%)		92,770
Total contributions	\$	148,432

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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

employers to make annual contributions to the fund in, at least, the amount of the minimum annual employer premium payment rates established by the board.

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

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

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

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

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

All retired employees are eligible to obtain health insurance coverage through PEIA with the retired employee's premium contribution established by the Finance Board. The Finance Board has allowed retirees to obtain health insurance coverage at essentially the same premium rate as active employees with the difference between the retirees' premium contributions and the cost of providing health care to retirees subsidized by the State. 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, 2015, was determined to be:

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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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, 2014	\$ 1,936,538
Total OPEB expense	1,751,331
Less:	
Pay-as-you-go payments and other credits	(888,880)
State appropriation allowance	(734,398)
OPEB at year end as of June 30, 2015	2,064,591
Portion attributable to remaining personnel	\$ 2,064,591

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

Fiscal Year Ending June 30	Annual OPEB Cost	Percentage Contributed
2015	\$ 1,016,933	88%
2014	1,298,519	96%
2013	1,017,968	97%

B. Current Year Credits

In February 2012, the West Virginia Legislature passed Senate Bill 469 that transferred the portion of the OPEB liability attributable to personnel funded through the state aid funding formula to the State of West Virginia. The Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issues credits to the Board. The amount of credit issued for fiscal year 2015 was \$734,398. 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, 2015

Note 14 - Commitments, Contingencies and Subsequent Events (Cont.):

Therefore, no estimated annual cost settlement for Medicaid school-based health services revenue is included in the financial statements for fiscal year ended June 30, 2015.

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

All commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through June 22, 2016, the date of this report.

Note 15 - Interfund Balances and Transfers:

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Current Expense Fund	Special Revenue Fund	\$ 914,175
General Current Expense Fund	Debt Service Fund	413,992
General Current Expense Fund	Capital Projects Fund	250,000
Special Revenue Fund	General Current Expense Fund	41,581
Total Transfers		\$ 1,619,748

Interfund Transfers

During the year ended June 30, 2015, the General Current Expense Fund transferred funds to the Special Revenue Fund, Debt Service Fund, and the Capital Projects 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 16 - Major Sources of Revenue:

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

REQUIRED 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, 2015

	Budgeted Amounts Regulatory Basis		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 14,281,009	\$ 14,313,891	\$ 14,217,671	\$ -	\$ 14,217,671	\$ (96,220)
Other local sources	167,376	304,766	309,534	-	309,534	4,768
State sources	27,350,675	27,360,220	27,752,069	-	27,752,069	391,849
Federal sources	400,000	400,000	130,816	-	130,816	(269,184)
Miscellaneous sources	-	-	-	-	-	-
Total revenues	42,199,060	42,378,877	42,410,090	-	42,410,090	31,213
Expenditures:						
Instruction	24,763,831	24,128,403	24,204,475	(75,878)	24,128,597	(194)
Supporting services:						
Students	1,821,401	1,811,401	1,555,734	(6,824)	1,548,910	262,491
Instructional staff	1,277,244	1,346,559	1,204,964	(2,954)	1,202,010	144,549
Central administration	651,265	654,045	558,583	(1,839)	556,744	97,301
School administration	3,064,280	3,046,814	2,934,743	(8,930)	2,925,813	121,001
Business	650,313	652,073	535,016	(669)	534,347	117,726
Operation and maintenance of facilities	5,151,982	5,238,712	4,876,938	(15,021)	4,861,917	376,795
Student transportation	4,121,049	4,246,703	4,065,419	(15,938)	4,049,481	197,222
Community services	60,000	60,000	60,000	-	60,000	-
Capital outlay	-	673,130	664,673	-	664,673	8,457
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	41,561,365	41,857,840	40,660,545	(128,053)	40,532,492	1,325,348
Excess (deficiency) of revenues over expenditures	637,695	521,037	1,749,545	128,053	1,877,598	1,356,561
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	31,421	43,568	-	43,568	12,147
Transfers in	42,000	42,000	41,581	-	41,581	(419)
Transfers (out)/reserves	(1,334,175)	(1,334,175)	(1,578,167)	-	(1,578,167)	(243,992)
Total other financing sources (uses)	(1,292,175)	(1,260,754)	(1,493,018)	-	(1,493,018)	(232,264)
Change in fund balances	(654,480)	(739,717)	256,527	128,053	384,580	1,124,297
Fund balances - beginning	(251,714)	(251,714)	(251,714)	-	(251,714)	-
Fund balances - ending	\$ (906,194)	\$ (991,431)	\$ 4,813	\$ 128,053	\$ 132,866	\$ 1,124,297

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, 2015

	Budgeted Amounts Regulatory Basis		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local sources	\$ 121,921	\$ 365,454	\$ 343,003	\$ -	\$ 343,003	\$ (22,451)
State sources	1,718,357	1,883,757	1,929,282	-	1,929,282	45,525
Federal sources	4,906,509	6,014,092	5,453,215	-	5,453,215	(560,877)
Total revenues	6,746,787	8,263,303	7,725,500	-	7,725,500	(537,803)
Expenditures:						
Instruction	2,336,499	3,789,518	3,280,003	-	3,280,003	509,515
Supporting services:						
Students	51,473	626,856	533,100	-	533,100	93,756
Instructional staff	572,917	1,175,431	806,960	-	806,960	368,471
Central administration	-	-	-	-	-	-
School administration	12,004	21,042	23,758	-	23,758	(2,716)
Business	4,613	12,134	-	-	-	12,134
Operation and maintenance of facilities	-	12,000	3,000	-	3,000	9,000
Student transportation	423,387	434,188	403,994	-	403,994	30,194
Other Support Services	-	-	3,077	-	3,077	(3,077)
Food services	2,934,744	3,375,592	3,370,003	-	3,370,003	5,589
Total expenditures	6,335,637	9,446,761	8,423,895	-	8,423,895	1,022,866
Excess (deficiency) of revenues over expenditures	411,150	(1,183,458)	(698,395)	-	(698,395)	485,063
Other financing sources (uses):						
Transfers in	914,715	914,175	914,175	-	914,175	-
Transfers (out)/reserves	(41,994)	(49,868)	(41,581)	-	(41,581)	8,287
Total other financing sources (uses)	872,721	864,307	872,594	-	872,594	8,287
Change in fund balances	1,283,871	(319,151)	174,199	-	174,199	493,350
Fund balances - beginning	686,299	686,299	686,299	-	-	-
Fund balances - ending	\$ 1,970,170	\$ 367,148	\$ 860,498	\$ -	\$ 174,199	\$ 493,350

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2015

		2014
District's proportion of the net pension liability (asset)		0.693960%
District's proportionate share of the net pension liability (asset)	\$	2,394,220
State's proportionate share of the net pension liability (asset) associated with the district		45,428,316
Total		47,822,536
District's covered-employee payroll	\$	22,790,378
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		10.505%
Plan fiduciary net position as a percentage of the total pension liability		65.95%

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 JUNE 30, 2015

		2015
Contractually required contributions	\$	1,924,622
Contributions in relation to the contractually required contribution		(1,924,622)
Total		-
District's covered-employee payroll	\$	22,511,652
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		8.549%

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, 2015

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Certain other transactions, such as 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, 2015, 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>
Transfers Out	\$ 243,993

The over-expenditures in this program were funded by a reduction of expenditures in the remaining instructional programs 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, 2015

SPECIAL REVENUE FUND:

Function	Amount
School Administration	\$ 2,716

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

OTHER SUPPLEMENTARY INFORMATION

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, 2015

	Budgeted Amounts Regulatory Basis		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local sources	\$ 1,282,732	\$ 2,649,931	\$ 1,315,034	\$ -	\$ 1,315,034	\$ (1,334,897)
Federal sources	-	-	552	-	552	552
Total revenues	1,282,732	2,649,931	1,315,586	-	1,315,586	(1,334,345)
Expenditures:						
Debt service:						
Principal retirement	1,542,594	2,909,793	1,542,593	-	1,542,593	1,367,200
Interest and fiscal charges	154,130	154,130	154,130	-	154,130	-
Total expenditures	1,696,724	3,063,923	1,696,723	-	1,696,723	1,367,200
Excess (deficiency) of revenues over expenditures	(413,992)	(413,992)	(381,137)	-	(381,137)	32,855
Other financing sources (uses):						
Transfers in	-	-	413,992	-	413,992	413,992
Total other financing sources (uses)	-	-	413,992	-	413,992	413,992
Change in fund balances	(413,992)	(413,992)	32,855	-	32,855	446,847
Fund balances - beginning	1,367,199	1,367,199	1,367,199		1,367,199	-
Fund balances - ending	\$ 953,207	\$ 953,207	\$ 1,400,054	\$ -	\$ 1,400,054	\$ 446,847

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Budgeted Amounts Regulatory Basis		Actual Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local Sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-	-
Expenditures:						
Capital outlay	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-	-	-
Other financing sources (uses):						
Transfers in	-	-	250,000	-	250,000	250,000
Total other financing sources (uses)	-	-	250,000	-	250,000	250,000
Change in fund balances	-	-	250,000	-	250,000	250,000
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 250,000	\$ -	\$ 250,000	\$ 250,000

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Certain other transactions, such as 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, 2015, expenditures did not exceed appropriations in any of the funds.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	Cash Balance 7/1/14	Revenues Received	Expenditures Paid	Cash Balance 6/30/15
Beale Elementary	\$ 48,827	\$ 27,120	\$ 23,438	\$ 52,509
Leon Elementary	19,240	27,875	27,924	19,191
New Haven Elementary	40,092	61,780	73,763	28,109
Roosevelt Elementary	34,624	31,768	40,070	26,322
Ashton Elementary	32,435	54,349	35,966	50,818
Pt. Pleasant Primary	17,736	18,064	26,617	9,183
Pt. Pleasant Intermediate	26,113	17,747	15,535	28,325
Hannan Jr./Sr. High	41,738	83,046	77,362	47,422
Pt. Pleasant Jr./Sr. High	155,711	354,756	311,751	198,716
Wahama Jr./Sr. High	76,083	221,538	195,823	101,798
Mason County Career Center	89,775	128,263	148,079	69,959
Total	<u>\$ 582,374</u>	<u>\$ 1,026,306</u>	<u>\$ 976,328</u>	<u>\$ 632,352</u>

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

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 8,461,724	\$ 7,771,142	\$ (690,582)	\$ 8,461,724	\$ 7,771,142	\$ (690,582)
Expenditures Mason County Levy Call:						
Professional and Service Salary Supplements, Personnel Taxes and Benefits						
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, visual and long-term disability insurance.	2,681,724	3,802,156	1,120,432	2,681,724	3,802,156	1,120,432
Textbooks, Supplies, and Equipment and Insurance						
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.	1,800,000	799,977	(1,000,023)	1,800,000	799,977	(1,000,023)
Extra and co-curricular activities						
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.	290,000	291,301	1,301	290,000	291,301	1,301
Construction, Repair, Maintenance and Building Utilities						
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.	2,750,000	2,104,210	(645,790)	2,750,000	2,104,210	(645,790)
Computer Technology						
Including, but not limited to, technician salaries and related benefits, computer purchases, repair, upgrades, software and contracting.	180,000	175,234	(4,766)	180,000	175,234	(4,766)
Student Transportation						
Including, but not limited to, maintenance of equipment, vehicle replacement, gasoline tanks, transportation equipment, fuel and tools.	600,000	438,264	(161,736)	600,000	438,264	(161,736)
Supplemental Support of the Following County Agencies:						
Sheriff's Dept. - Prevention Resource Officers - \$100,000						
Mason County Library - \$30,000						
WV Cooperative Extension - \$20,000						
Mason County Fair - \$10,000						
Total Expenditures	160,000	160,000	-	160,000	160,000	-
	8,461,724	7,771,142	(690,582)	8,461,724	7,771,142	(690,582)
Excess of Collections over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	Federal CFDA <u>Number</u>	Pass-Through Grantor's <u>Number</u>	Expenditures <u>Paid</u>
U.S. Department of Agriculture			
Pass Through West Virginia Department of Education			
Child Nutrition Cluster:			
National School Breakfast and Lunch Program	10.555	88	\$ 2,035,951
Afterschool Program	10.555	88	3,712
Donated Foods (Non-cash)	10.555	88	144,281
Total Child Nutrition Cluster:			<u>2,183,944</u>
Team Nutrition	10.558	88	5,000
Child and Adult Care Food Program	10.574	88	213,292
Fresh Fruit and Veggies	10.582	88	<u>69,119</u>
Total U.S. Department of Agriculture			<u>2,471,355</u>
U.S. Department of Labor			
Pass Through West Virginia Department of Education			
Workforce Investment	17.267	70	<u>5,000</u>
Total U.S. Department of Labor			<u>5,000</u>
U.S. Department of Education			
Pass Through West Virginia Department of Education			
Adult Basic Education	84.002	61	3,041
Title I Grants to Local Education Agencies	84.010	41	1,309,095
Special Education Cluster:			
Special Education Grants to States	84.027	43	1,116,018
Special Education - Pre-School	84.173	43	<u>63,423</u>
Total Special Education Cluster:			<u>1,179,441</u>
Vocational Education	84.048A	50	85,852
Rural and Low Income	84.358B	59	64,046
Title II Improving Teacher Quality	84.367	40	<u>237,642</u>
Pass-Through West Virginia Higher Education Policy Commission			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEARUP)	84.334S	74	<u>66,376</u>
Total U.S. Department of Education			<u>2,945,493</u>
Total Federal Expenditures			<u>\$ 5,421,848</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, 2015

Note 1 – Basis of Presentation:

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

Note 2 – Food Distribution:

The Mason County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$144,281, is included in the Schedule of Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and reflects the amount distributed for the year ended June 30, 2015.



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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, 2015, 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 22, 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 2015-001 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2015-003.

Mason County Board of Education's Response to Findings

Mason County Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mason County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



THE FYFFE JONES GROUP, AC

Huntington, West Virginia

June 22, 2016



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

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, 2015. 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, 2015.

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 2015-002. 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 22, 2016

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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?	Yes

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:

CFDA Numbers	<u>Name of Federal Program/Cluster</u>
10.555	Child Nutrition Cluster
10.574	Child and Adult Care Food Program
84.048A	Vocational Education
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: 2015-001 – Untimely presentation of supporting documentation for the financial statement audit

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.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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.
Finding:	2015-002 – Publishing of Annual Financial Statement
Condition:	It was determined during our audit that the Mason County Board of education did not publish its annual financial statements within the ninety days after the beginning of the subsequent fiscal year.
Criteria:	West Virginia Code §18-9-3a states in part: "The county board of every county, within ninety days after the beginning of each fiscal year, shall prepare on a form to be prescribed by the state tax commissioner and the state superintendent of schools, and cause to be published a statement revealing (a) the receipts and expenditures of the board during the previous fiscal year arranged under descriptive headings, (b) the name of each firm, corporation, and person who received more than two hundred fifty dollars in the aggregate from all funds during the previous fiscal year, together with the aggregate amount received from all funds and the purpose for which paid ... "
Effect:	As a result of the failure to publish the Board's annual financial statements in the required time limit, the Board was not in compliance with the West Virginia State Code.
Recommendation:	It is recommended that the Mason County Board of Education take the necessary steps to ensure that the annual financial statements are published within ninety days after the beginning of each fiscal year for the previous fiscal year.
Response:	We will work to implement this going forward.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Section III – Federal Award Findings and Questioned Costs

Finding: 2015-003 – Untimely filing of financial statement audit

CFDA Number and Title: 10.555 Child Nutrition Cluster, 10.574 Child and Adult Care Food Program, 84.048A Vocational Education, 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 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, 2015; 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: Due to scheduling conflicts the Board was not able to schedule and assist in the completion of the audit by the filing deadline.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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

Current Year Status: This finding has been repeated as finding 2015-001

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

Current Year Status: This finding has been repeated as finding 2015-003

MASON COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Finding: 2015-001 – Untimely presentation of supporting documentation for the financial statement audit

Planned Corrective Action: 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: 2015-002 – Publishing of Annual Financial Statement

Planned Corrective Action: For the 2016 audit, the Board plans on publishing the annual required information within 90 days in accordance with West Virginia State Code

Anticipated Completion Date: September, 2016

Responsible Contact Person: Gary Hendricks, CSBO/Treasurer

Finding: 2015-003 – Untimely filing of financial statement audit

Planned Corrective Action: 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