

RFP: 15-037
COUNTY: MASON

MASON COUNTY BOARD OF EDUCATION

Financial Statements

June 30, 2016

MASON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<u>Page</u>
School Board Officials	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	14
Statement of Activities	15
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	19
Statement of Fiduciary Net Position – Agency Funds	20
Notes to the Basic Financial Statements	21
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – General Fund	50
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Special Revenue Fund	51
Schedule of the District's Proportionate Share of the Net Pension Liability	52
Schedule of the District's Contributions	53
Notes to the Required Supplementary Information	54

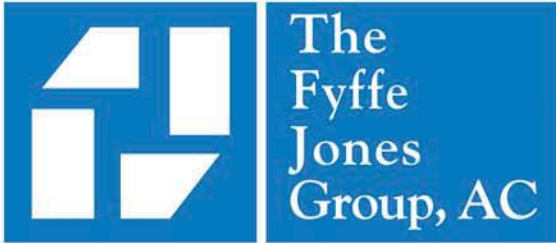
MASON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Other Supplementary Information:

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Debt Service Fund	56
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Capital Projects Fund	57
Notes to the Budget and Actual Schedules	58
Schedule of Changes in School Activity Funds	59
Schedule of Excess Levy Revenues and Expenditures	60
Schedule of Expenditures of Federal Awards	61
Notes to the Schedule of Expenditures of Federal Awards	62
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	63
Independent Auditors' Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	65
Schedule of Findings and Questioned Costs	68
Schedule of Prior Audit Findings and Questioned Costs	70
Corrective Action Plan	71

MASON COUNTY BOARD OF EDUCATION
SCHOOL BOARD OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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, 2016, 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, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mason County Board of Education, as of June 30, 2016, 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, budgetary comparison information, and pension information on pages 5 through 13 and 50 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary 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 other 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

These statements and schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2017, on our consideration of the Board's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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 Board's internal control over financial reporting and compliance.

The Fyffe Jones Group, AL

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 30, 2017

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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, 2016. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$67.0 million at the close of the most recent fiscal year.
- The Board's total net position increased by \$1.3 million. This increase is due primarily to funding increases for ongoing construction projects currently in progress.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$2.3 million, a decrease of \$144 thousand in comparison with the prior year. Approximately \$527 thousand of this total amount is available for spending at the board's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$527 thousand, or 1.3% of total general fund expenditures.

Overview of the Financial Statements

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

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing or related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

The district-wide financial statements can be found on pages 14 and 15 this report.

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Board maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general current expense fund, the special revenue funds, the debt service fund, and the capital projects fund, all of which are considered major funds as found on pages 16 and 18.

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 20 of the basic financial statements.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 49 following the basic financial statements.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$67.0 million at the close of the most recent fiscal year.

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- The largest portion of the Board's net position 98% 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 2% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for state and federal grants and expenditures.

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

	2016	2015	Increase
	Governmental	Governmental	(Decrease)
	Activities	Activities	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Assets and deferred outflows of resources:			
Current and other assets	\$ 9,799,047	\$ 8,969,841	\$ 829,206
Capital assets	69,864,976	67,773,075	2,091,901
Deferred outflows of resources	741,224	590,335	150,889
Total assets and deferred outflows of resources:	\$ 80,405,247	\$ 77,333,251	\$ 3,071,996
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION:			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 6,703,774	\$ 5,987,719	\$ 716,055
Long-term liabilities outstanding	4,131,185	2,934,955	1,196,230
Deferred inflows of resources	244,792	316,469	(71,677)
Proportionate share of net pension liability	2,280,102	2,394,220	(114,118)
Total liabilities and deferred inflows of resources:	13,359,853	11,633,363	1,726,490
Net position:			
Net Investment in capital assets, net of related debt	65,743,395	64,854,335	889,060
Restricted	1,568,582	2,260,552	(691,970)
Unrestricted	(266,583)	(1,414,999)	1,148,416
Total net position	67,045,394	65,699,888	1,345,506
Total liabilities and deferred inflows of resources and net position:	\$ 80,405,247	\$ 77,333,251	\$ 3,071,996

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

- Current and other assets increased by approximately \$829 thousand, which primarily represents an increase in reimbursement receivable.
- Capital assets increased by approximately \$2.1 million, which represents the district's investment in ongoing construction projects.
- Deferred outflows of resources increased approximately by \$150 thousand, which was to reflect current year changes of net pension liability and related pension activity.
- Current and other liabilities increased by approximately \$716 thousand, primarily due to increased payments towards the ongoing construction projects.
- Long-term liabilities increased by approximately \$1.1 million, which was primarily the result of net debt issuances to finance construction projects.
- Deferred inflows of resources decreased by approximately \$71 thousand, which was primarily the result of the GASB 68 calculations for the Teacher's Retirement System (TRS) liability.
- The proportionate share of the TRS net pension liability for the current year decreased approximately \$114 thousand per GASB 68 calculations.
- At the end of the current fiscal year, the Board is able to report positive balances in two categories of net position. The same situation held true for the prior fiscal year.
- Restricted net position decreased by approximately \$691 thousand during the year ended June 30, 2016. This decrease resulted after the Board made their final payment on a prior bond issue.
- The Board's net position increased by approximately \$1.3 million during the current year. The key element of the increase in the Board's net position for the year ended June 30, 2016, is due primarily to funding increases for ongoing construction projects currently in progress.

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

	2016	2015	Increase
	Governmental	Governmental	(Decrease)
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 123,347	\$ 130,815	\$ (7,468)
Operating grants and contributions	7,992,405	7,725,501	266,904
Capital grants and contributions	1,155,967	-	1,155,967
General revenues:			
Property taxes	14,985,032	15,433,005	(447,973)
Unrestricted state aid	23,682,460	23,791,065	(108,605)
Unrestricted investment earnings	-	552	(552)
Unrestricted grants and contributions	370,020	309,534	60,486
Gain/(Loss) on sale	(7,139)	28,643	(35,782)
Total revenues	48,302,092	47,419,115	882,977
Expenses:			
Instruction	27,131,992	26,752,195	379,797
Supporting services:			
Students	1,982,788	1,874,741	108,047
Instructional staff	1,721,407	1,789,464	(68,057)
District admin.	804,379	544,037	260,342
School admin.	2,663,475	2,656,697	6,778
Business services	497,503	482,409	15,094
Operation and maint.	4,781,899	4,586,567	195,332
Transportation	3,909,041	3,998,904	(89,863)
Other	287	2,426	(2,139)
Total supporting services	16,360,779	15,935,245	425,534
Food services	3,310,717	3,282,542	28,175
Community services	60,000	60,000	-
Interest on long-term debt	93,098	147,786	(54,688)
Total expenses	46,956,586	46,177,768	778,818
Change in net position	1,345,506	1,241,347	104,159
Net position - July 1	65,699,888	66,552,211	(852,323)
Prior Period Adjustment	-	(2,093,670)	2,093,670
Net position - June 30	\$ 67,045,394	\$ 65,699,888	\$ 1,345,506

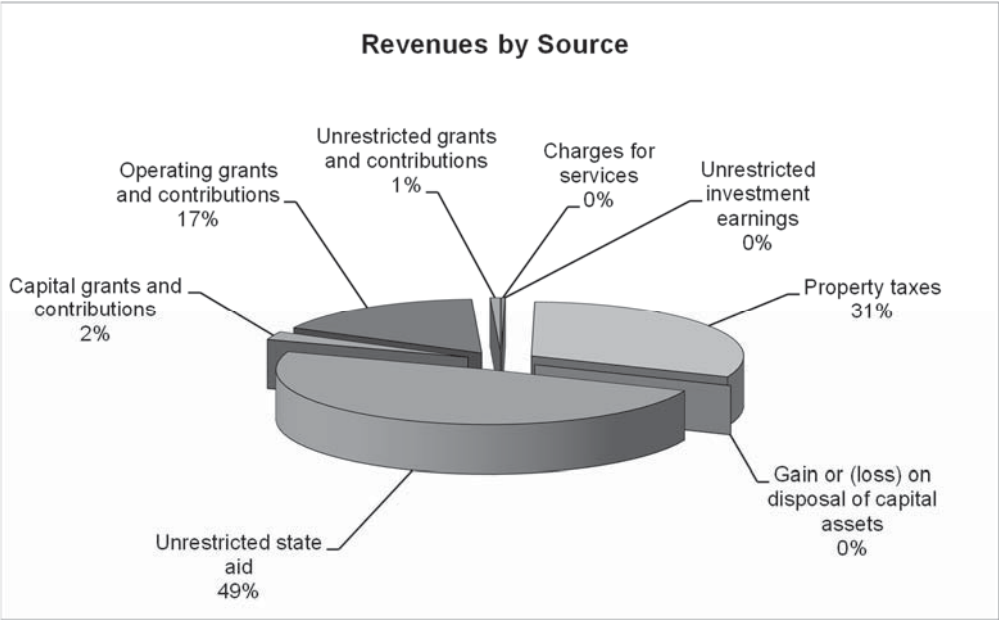
The key elements of the changes in the Board's statement of activities for the year ended June 30, 2016 are as follows:

- Operating grants and contributions increased by approximately \$266 thousand, which was primarily the result an increase of restricted federal funds.
- Capital grants and contributions increased approximately \$1.1 million, which was primarily the result of the ongoing construction projects.

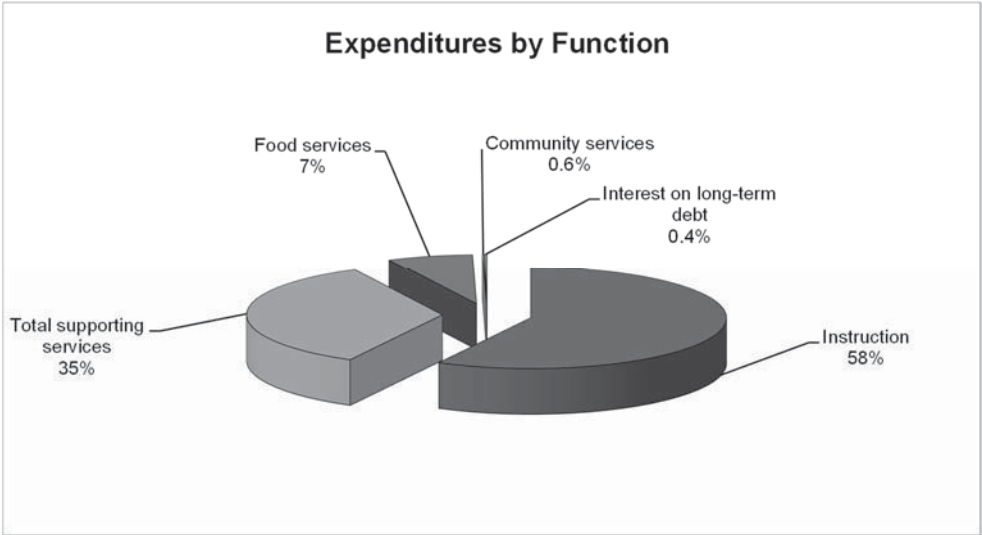
MASON COUNTY BOARD OF EDUCATION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

- General revenues from property taxes decreased by approximately \$447 thousand which was primarily the result of an additional percentage of taxes being delinquent.
- General revenues from unrestricted state aid decreased by approximately \$108 thousand which was primarily the result of a decrease in Step 1 funding from the WV Public School Support Program.
- Overall expenses increased by approximately \$778 thousand, which was primarily the result of an increase in instruction and district administrative expenses.

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



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



MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Financial Analysis of the Board's Funds

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

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$2.3 million. Included in this year's change in the combined fund balance are increases in the General Current Expense Fund, Special Revenue Fund, Debt Service Fund, and Capital Project Funds, due to the reasons previously discussed.

Governmental funds report the differences between their assets, deferred outflows, liabilities, and deferred inflows as fund balance, which is divided into nonspendable, restricted, committed, assigned and unassigned portions. Nonspendable, restricted, committed, and assigned indicate the portion of the Board's fund balances that are not available for appropriation. The unassigned fund balance is available financial resources in governmental funds. The \$527 thousand fund balance of the general fund is available for the Board to meet ongoing obligations.

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

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$4.8 thousand to \$527 thousand during the fiscal year ended June 30, 2016. As previously discussed, this increase of \$522 thousand was due primarily to an increase in reimbursements receivable from Medicaid and an increase in cash and cash equivalents.

Special Revenue Fund

This is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditures for specific purposes. The fund balance increased from \$860 thousand to \$886 thousand during the fiscal year ended June 30, 2016. This increase of \$26 thousand was due primarily to a decrease in salaries payable and related payroll liabilities.

Debt Service Fund

This is a separate fund used to account for the accumulated resources, and the payment of, general long-term debt, principal, and interest. The fund balance decreased from \$1.4 million to \$682 thousand during the fiscal year ended June 30, 2016. This decrease of \$717 thousand was due the final payment being made on a bond issue.

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Capital Projects Fund

This is a separate fund used to account for all financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a debt service fund. The fund balance increased from \$250 thousand to \$275 thousand during the fiscal year ended June 30, 2016. This increase of \$25 thousand was primarily due to a transfer from the General Current Expense Fund for a planned matching grant for a construction project.

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 \$134 thousand or less than 1% in total general fund expenditures. The most significant differences, including the differences between the original and final budget figures, and significant variances between the actual amounts and final budget amounts may be summarized as the actual beginning balance being greater than the original estimate.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$69.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was 2.9%.

Major capital asset events during the current fiscal year included decreases in Building and Improvements, which was a result of construction projects in progress.

	2016	2015	Increase
	Governmental	Governmental	(Decrease)
	Activities	Activities	
Land	\$ 4,592,472	\$ 4,592,472	\$ -
Buildings and improvements	58,213,995	59,798,931	(1,584,936)
Furniture and equipment	469,553	503,445	(33,892)
Vehicles	2,815,894	2,878,227	(62,333)
Construction in process	3,773,062	-	3,773,062
Total capital assets	<u>\$ 69,864,976</u>	<u>\$ 67,773,075</u>	<u>\$ 2,091,901</u>

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

MASON COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Long-term debt - At the end of the current fiscal year, the Board had total bonded debt outstanding of \$2,801,048 and capital lease obligations of \$1,320,533. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2016, the liability for such costs was \$2,195,622, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$198,859 at June 30, 2016.

	2016	2015	
	Governmental	Governmental	
	Activities	Activities	Variance
Capital lease obligations	\$ 1,320,533	\$ 1,703,740	\$ (383,207)
General obligation debt	2,801,048	1,215,000	1,586,048
Compensated absences	198,859	190,489	8,370
Total debt outstanding	<u>\$ 4,430,440</u>	<u>\$ 3,109,229</u>	<u>\$ 1,211,211</u>

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

Factors Bearing on the Board's Future

At the time these financial statements were prepared and audited, the Board was not aware of circumstances that could significantly affect its financial health in the future.

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 Office, 1 Education Lane, Point Pleasant, WV 25550.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,308,029
Taxes receivable, net of allowance for uncollectible taxes	876,643
Food service receivable	30,993
Due from other governments:	
State aid receivable	202,696
PEIA allocation receivable	610,303
Reimbursements receivable	1,770,383
Capital Assets:	
Land	4,592,472
Buildings and improvements	82,903,975
Furniture and equipment	4,354,386
Vehicles	6,311,117
Construction in process	3,773,062
Less accumulated depreciation	<u>(32,070,036)</u>
Total capital assets, net of depreciation	<u>69,864,976</u>
Total assets	<u>79,664,023</u>
 DEFERRED OUTFLOW OF RESOURCES	
Total deferred outflows of resources	<u>741,224</u>
Total assets and deferred outflows of resources	<u>\$ 80,405,247</u>
 LIABILITIES	
Salaries payable and related payroll liabilities	\$ 2,753,055
Other post employment benefits payable	2,195,622
PEIA premiums payable	871,673
Compensated absences	198,859
Accounts payable	684,565
Long-term obligations:	
Due within one year:	
Capital leases and contracts	593,416
Accrued interest	9,604
Due beyond one year:	
Capital leases and contracts	3,528,165
Net pension liability - proportionate share	<u>2,280,102</u>
Total liabilities	<u>13,115,061</u>
 DEFERRED INFLOW OF RESOURCES	
Total deferred inflows of resources	<u>244,792</u>
Total liabilities and deferred inflows of resources	<u>\$ 13,359,853</u>
 NET POSITION	
Invested in capital assets, net of related debt	\$ 65,743,395
Restricted	1,568,582
Unrestricted	<u>(266,583)</u>
Total net position	<u>\$ 67,045,394</u>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 27,131,992	\$ 76,947	\$ 3,343,168	\$ 721,124
Supporting services:				
Students	1,982,788	5,623	228,022	52,699
Instructional staff	1,721,407	4,882	197,963	45,752
General administration	804,379	2,281	92,504	21,379
School administration	2,663,475	7,554	306,302	70,791
Business services	497,503	1,411	57,213	13,223
Operation and maintenance of facilities	4,781,899	13,562	549,923	127,095
Student transportation	3,909,041	11,086	713,108	103,896
Other support services	287	1	33	8
Food services	3,310,717	-	2,504,169	-
Community services	60,000	-	-	-
Interest on long-term debt	93,098	-	-	-
Total governmental activities	\$ 46,956,586	\$ 123,347	\$ 7,992,405	\$ 1,155,967
General revenues:				
Property taxes				14,985,032
Unrestricted state aid				23,682,460
Unrestricted grants and contributions				370,020
Loss on sale of capital asset				(7,139)
Transfers in				945,918
Transfers (out)				(945,918)
Total general revenues and transfers				39,030,373
Change in net position				1,345,506
Net position - beginning				65,699,888
Net position - ending				\$ 67,045,394

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2016

	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	\$ 5,614,276	\$ 17,899	\$ 675,854	\$ -	\$ 6,308,029
Taxes receivable, net	826,074	-	50,569	-	876,643
Food service receivable, net	-	30,993	-	-	30,993
Due from other governments:					
State aid receivable	202,696	-	-	-	202,696
PEIA allocation receivable	610,303	-	-	-	610,303
Reimbursements receivable	222,962	482,580	-	1,064,841	1,770,383
Due from other funds	-	464,859	-	-	464,859
Total assets	7,476,311	996,331	726,423	1,064,841	10,263,906
Deferred outflows of resources					
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 7,476,311	\$ 996,331	\$ 726,423	\$ 1,064,841	\$ 10,263,906
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 2,669,139	\$ 83,916	\$ -	\$ -	\$ 2,753,055
Other post employment benefits payable	2,195,622	-	-	-	2,195,622
PEIA premiums payable	871,673	-	-	-	871,673
Accounts payable	46,051	26,067	-	612,447	684,565
Due to other funds	287,465	-	-	177,394	464,859
Total liabilities	6,069,950	109,983	-	789,841	6,969,774
Deferred inflows of resources					
Total deferred inflows of resources	878,936	-	44,188	-	923,124
Fund Balances:					
Restricted	-	886,348	682,235	-	1,568,583
Committed	-	-	-	275,000	275,000
Unassigned	527,425	-	-	-	527,425
Total fund balances	527,425	886,348	682,235	275,000	2,371,008
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 7,476,311	\$ 996,331	\$ 726,423	\$ 1,064,841	\$ 10,263,906

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total fund balance on the governmental fund's balance sheet	\$	2,371,008
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet		69,864,976
Property taxes receivable, e-rate, 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		923,124
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		741,224
Deferred inflows of resources related to pensions		(244,792)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest on bonds		(9,603)
Capital lease payable		(4,121,582)
Compensated absences		(198,859)
Net pension liability - proportionate share		<u>(2,280,102)</u>
Net position of governmental activities	<u>\$</u>	<u>67,045,394</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, 2016

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 14,386,758	\$ -	\$ 555,359	\$ -	\$ 14,942,117
Other local sources	62,037	211,922	2,387	596,394	872,740
State sources	26,651,454	2,011,377	-	559,573	29,222,404
Federal sources	123,346	5,546,144	-	-	5,669,490
Miscellaneous sources	305,596	-	-	-	305,596
Total revenues	41,529,191	7,769,443	557,746	1,155,967	51,012,347
Expenditures:					
Instruction	24,467,370	3,261,901	-	-	27,729,271
Supporting services:					
Students	1,528,734	497,045	-	-	2,025,779
Instructional staff	934,385	868,708	-	-	1,803,093
General administration	630,879	-	-	183,953	814,832
School administration	2,958,486	7,099	-	-	2,965,585
Central services	545,156	1,262	-	-	546,418
Operation and maintenance of facilities	5,062,793	16,100	-	-	5,078,893
Student transportation	3,907,196	297,087	-	-	4,204,283
Food services	45,615	3,217,083	-	-	3,262,698
Community services	60,000	-	-	-	60,000
Capital outlay	423	-	-	3,773,062	3,773,485
Debt service:					
Principal retirement	-	-	1,598,206	-	1,598,206
Interest and fiscal charges	4,919	-	94,791	-	99,710
Total expenditures	40,145,956	8,166,285	1,692,997	3,957,015	53,962,253
Excess (deficiency) of revenues over expenditures	1,383,235	(396,842)	(1,135,251)	(2,801,048)	(2,949,906)
Other financing sources (uses):					
Proceeds from disposal of real or personal property	4,500	-	-	-	4,500
Proceeds from the sale of bonds	-	-	-	2,801,048	2,801,048
Transfers in	40,391	463,095	417,432	25,000	945,918
Transfers (out)	(905,514)	(40,403)	-	-	(945,917)
Total other financing sources (uses)	(860,623)	422,692	417,432	2,826,048	2,805,549
Net change in fund balances	522,612	25,850	(717,819)	25,000	(144,357)
Fund balances - beginning	4,813	860,498	1,400,054	250,000	2,515,365
Fund balances - ending	\$ 527,425	\$ 886,348	\$ 682,235	\$ 275,000	\$ 2,371,008

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, 2016

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

Net change in fund balances - total governmental funds	\$ (144,357)
--	--------------

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 position is the amount by which capital outlays exceed depreciation in the current period.

Depreciation expense	(2,043,181)
Capital outlays	4,146,721

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	42,915
Operating grants and contributions	222,962

A portion of the change in the fund balances is the proceeds from the lease purchase agreement executed during fiscal year 2016. Those proceeds are not considered revenue items for the purpose of this statement.	(2,801,048)
---	-------------

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 position.	1,598,207
---	-----------

Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net position in the statement of activities.

Cost of assets disposed	(116,393)
Accumulated depreciation of assets disposed	104,754

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	(8,370)
--------------------------	---------

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.

6,612

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	387,985
Cost of benefits earned net of employee contributions	(51,301)

Change in net position of governmental activities	<u>\$ 1,345,506</u>
---	---------------------

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2016

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 587,759
Total assets	<u>587,759</u>
LIABILITIES	
Due to other funds	587,759
Total liabilities	<u>\$ 587,759</u>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 1 - Summary of Significant Accounting Policies:

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

A. Reporting Entity:

The 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 to be a primary government, since it is a separate legal entity, has its own elected governing body, and is fiscally independent of other local governments. The School Board has no component units, defined by GASB Statement 14 as other legally separate organizations for which the elected board members are financially accountable.

B. District-wide and Fund Financial Statements:

The *district-wide financial statements* (the statement of net position and the statement of activities) display information about the School Board as a whole. These statements include the financial activities of the overall government, except for fiduciary fund activities. Fiduciary funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the school district's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function.

Depreciation expenses for capital assets that can be specifically identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets (such as a school building that may be used for instructional services, student and instructional staff support services, school administration, and child nutrition services) is distributed proportionally among the various functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

Program revenues include: grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, restricted state aid, tuition, and other fees and charges paid by students. Revenues that are not considered as program revenues are classified as general revenue and include property taxes, unrestricted state aid, unrestricted investment earnings, gain on sale of capital assets, and federal and state grants not restricted to a specific purpose.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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 to be major funds for reporting purposes and are discretely presented in the accompanying financial statements.

The funds maintained by the Board are:

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

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

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

Agency Funds: Agency funds are used to account for assets that the Board holds for others in an agency capacity. These include: School activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

C. Measurement Focus and Basis of Accounting:

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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

D. Encumbrances:

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

E. Cash and Investments:

Cash on hand and deposits with banking institutions either in checking or savings accounts or other highly liquid investments with an original maturity of three months or less are presented as cash and cash equivalents in the accompanying financial statements. All deposit accounts and investments of the School Board at June 30, 2016 consisted of the following:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
Deposits with financial institutions -			
Individual schools	\$ 587,759	\$ 587,759	\$ 587,759
Municipal Bond Commission	675,854	675,854	675,854
Deposits with financial institutions -			
Board of Education	5,628,399	5,628,399	5,628,399
Total cash and cash equivalents	<u>\$ 6,892,012</u>	<u>\$ 6,892,012</u>	<u>\$ 6,892,012</u>

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

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

F. Food Service Receivables:

The accounts receivable for the Food Service Program represents what was collected during July 2016 and August 2016.

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:

Inventories are valued at cost or, if donated, at fair value when received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

The Board did not operate a centralized warehouse for inventories at June 30, 2016.

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.

J. Capital Assets:

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

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

K. Deferred Outflow of Resources:

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The details of the aggregate amount of the deferred outflows in the statement of net position are found in Note 9. The board did not have deferred outflows of resources in the governmental fund balance sheet.

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 9 for further discussion.

M. Compensated Absences and Other Post Employment Benefit Liability:

Other Post Employment Benefit (OPEB) Liability:

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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 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. Deferred inflows on the governmental balance sheet are typically comprised of items that will not be recognized within 60 days of the year end, and will not be available to satisfy current encumbrances. The details of the aggregate amount of the deferred inflows in the statement of net position are found in Note 9.

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.
- **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 FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Q. Fund Equity:

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

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2016. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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.

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 also issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. Investments held by the West Virginia Board of Treasury Investments and the Municipal Bond Commission are exempt from fair value reporting as allowed by GASB Statement No. 31. Therefore, the adoption of GASB Statement No. 72 had no impact on the June 30, 2016 financial statements.

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

V. Recent Statements Issued by the GASB:

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

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

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

The Governmental Accounting Standards Board has also issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 2 - Stewardship, Compliance and Accountability:

Deficiencies in Net Changes in Fund Balances:

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

<u>Fund</u>	<u>Amount</u>
Debt Service Fund	\$717,819

Funds sufficient to provide for the excess expenditures were made available from other sources, reserved for contingency, within the fund.

Note 3 - Risk Management:

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

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

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

Health coverage under these programs has no lifetime maximum benefit, while life insurance coverage is limited to \$10,000. 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.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 3 - Risk Management (Cont.):

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

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

Note 4 - Property Taxes:

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

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

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

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

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

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

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

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.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 4 - Property Taxes (Cont.):

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2016, were:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>
Class I	\$ -	19.40¢	25.95¢
Class II	\$ 399,969,982	38.80¢	45.90¢
Class III	\$ 516,016,222	77.60¢	91.80¢
Class IV	\$ 103,333,820	77.60¢	91.80¢

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

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

Taxes Receivable

Taxes receivable as of June 30, 2016, for the Board's funds is as follows:

	<u>General Current Expense Fund</u>
Taxes receivable	\$ 876,643

Note 5 - Excess Levy:

The Board had an excess levy in effect during the fiscal year ended June 30, 2016. The levy was authorized by the voters of the county at an election held on 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.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 5 - Excess Levy (Cont.):

- 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.
- 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 \$7,852,987 was received by the School Board from the excess levy during the fiscal year ended June 30, 2016.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 6 - Capital Assets:

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

	Beginning Balance	Restatement	Additions	Disposals	Ending Balance
Capital Assets, non-depreciable:					
Land	\$ 4,592,472	\$ -	\$ -	\$ -	\$ 4,592,472
Construction in process	-	-	3,773,062	-	3,773,062
Total non-depreciable assets	<u>4,592,472</u>	-	<u>3,773,062</u>	-	<u>8,365,534</u>
Capital Assets, depreciable:					
Buildings and improvements	82,903,975	-	-	-	82,903,975
Furniture and equipment	4,321,788	-	32,598	-	4,354,386
Vehicles	6,086,449	-	341,061	(116,393)	6,311,117
Total depreciable assets	93,312,212	-	373,659	(116,393)	93,569,478
Less accumulated depreciation for:					
Buildings and improvements	(23,105,044)	-	(1,584,936)	-	(24,689,980)
Furniture and equipment	(3,818,343)	-	(66,490)	-	(3,884,833)
Vehicles	(3,208,222)	-	(391,755)	104,754	(3,495,223)
Total accumulated depreciation	<u>(30,131,609)</u>	-	<u>(2,043,181)</u>	<u>104,754</u>	<u>(32,070,036)</u>
Total depreciable capital assets, net	<u>63,180,603</u>	-	<u>(1,669,522)</u>	<u>(11,639)</u>	<u>61,499,442</u>
Total capital assets, net	<u>\$ 67,773,075</u>	\$ -	<u>\$ 2,103,540</u>	<u>\$ (11,639)</u>	<u>\$ 69,864,976</u>

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

Instruction	\$ 1,622,363
Supporting Services:	
Instructional staff	1,845
Central administration	11,803
School administration	898
Operation and maintenance of facilities	29,924
Transportation	351,303
Food Services	<u>25,045</u>
 Total depreciation expense - governmental activities	 <u>\$ 2,043,181</u>

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 7 - Long-Term Debt:

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

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
General obligation debt	\$ 1,215,000	\$ -	\$ 1,215,000	\$ -	\$ -	\$ -
Capital lease payable	1,703,740	2,801,048	383,207	4,121,581	593,374	3,528,207
Compensated absences	190,489	8,370	-	198,859	-	198,859
Long-term liabilities	<u>\$ 3,109,229</u>	<u>\$ 2,809,418</u>	<u>\$ 1,598,207</u>	<u>\$ 4,320,440</u>	<u>\$ 593,374</u>	<u>\$ 3,727,066</u>

Mason County Building Commission Lease Revenue Bonds

Pursuant to Treasury Regulations Section 1.150-2, the Board declares official intent to be reimbursed from the proceeds of tax-exempt bonds issued by the Mason County Building Commission. On December 18, 2015, the Mason County Building Commission issued general obligation bonds of \$1,293,197 (par value) with an interest rate of 2.75% for the purpose of renovating, improving, furnishing and equipping a facility to be used by the Board as an administrative office complex. The bonds mature December 15, 2030. Principal and interest payments for this bond will not begin until July 2016. The Board's future debt service requirements for the bonded debt is as follows:

Year Ending June 30,	Principal	Interest	Total
2017	\$ 73,618	\$ 34,642	\$ 108,260
2018	75,668	32,592	108,260
2019	77,776	30,484	108,260
2020	79,865	28,395	108,260
2021	82,166	26,094	108,260
2022-2026	434,304	106,996	541,300
2027-2031	469,800	17,367	487,167
Total	<u>\$ 1,293,197</u>	<u>\$ 276,570</u>	<u>\$ 1,569,767</u>

Note 8 - Leases:

The School Board has entered into various lease/purchase agreements with the private sector, primarily for equipment. These agreements, accounted for as capital leases, are for various terms. While these agreements contain clauses indicating that their continuation is subject to continuing appropriation by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes. Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures during the life of the lease. Operating lease expenditures for the year ended June 30, 2016 were \$383,207.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 8 - Leases (Cont.):

The Board has entered into a 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. 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, 2016, of the Board's capital leases:

Year	Payment
2017	\$123,800
2018	124,400
2019	<u>124,800</u>
Total Minimum lease payments	373,000
Less: Amount representing interest	<u>28,000</u>
Present Value of Minimum Lease	\$345,000

The Board has entered into a second 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, 2016, are \$160,171.

The Board has entered into a third 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, 2016, are \$318,102.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 8 - Leases (Cont.):

The Board has entered into a fourth 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. The future minimum lease obligations at June 30, 2016, are as follows:

Year	Payment
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	530,614
Less: Amount representing interest	<u>33,352</u>
Present Value of Minimum Lease	\$ 497,262

The Board has entered into a fifth capital lease-purchase agreement in pursuant to the provisions of West Virginia Code 18-5-9a whereby energy conservation equipment has been installed in several of the schools. The equipment is leased from Ohio Valley Bank for a period of fifteen years beginning February 23, 2016. 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 payment for the next fiscal year is not available. The future minimum lease obligations as of June 30, 2016 are as follows:

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 8 - Leases (Cont.):

Year	Payment
2017	\$ 390,510
2018	390,510
2019	390,510
2020	390,510
2021	390,510
2022	390,510
2023	390,510
2024	390,510
2025	390,510
2026	390,510
2027	390,510
2028	390,510
2029	390,510
2030	390,510
2031	<u>390,110</u>
Total Minimum lease payments	5,857,250
Less: Amount representing interest	<u>1,314,250</u>
Present Value of Minimum Lease	\$ 4,543,000

Note 9 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDCRC). For the year ended June 30, 2016, the Board's total payroll for all employees was \$26,418,730, and the payroll was \$22,511,652, 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.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9 - Employee Retirement System (Cont.):

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

A. Teachers' Retirement System (TRS):

Plan Description:

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

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

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

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

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

Upon retirement members select one of five benefit payment options. If a member terminates employment with at least five years of credited service, he may freeze his membership until he qualifies for retirement or he may withdraw his contributions from the plan. The employers' contributions remain with the plan.

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9 - Employee Retirement System (Cont.):

Retirement benefits are based on two percent of the average member's five highest fiscal years of total earnings from covered employment during the member's last 15 years of service.

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

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

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

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

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

School Board's proportionate share of the net pension liability	\$	2,280,102
State's proportionate share of the net pension liability associated with the School Board.		39,625,223
Total portion of net pension liability associated with the school board	\$	41,905,325

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

For the year ended June 30, 2016, the School Board recognized pension expense of \$1,820,329, and for support provided by the State, revenue of \$1,365,371. At June 30, 2016, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9 - Employee Retirement System (Cont.):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 128,815	\$ 225,050
Differences between expected and actual experience	-	19,742
Changes in proportion and differences between School Board contributions and proportionate share of contributions	224,424	-
District contributions subsequent to the measurement Date	387,985	-
Total	\$ 741,224	\$ 244,792

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

Years Ending June 30,	Deferred Outflows of Resources
2017	\$ 9,984
2018	9,984
2019	9,984
2020	80,102
2021	(1,606)
Thereafter	-
Total	\$ 108,448

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the June 30, 2014, valuation, with update procedures used to roll forward the total pension liability to June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2005, to June 30, 2010. These assumptions are as follows:

Inflation – 3.0%

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

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

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

Discount Rate – 7.5%

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9 - Employee Retirement System (Cont.):

Investment Asset Allocation:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Private Equity	10.0%	9.4%
Core Fixed Income	7.5%	2.7%
Hedge Fund	10.0%	4.7%
Real Estate	10.0%	5.6%
High Yield Fixed Income	7.5%	5.5%
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	Current Discount Rate	1.0% Increase
	6.50%	7.50%	8.50%
School Board's proportionate share of the TRS net pension liability	\$ 2,955,963	\$ 2,280,102	\$ 1,699,770

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9 - Employee Retirement System (Cont.):

Payables to the pension plan:

At June 30, 2016, the School Board reported a liability of \$49,298 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.

B. Teachers' Defined Contribution Retirement System:

Plan Description:

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

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

A unique feature of the Teachers' Defined Contribution Plan is that each member chooses the investment options and may make changes at any time. The investment options are: Great-West SF Balanced Trust, Great-West Lifetime 2015 Trust II, Great-West Lifetime 2025 Trust II, Great-West Lifetime 2035 Trust II, Great-West Lifetime 2045 Trust II, Great-West Lifetime 2055 Trust II, American Funds EuroPacific R5, Franklin Mutual Global Discovery Fund – Z, DFA US Targeted Value R1, T. Rowe Price Diversified Small Cap Growth, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, Fidelity New Millennium, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund, and VALIC Fixed Annuity Option.

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 9 - Employee Retirement System (Cont.):

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 2016 were:

Employees' contributions (4.5%)	\$ 52,337
Employer's contributions (7.5%)	87,228
Total contributions	<u>\$ 139,565</u>

Note 10 - Post-Employment Benefits Other Than Pension:

A. General Information

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

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

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

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

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

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

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

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

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

Based on the latest actuarial evaluation of the RHBT, the annual required contribution (ARC) for the State and the boards of education for fiscal year ended June 30, 2016, was determined to be:

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

The following summarizes the Board's OPEB activity:

Total OPEB expense	\$ 907,417
Less:	
State appropriation allocation	776,386
Pay as you go payments and other credits	<u>-</u>
Increase to OPEB liability at year end	\$ 131,031

MASON COUNTY BOARD OF EDUCATION
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

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

FISCAL YEAR Ending June 30,	ANNUAL OPEB Cost	PERCENTAGE Contributed
2016	\$907,417	93%
2015	\$1,016,933	88%
2014	\$1,298,519	96%

B. Current Year Credits

In February 2012, the West Virginia Legislature passed Senate Bill 469 that transferred the portion of the OPEB liability attributable to personnel funded through the state aid funding formula to the State of West Virginia. The Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issued credits to the Board. The amount of credit issued for fiscal year 2016 was \$776,386. This amount was treated as a reduction of current year operating expenses.

Note 11 - Pending Litigation:

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

Note 12 - Fund Balance:

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

Fund Balances	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Restricted for:					
Special Projects	\$ -	\$ 886,348	\$ 682,235	\$ -	\$ 1,568,583
Committed to:					
Capital Projects	-	-	-	275,000	275,000
Unassigned	527,425	-	-	-	527,425
Total fund balances	\$ 527,425	\$ 886,348	\$ 682,235	\$ 275,000	\$ 2,371,008

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 13 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$640,480 as of June 30, 2016 in the following funds:

General Current Expense Fund	\$ 72,547
Special Revenue Fund	\$ 413,891
Capital Projects Fund	\$ 154,042

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

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

Effective with the fiscal year ended June 30, 2015, the Medicaid school-based health services program through the West Virginia Department of Health and Human Resources (DHHR), Bureau for Medical Services has a cost settlement requirement. This change was required by the federal Centers for Medicare and Medicaid Services (CMS). Revenue has continued to be recognized in accordance with the fee-for-service billing as in prior years because there has been insufficient data to estimate the cost settlement amounts. The annual cost settlement for the fiscal year ended June 30, 2015 has been calculated by DHHR and the Board is entitled to an additional \$222,962 in reimbursements. The cost report for the fiscal year ended June 30, 2016 will be due on December 31, 2016 but the interim cost settlement is not projected to be estimated by DHHR until the summer of 2017. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management of the School Board believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Accordingly, such reviews could lead to disallowances and/or significant regulatory action, including fines, penalties and exclusion from the Medicaid program resulting in reimbursement of previously reported revenue, which could be material to the School Board's financial statements.

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

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Note 14 - Interfund Balances and Transfers:

Interfund Transfers

Interfund transfers from the General Current Expense Fund were as follows:

To Special Revenue Fund	\$ 463,095
To Debt Service Fund	\$ 417,432
To Capital Projects Fund	\$ 25,000

Interfund transfers from the Special Revenue Fund to the General Current Expense Fund were \$40,391 for indirect costs applied to various federal restricted projects.

Note 15 - Major Sources of Revenue:

The largest single source of revenue received by the Board is state aid funds through the Public School Support Program. In addition, the Board receives financial assistance from federal and state governments in the form of grants. The disbursement of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and is subject to audit by the Board's independent 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.

Note 16 - Subsequent Events:

All other commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through March 30, 2017, the date of this report.

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, 2016

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 14,230,043	\$ 14,230,043	\$ 14,386,758	\$ -	\$ 14,386,758	\$ 156,715
Other local sources	37,500	48,940	62,037	-	62,037	13,097
State sources	22,310,867	25,887,311	26,651,454	505,213	27,156,667	1,269,356
Federal sources	350,000	350,000	123,346	-	123,346	(226,654)
Miscellaneous sources	281,048	295,546	305,596	-	305,596	10,050
Total revenues	37,209,458	40,811,840	41,529,191	505,213	42,034,404	1,222,564
Expenditures:						
Instruction	21,545,203	23,940,211	24,467,370	(415,731)	24,051,639	(111,428)
Supporting services:						
Students	1,639,078	1,731,760	1,528,734	(16,166)	1,512,568	219,192
Instructional staff	1,048,054	1,109,368	934,385	(19,533)	914,852	194,516
General administration	633,789	689,173	630,879	(4,824)	626,055	63,118
School administration	2,643,166	2,974,045	2,958,486	(55,030)	2,903,456	70,589
Central services	572,076	640,599	545,156	(7,701)	537,455	103,144
Operation and maintenance of facilities	4,995,013	5,402,329	5,062,793	(58,958)	5,003,835	398,494
Student transportation	3,663,623	3,986,672	3,907,196	(58,301)	3,848,895	137,777
Food services	-	-	45,615	-	45,615	(45,615)
Community services	60,000	60,000	60,000	-	60,000	-
Capital outlay	-	2,500	423	-	423	2,077
Debt service:						
Interest and fiscal charges	-	-	4,919	-	4,919	(4,919)
Total expenditures	36,800,002	40,536,657	40,145,956	(636,244)	39,509,712	1,026,945
Excess (deficiency) of revenues over expenditures	409,456	275,183	1,383,235	1,141,457	2,524,692	2,249,509
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	4,500	-	4,500	4,500
Transfers in	42,000	42,000	40,391	-	40,391	(1,609)
Transfers (out)/reserves	(1,473,343)	(1,473,343)	(905,514)	-	(905,514)	567,829
Total other financing sources (uses)	(1,431,343)	(1,431,343)	(860,623)	-	(860,623)	570,720
Change in fund balances	(1,021,887)	(1,156,160)	522,612	1,141,457	1,664,069	2,820,229
Fund balances - beginning	4,813	4,813	4,813	-	4,813	-
Fund balances - ending	\$ (1,017,074)	\$ (1,151,347)	\$ 527,425	\$ 1,141,457	\$ 1,668,882	\$ 2,820,229

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local sources	\$ 106,718	\$ 106,718	\$ 211,922	\$ -	\$ 211,922	\$ 105,204
State sources	1,713,693	2,030,077	2,011,377	-	2,011,377	(18,700)
Federal sources	5,116,098	6,577,624	5,546,144	-	5,546,144	(1,031,480)
Miscellaneous sources	-	112,149	-	-	-	(112,149)
Total revenues	6,936,509	8,826,568	7,769,443	-	7,769,443	(1,057,125)
Expenditures:						
Instruction	2,957,500	4,015,143	3,261,901	-	3,261,901	753,242
Supporting services:						
Students	82,452	744,486	497,045	-	497,045	247,441
Instructional staff	13,082	1,178,591	868,708	-	868,708	309,883
School administration	-	8,412	7,099	-	7,099	1,313
Central services	4,588	16,722	1,262	-	1,262	15,460
Operation and maintenance of facilities	-	9,000	16,100	-	16,100	(7,100)
Student transportation	270,016	297,177	297,087	-	297,087	90
Food services	3,087,398	3,732,768	3,217,083	-	3,217,083	515,685
Total expenditures	6,415,036	10,002,299	8,166,285	-	8,166,285	1,836,014
Excess (deficiency) of revenues over expenditures	521,473	(1,175,731)	(396,842)	-	(396,842)	778,889
Other financing sources (uses):						
Transfers in	1,058,095	1,058,095	463,095	-	463,095	(595,000)
Transfers (out)	(42,834)	(50,557)	(40,403)	-	(40,403)	10,154
Total other financing sources (uses)	1,015,261	1,007,538	422,692	-	422,692	(584,846)
Change in fund balances	1,536,734	(168,193)	25,850	-	25,850	194,043
Fund balances - beginning	860,498	860,498	860,498	-	860,498	-
Fund balances - ending	\$ 2,397,232	\$ 692,305	\$ 886,348	\$ -	\$ 886,348	\$ 194,043

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Reported Fiscal Year (Measurement Date)	Reported Fiscal Year (Measurement Date)
	2016 (2015)	2015 (2014)
District's proportion of the net pension liability (asset)	0.065799%	0.069396%
District's proportionate share of net pension liability (asset)	\$ 2,280,102	\$ 2,394,220
State's proportionate share of the net pension liability (asset) associated with the district	<u>39,625,223</u>	<u>45,428,319</u>
Total	<u><u>41,905,325</u></u>	<u><u>47,822,539</u></u>
District's covered-employee payroll	\$ 22,511,652	\$ 22,790,378
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	10.129%	10.505%
Plan fiduciary net position as a percentage of the total pension liability	66.25%	65.95%

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2016	2015
Contractually required contribution	\$ 308,229	\$ 244,697
Contributions in relation to the contractually required contribution	(308,229)	(244,697)
Contribution deficiency (excess)	-	-
District's covered-employee payroll	\$ 22,225,426	\$ 22,511,652
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.387%	1.087%

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, 2016

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Certain other transactions such as donated foods from the West Virginia Department of Agriculture Food Distribution Program 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, 2016, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained. The following are expenditures which exceeded appropriations:

General Current Expense Fund:

Food Services	\$ 45,615
Interest and Fiscal Charges	\$ 4,919

Special Revenue Fund:

Operation and Maints.	\$ 7,100
-----------------------	----------

The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs, available beginning fund balance, 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, 2016

C. Actuarial Revisions:

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

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

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, 2016

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 446,164	\$ 446,164	\$ 555,359	\$ -	\$ 555,359	\$ 109,195
Other local sources	-	-	2,387	-	2,387	2,387
Total revenues	446,164	446,164	557,746	-	557,746	111,582
Expenditures:						
Debt service:						
Principal retirement	827,370	827,370	1,598,206	-	1,598,206	(770,836)
Interest and fiscal charges	34,041	34,041	94,791	-	94,791	(60,750)
Total expenditures	861,411	861,411	1,692,997	-	1,692,997	(831,586)
Excess (deficiency) of revenues over expenditures	(415,247)	(415,247)	(1,135,251)	-	(1,135,251)	(720,004)
Other financing sources (uses):						
Transfers in	415,247	415,247	417,432	-	417,432	2,185
Total other financing sources (uses)	415,247	415,247	417,432	-	417,432	2,185
Change in fund balances	-	-	(717,819)	-	(717,819)	(717,819)
Fund balances - beginning	1,400,054	1,400,054	1,400,054	-	1,400,054	-
Fund balances - ending	\$ 1,400,054	\$ 1,400,054	\$ 682,235	\$ -	\$ 682,235	\$ (717,819)

See Notes to the Budget and Actual Schedules.

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, 2016

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Other local sources	\$ -	\$ -	\$ 596,394	\$ -	\$ 596,394	\$ 596,394
State sources	-	614,880	559,573	-	559,573	(55,307)
Total revenues	-	614,880	1,155,967	-	1,155,967	541,087
Expenditures:						
Supporting services:						
General administration	-	222,604	183,953	-	183,953	38,651
Capital outlay	-	6,478,473	3,773,062	-	3,773,062	2,705,411
Total expenditures	-	6,701,077	3,957,015	-	3,957,015	2,744,062
Excess (deficiency) of revenues over expenditures	-	(6,086,197)	(2,801,048)	-	(2,801,048)	3,285,149
Other financing sources (uses):						
Proceeds from the sale of bonds	-	5,836,197	2,801,048	-	2,801,048	(3,035,149)
Transfers in	-	25,000	25,000	-	25,000	-
Total other financing sources (uses)	-	5,861,197	2,826,048	-	2,826,048	(3,035,149)
Change in fund balances	-	(225,000)	25,000	-	25,000	250,000
Fund balances - beginning	250,000	250,000	250,000	-	250,000	-
Fund balances - ending	\$ 250,000	\$ 25,000	\$ 275,000	\$ -	\$ 275,000	\$ 250,000

See Notes to the Budget and Actual Schedules.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Certain other transactions such as donated foods from the West Virginia Department of Agriculture Food Distribution Program 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, 2016, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained. The following are expenditures which exceeded appropriations:

Debt Service Fund:

Principal Retirement	\$ 770,836
Interest and Fiscal Charges	\$ 60,750

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

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Cash Balance 7/1/15	Revenues Received	Expenditures Paid	Cash Balance 6/30/16
Beale Elementary	\$ 52,510	\$ 27,226	\$ 24,119	\$ 55,617
Leon Elementary	19,192	19,169	15,431	22,930
New Haven Elementary	28,109	77,952	73,540	32,521
Roosevelt Elementary	26,322	34,812	37,062	24,072
Ashton Elementary	50,818	47,177	46,014	51,981
Pt. Pleasant Primary	9,183	36,228	33,823	11,588
Pt. Pleasant Intermediate	28,325	23,726	13,801	38,250
Hannan Jr./Sr. High	47,421	109,558	108,716	48,263
Pt. Pleasant Jr./Sr. High	198,766	477,414	517,947	158,233
Wahama Jr./Sr. High	101,798	159,502	173,674	87,626
Mason County Career Center	69,959	150,329	163,610	56,678
	<u>632,403</u>	<u>1,163,093</u>	<u>1,207,737</u>	<u>587,759</u>
Total	<u>\$ 632,403</u>	<u>\$ 1,163,093</u>	<u>\$ 1,207,737</u>	<u>\$ 587,759</u>

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections						
Expenditures Mason County Levy Call:						
Excess Levy Expenditure Category						
	\$ 8,461,724	\$ 7,852,987	\$ (608,737)	\$ 16,923,448	\$ 15,624,129	\$ (1,299,319)
	2,681,724	3,629,129	947,405	5,363,448	7,431,285	2,067,837
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, arts & athletic), supplemental salaries for after-school activity runs, FICA taxes, unemployment taxes, workers' compensation taxes, retirement, dental, visual and long-term disability insurance.						
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	1,059,208	(740,792)	3,600,000	1,859,185	(1,740,815)
Extra- and co-curricular activities - Including, but not limited to, field trips, school competitions and other extra- and co-curricular expenses.	290,000	314,429	24,429	580,000	605,730	25,730
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	2,246,181	(503,819)	5,500,000	4,350,391	(1,149,609)
Computer Technology - Including, but not limited to, technician salaries and related benefits, computer purchases, repair, upgrades, software and contracting.	180,000	98,004	(81,996)	360,000	273,238	(86,762)
Student Transportation - Including, but not limited to, maintenance of equipment, vehicle replacement, gasoline tanks, transportation equipment, fuel and tools.	600,000	346,036	(253,964)	1,200,000	784,300	(415,700)
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	160,000	160,000	-	320,000	320,000	-
Total Expenditures	8,461,724	7,852,987	(608,737)	16,923,448	15,624,129	(1,299,319)
Excess (Deficiency) of Collections over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Paid</u>
U.S. Department of Agriculture			
Passed Through West Virginia Department of Education			
Child Nutrition Cluster:			
National School Breakfast and Lunch Program	10.553/10.555	88	\$ 2,082,839
Donated Foods (Non-cash)	10.565	88	<u>111,558</u>
Total Child Nutrition Cluster			2,194,397
Child and Adult Care Program	10.558	88	231,151
Fresh Fruits and Vegetable Program	10.582	88	<u>34,761</u>
Total U.S. Department of Agriculture			<u>2,460,309</u>
U.S. Department of Education			
Passed Through West Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	41	1,445,294
Vocational Education Basic Grants to States	84.048	50	46,667
Special Education Cluster:			
Special Education Grants to States	84.027	43	1,033,525
Special Education - Pre-School	84.173	43	<u>59,689</u>
Total Special Education Cluster			1,093,214
Rural Education	84.358	59	80,070
Title II Improving Teacher Quality	84.367	40	262,687
Passed Through West Virginia Higher Education Policy Commission			
Gaining Early Awareness and Readiness for			
Undergraduate Programs (GEARUP)	84.334	74	<u>89,996</u>
Total U.S. Department of Education			<u>3,017,928</u>
Total Federal Financial Assistance Expended			<u>\$ 5,478,237</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, 2016

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 with the requirements of OMB Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Food Distribution:

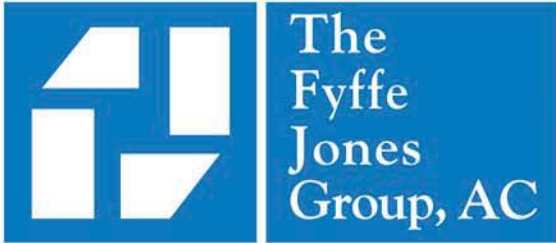
The Mason County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$111,558, is included in the Schedule of Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and reflects the amount distributed for the year ended June 30, 2016.

Note 3 – Indirect Cost:

The Mason County Board of Education did not elect to use the 10% de minimis indirect cost rate for its federal programs.

Note 4 – Subrecipients:

The Mason County Board of Education did not have subrecipients during the 2016 fiscal year.



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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, 2016, 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 March 30, 2017.

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 deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

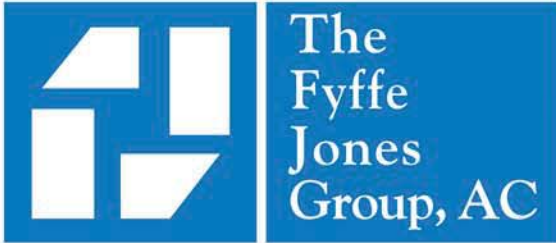
Purpose of this Report

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

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 30, 2017



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which Uniform Guidance requires us to report, described in the accompanying schedule of audit findings and questioned cost as item 2016-001. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia

March 30, 2017

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
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 the Uniform Guidance?	No

Programs tested:

CFDA Number(s)	<u>Name of Federal Program/Cluster</u>
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as a low-risk auditee:	No

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

Finding: 2016-001 – 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.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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

Current Year Status: The prior year conditions have been implemented and corrected.

Finding: 2015-002 – Publishing of Annual Financial Statement

Current Year Status: The finding has been repeated as finding 2016-001

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

Current Year Status: The prior year conditions have been implemented and corrected.

MASON COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Finding: 2016-001 – Publishing of Annual Financial Statement

Planned Corrective Action: For the 2017 audit, the Board plans on publishing the annual required information within 90 days in accordance with West Virginia State Code.

Anticipated Completion Date: September, 2017

Responsible Contact Person: Gary Hendricks, CSBO/Treasurer