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MORGAN COUNTY BOARD OF EDUCATION
Single Audit
For the Year Ended June 30, 2015
RFP# 13-021

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INDEX OF FUNDS
JUNE 30, 2015**

GOVERNMENTAL FUND TYPES

General Current Expense Fund

Special Revenue Fund

FIDUCIARY FUND TYPES

School Activity Funds

**MORGAN COUNTY BOARD OF EDUCATION
BOARD OFFICIALS
June 30, 2015**

<u>Office</u>	<u>Name</u>	<u>Term</u>
	<u>Elected</u>	
Board Members:	David Ambrose	07/01/14 - 06/30/18
	Aaron T. Close	07/01/14 - 06/30/18
	Laura S. Smith	07/01/14 - 06/30/18
	John D. Rowland	07/01/12 - 06/30/16
	Patricia Springer	07/01/12 - 06/30/16

Management

Superintendent	David Banks
Treasurer	Ann Bell



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INDEPENDENT AUDITOR'S REPORT

February 10, 2016

Morgan County Board of Education
247 Harrison Avenue
Berkeley Springs, West Virginia 25411

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Morgan County Board of Education**, Berkeley Springs, West Virginia (the Board), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Morgan County Board of Education, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015, the Board adopted Governmental Accounting Standard No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis, required budgetary comparison schedules* for the General Current Expense Fund and Special Revenue Fund and the Schedule of the Proportionate Share of the Net Pension Liability and the Schedule of the Board of Education Contributions – Teachers' Retirement System to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Board's basic financial statements taken as a whole.

The Schedule of Changes in School Activity Funds and the Schedule of Excess Levy Revenues and Expenditures provide additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedules 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 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 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 February 10, 2016, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. 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.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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**MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$14,796,298 at the close of the most recent fiscal year. The unrestricted net position is a negative balance of (\$784,476) due to the change in pension liability reporting methods required in 2014-15 by GASB 68. See Note 1-R.
- Comparing the Board's total net position reported in 2013-14 to the Board's total net position in 2014-15, net position decreased \$1,484,142. Due to the change in pension liability reporting methods required in 2014-15 by GASB 68, the total net position for 2013-14 was restated on the 2014-15 financial statements. Comparing the 2013-14 restated net position to the 2014-15 net position, reveals a \$20,872 increase in the Board's total net position. See Note 2 for additional information regarding the restatement of net position.
- The deficit unassigned fund balance of \$98,229 in the General Current Expense Fund is caused by the fact that county boards are being required by WV Code §5-16D-6 to report the annual portion of the accrued actuarial liability due the West Virginia Retiree Health Benefit Trust (RHBT) for Other Post Employment Benefits (OPEB) as a current liability in the fund basic statements. As reflected in the fund basic statement, the accrued actuarial liability for these costs for Morgan County Schools was \$1,312,763. However, in calculating a deficit for the purposes of WV §11-8-26, the portion of the deficit created as a result of recording the accrued actuarial liability due the RHBT is not to be taken into account. Therefore, by excluding this liability, Morgan County Schools' assigned fund balance would be a positive balance of \$331,524 and the unassigned fund balance at year-end would be a positive balance of \$883,010.

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

**MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

useful indicator of whether the financial position of the Board is improving or deteriorating.

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

The district-wide financial statements can be found on pages 17 - 18 of this report.

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

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

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

The Board maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the special revenue fund, both of which are considered major funds.

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

The Board uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 22 of this report.

**MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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 23 to 45 of this report.

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 \$14,796,298 at the close of the most recent fiscal year.

- The largest portion of the Board's net position 100% 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 5% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for special projects and the excess levy.
- The remaining deficit balance of (\$784,476) (-5%) represents resources that are unrestricted.

**MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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

	2015	2014	
	Governmental	Governmental	
	Activities	Activities *	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 4,929,002	\$ 5,078,890	\$ (149,888)
Capital assets	15,194,104	15,322,610	(128,506)
Deferred outflows of resources	128,163	139,850	(11,687)
Total assets and deferred outflows of resources	20,251,269	20,541,350	(290,081)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	3,630,060	3,636,318	(6,258)
Long-term liabilities outstanding	326,592	484,742	(158,150)
Deferred inflows of resources	450,919	-	450,919
Net pension liability - Proportionate share	1,047,400	1,644,864	(597,464)
Total liabilities and deferred inflows of resources	5,454,971	5,765,924	(310,953)
Net position:			
Net investment in capital assets	14,867,512	14,837,868	29,644
Restricted	713,262	471,760	241,502
Unrestricted	(784,476)	(534,202)	(250,274)
Total net position	14,796,298	14,775,426	20,872
Total liabilities, deferred inflows of resources, and net position	\$ 20,251,269	\$ 20,541,350	\$ (290,081)

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

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

- Current and other assets decreased by approximately \$149,888 which primarily represents a decrease in taxes receivable, Medicaid receivable and the declining balance in the retirement forfeiture account.
- Capital assets decreased by approximately \$128,506 which represents a reduction in capital outlay and the current year depreciation of existing assets.

**MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

- Current and other liabilities decreased by approximately \$6,258 which was primarily the result of the decrease in accounts payable.
- Long-term liabilities decreased by approximately \$158,150 which was primarily the result of the reduction of capital leases payable.
- Restricted net position increased by \$241,502 during the year ended June 30, 2015. This increase resulted primarily from encumbrances for the textbook adoption and encumbrances in Federal projects.
- The Board's total net position decreased by \$1,484,142 during the current year when comparing the total net position for 2014-15 to the reported net position for 2013-14. However, the change in pension liability reporting requirements mandated by GASB 68 in 2014-15 resulted in the total net position for 2013-14 to be restated. The total net position for 2014-15 increased \$20,872 in comparison to the restated 2013-14 net position. Refer to Note 2 for more information regarding the reinstatement of net position.

COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015

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

	2015	2014	
	Governmental	Governmental	
	Activities	Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 1,318,641	\$ 1,210,092	\$ 108,549
Operating grants and contributions	2,864,088	2,702,680	161,408
Capital grants and contributions	425,969	234,090	191,879
General revenues:			
Property taxes	9,500,617	11,422,819	(1,922,202)
Unrestricted state aid	11,956,826	13,778,925	(1,822,099)
Unrestricted investment earnings	88,322	83,569	4,753
Total revenues	<u>26,154,463</u>	<u>29,432,175</u>	<u>(3,277,712)</u>
Expenses:			
Instruction	<u>13,818,739</u>	<u>15,376,835</u>	<u>(1,558,096)</u>
Supporting services:			
Students	1,480,423	1,559,256	(78,833)
Instructional staff	1,305,288	1,459,946	(154,658)
District administration	496,268	516,249	(19,981)
School administration	1,505,827	1,718,113	(212,286)
Business services	296,822	364,419	(67,597)
Operation and maintenance	3,188,521	3,480,262	(291,741)
Transportation	2,250,087	2,439,208	(189,121)
Other support services	21	-	21
Total supporting services	<u>10,523,236</u>	<u>11,537,453</u>	<u>(1,014,196)</u>
Food services	1,787,757	1,891,962	(104,205)
Community services	3,838	123,492	(119,654)
Total expenses	<u>26,133,591</u>	<u>28,929,742</u>	<u>(2,796,151)</u>
Change in net position	20,872	502,434	(481,562)
Net position - Beginning	16,280,440	15,778,006	502,434
Restatement - GASB 68 - Note 2	(1,505,014)	-	(1,505,014)
Net position - Ending	<u>\$ 14,796,298</u>	<u>\$ 16,280,440</u>	<u>\$ (1,484,142)</u>

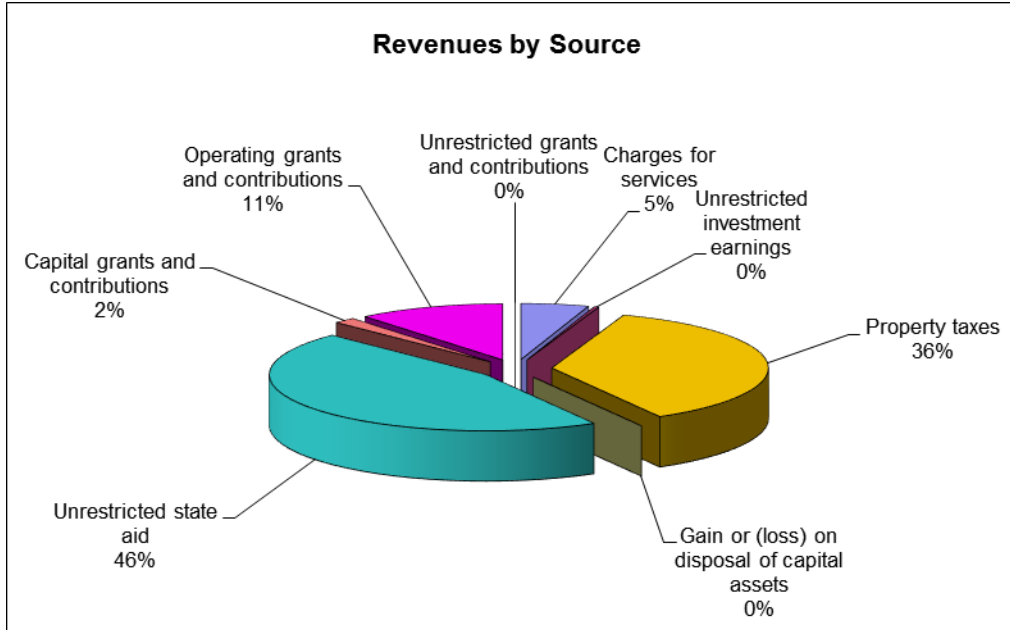
**COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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

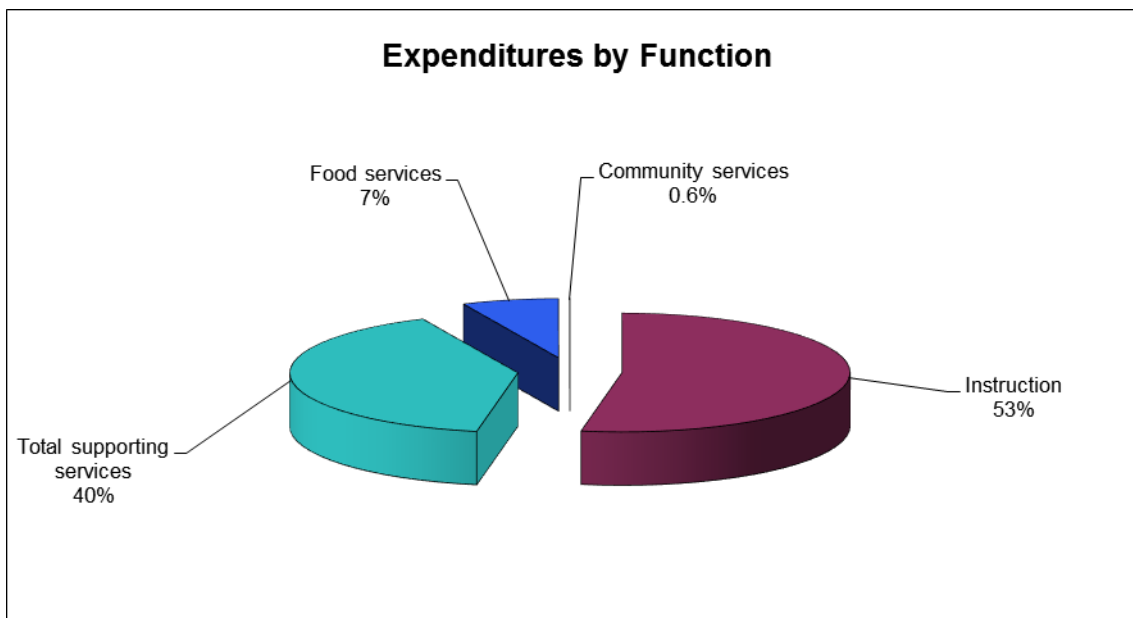
- Charges for services increased by approximately \$108,549 which was primarily the result of an increased in federal meal reimbursements due increased participation in the child nutrition program.
- Operating grants and contributions increased by approximately \$161,408 which was primarily the result of the receipt of the 21st Century Learning grant.
- Capital grants and contributions increased by approximately \$191,879 which was primarily the result of the Pleasant View Elementary MIP project, EPA Brownfields grant and bus replacement funds.
- General revenues from property taxes decreased by approximately \$1,922,202 which was primarily the result of the reduction of the excess levy to a maximum allowable 70%.
- General revenues from unrestricted state aid decreased by approximately \$1,822,099 which was primarily due to the pension liability reporting changes required by GASB 68 in 2014-15.
- Overall expenses decreased \$2,796,151 primarily due to the changes in pension liability reporting required by GASB 68 in 2014-15. Excluding the pension liability, all other expenses decreased by approximately \$288,007. This decrease was primarily the result of an overall reduction in spending due to the decrease in excess levy funds.

**COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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



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



**COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

Financial Analysis of the Board's Funds 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 \$669,427. Included in this year's change in the combined fund balance is an excess of expenditures over revenues of \$111,210.

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 \$240,466 restricted fund balance of the general fund is primarily designated for the following purpose:

Educational Trips	\$	6,574
WVU Extension		13,468
Student Activities		26,713
Technology		11,306
Textbooks		18,598
School Allocations		163,807
		<hr/>
Total	\$	240,466
		<hr/>

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

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance decreased from \$504,299 to \$196,631 during the fiscal year ended June 30, 2015. As previously discussed, this decrease of \$307,668 was due primarily to the reduced excess levy, the reduction in Medicaid reimbursements and the encumbrances for the textbook adoption.

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 \$276,338 to \$472,796 during the fiscal year ended June 30, 2015. This increase of \$196,458 was due primarily to additional encumbrances in the federal programs and the change in accounting procedure to

**COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

include the prior year ending fund balance in the computation of the current year fund balance.

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 \$3,315,035 or 13.8% in total general fund expenditures. The most significant differences, including the differences between the original and final budget figures, and significant variances between the actual amounts and final budget amounts may be summarized as follows:

- The additional amounts paid for/on behalf of the Board by the state for the unfunded retirement liability.
- Additional property tax revenue.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2015, amounts to \$15,194,104 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 1% percent.

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

- Three additional buses
- Water heater for Warm Springs Middle School
- HVAC for Pleasant View Elementary School
- Heating Oil Tank for Paw Paw Schools
- Computer Server K-series for Paw Paw High School
- Routefinder Bus routing/trip software
- Computer hardware Server – County
- Land remediation & improvement of soccer field

	2015	2014	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 737,755	\$ 737,755	\$ -
Buildings and improvements	12,146,750	12,514,387	(367,637)
Furniture and equipment	765,526	622,015	143,511
Vehicles	1,469,228	1,428,450	40,778
Construction in process	74,845	20,003	54,842
Total capital assets	<u>\$ 15,194,104</u>	<u>\$ 15,322,610</u>	<u>\$ (128,506)</u>

**COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2015**

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

Long-term debt. At the end of the current fiscal year, the Board had total capital lease obligations of \$326,592. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2015, the liability for such costs was \$1,312,763, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$55,949 at June 30, 2015.

	2015	2014	
	Governmental	Governmental	
	Activities	Activities	Variance
Capital Lease obligations	\$ 326,592	\$ 484,742	\$ (158,150)
Compensated absences	55,949	55,292	657
Total debt outstanding	<u>\$ 382,541</u>	<u>\$ 540,034</u>	<u>\$ (157,493)</u>

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

Factors Bearing on the Board's Future

On May 11, 2013, the Board attempted to renew the excess levy due to expire on June 30, 2014. This renewal of the excess levy was defeated by 56% of the voters. The Board modified the levy call and capped the maximum levy rate at 70%. This levy was run in conjunction with the Primary Election on May 13, 2014 and passed by 54% of the voters. In addition, the LEA has experienced a downward trend in student enrollment. The loss of tax revenue due to the 70% excess levy along with the decrease in state aid funding due to the lower student enrollment has significantly impacted the financial resources available to the LEA.

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 Office of the Treasurer, Morgan County Board of Education, 247 Harrison Avenue, Berkeley Springs, WV 25411.

**MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
AS OF JUNE 30, 2015**

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,562,054
Deposit - Consolidated Retirement Board (Forfeitures)	54,394
Taxes receivable, net of allowance for uncollectible taxes	663,467
Food services receivable, net	116,387
Other receivables	52,775
Due from other governments:	
PEIA allocation receivable	306,926
Reimbursements receivable	172,999
Capital Assets:	
Land	737,755
Buildings and improvements	19,882,616
Furniture and equipment	1,679,540
Vehicles	3,562,291
Construction in process	74,845
Less accumulated depreciation	(10,742,943)
Total capital assets, net of depreciation	15,194,104
Total assets	20,123,106
DEFERRED OUTFLOWS OF RESOURCES	
Total deferred outflows of resources	128,163
Total assets and deferred outflows of resources	\$ 20,251,269
LIABILITIES	
Salaries payable and related payroll liabilities	\$ 1,795,113
PEIA premiums payable	418,392
Compensated absences	55,949
Accounts payable	47,843
Other post employment benefit payable	1,312,763
Long-term obligations:	
Due within one year:	
Capital leases/QZAB	158,150
Due beyond one year:	
Capital leases/QZAB	168,442
Net pension liability	1,047,400
Total liabilities	\$ 5,004,052
DEFERRED INFLOWS OF RESOURCES	
Total deferred inflows of resources	450,919
Total liabilities and deferred inflows of resources	\$ 5,454,971
NET POSITION	
Net investment in capital assets	14,867,512
Restricted for:	
Special projects	713,262
Unrestricted	(784,476)
Total net position	\$ 14,796,298

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

**MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015**

Functions	Expenses	Program Revenues			Net (Expense), Revenue & Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 13,818,739	\$ 358,025	\$ 1,708,166	\$ -	\$ (11,752,548)
Supporting services:					
Students	1,480,423	-	214,177	-	(1,266,246)
Instructional staff	1,305,288	-	114,417	-	(1,190,871)
District administration	496,268	-	40,879	-	(455,389)
School administration	1,505,827	-	124,039	-	(1,381,788)
Central Services	296,822	-	24,447	-	(272,375)
Operation and maintenance of facilities	3,188,521	-	278,995	109,914	(2,799,612)
Student transportation	2,250,087	12,032	185,156	316,055	(1,736,844)
Other support services	21	-	-	-	(21)
Food services	1,787,757	948,584	173,812	-	(665,361)
Community services	3,838	-	-	-	(3,838)
Total governmental activities	\$ 26,133,591	\$ 1,318,641	\$ 2,864,088	\$ 425,969	(21,524,893)
General revenues:					
Property taxes					9,500,617
Unrestricted state aid					11,956,826
Unrestricted investment earnings					88,322
Transfers in					795,334
Transfers (out)					(795,334)
Total general revenues and transfers					21,545,765
Change in net position					20,872
Net position - beginning					16,280,440
Prior period adjustments - (See note 2)					(1,505,014)
Net position - beginning, as restated					14,775,426
Net position - ending					\$ 14,796,298

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

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

	General Current Expense	Special Revenue Fund	Total Governmental
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	\$ 3,055,908	\$ 506,146	\$ 3,562,054
Taxes receivable, net	663,467	-	663,467
Deposit with Retirement Board	54,394	-	54,394
Food service receivable, net	-	116,387	116,387
Other receivables	-	52,775	52,775
Due from other governments:			
PEIA allocation receivable	306,926	-	306,926
Reimbursements receivable	24,186	148,813	172,999
Total assets	<u>4,104,881</u>	<u>824,121</u>	<u>4,929,002</u>
Deferred outflows of resources	-	-	-
Total deferred outflows of resources	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 4,104,881</u>	<u>\$ 824,121</u>	<u>\$ 4,929,002</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Salaries payable and related payroll liabilities	\$ 1,607,748	\$ 187,365	\$ 1,795,113
Other post employment benefits payable	1,312,763	-	1,312,763
PEIA premiums payable	372,718	45,673	418,391
Accounts payable & Payable to others	45,943	1,900	47,843
Total liabilities	<u>3,339,172</u>	<u>234,938</u>	<u>3,574,110</u>
Deferred inflows of resources	569,077	116,387	685,464
Total deferred inflows of resources	<u>569,077</u>	<u>116,387</u>	<u>685,464</u>
Fund Balances:			
Nonspendable	54,394	-	54,394
Restricted	240,466	472,796	713,262
Unassigned	(98,229)	-	(98,229)
Total fund balances	<u>196,631</u>	<u>472,796</u>	<u>669,427</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,104,880</u>	<u>\$ 824,121</u>	<u>\$ 4,929,001</u>
Amounts reported for governmental activities in the statement of net position differ due to:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			15,194,104
Property taxes receivable and food service billings receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore deferred in the funds			685,464
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds			
Deferred outflows of resources related to pensions			128,163
Deferred inflows of resources related to pensions			(450,919)
Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds			
Capital leases payable			(326,592)
Compensated absences			(55,949)
Net pension liability - proportionate share			(1,047,400)
Net position of governmental activities			<u>\$ 14,796,298</u>

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

**MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	General Current Expense	Special Revenue Fund	Total Governmental
Revenues:			
Property taxes	\$ 9,530,414	\$ -	\$ 9,530,414
Other local sources	177,406	351,963	529,369
State sources	14,312,961	1,250,623	15,563,584
Federal sources	344,463	2,591,702	2,936,165
Total revenues	24,365,244	4,194,288	28,559,532
Expenditures:			
Instruction	13,551,296	1,466,223	15,017,519
Supporting services:			
Students	1,433,668	165,311	1,598,979
Instructional staff	868,999	545,926	1,414,925
General administration	496,544	24,098	520,642
School administration	1,705,903	730	1,706,633
Central services	340,999	6,416	347,415
Operation and maintenance of facilities	2,852,290	145,010	2,997,300
Student transportation	2,387,275	119,263	2,506,538
Food services	20,632	1,861,095	1,881,727
Community services	3,838	-	3,838
Capital outlay	97,619	419,457	517,076
Debt service:			
Principal retirement	158,150	-	158,150
Total expenditures	23,917,213	4,753,529	28,670,742
Excess (deficiency) of revenues over expenditures	448,031	(559,241)	(111,210)
Other financing sources (uses):			
Transfers in	19,818	775,517	795,335
Transfers (out)	(775,517)	(19,818)	(795,335)
Total other financing sources (uses)	(755,699)	755,699	-
Net change in fund balances	(307,668)	196,458	(111,210)
Fund balances - beginning	504,299	276,338	780,637
Fund balances - ending	\$ 196,631	\$ 472,796	\$ 669,427

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

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

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

Net change in fund balances - total governmental funds	\$ (111,210)
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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	(645,582)
Capital outlays	517,076

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	(29,798)
Operating Grants and Contributions	(1,966)

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.

158,150

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	(657)
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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	128,164
Costs of benefits earned net of employee contributions	6,695

Change in net position of governmental activities

	\$ 20,872
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The accompanying notes are an integral part of these financial statements.

**MORGAN COUNTY BOARD OF EDUCATION
AS OF JUNE 30, 2015
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 361,361
Total assets	<u>361,361</u>
LIABILITIES	
Due to Others	<u>361,361</u>
Total liabilities	<u>361,361</u>
NET POSITION	
Unrestricted	-
Total net position	<u>\$ -</u>

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

Note 1 - Summary of Significant Accounting Policies:

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

A. Reporting Entity:

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

GASB Statement 14 establishes the criteria for determining the governmental reporting entity and the component units that should be included within the reporting entity. Under provisions of this statement, the School Board is considered to be a primary government, since it is a separate legal entity, has its own elected governing body, and is fiscally independent of other local governments. The School Board has no component units, defined by GASB Statement 14 as other legally separate organizations for which the elected board members are financially accountable.

B. District-wide and fund financial statements:

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

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

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

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

The ***fund financial statements*** provide information about the individual funds maintained by the School Board. All funds maintained by the school district are considered to be major funds for reporting purposes and are discretely presented in the accompanying financial statements.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

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.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Encumbrances:

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

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.

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the Municipal Bond Commission (MBC) for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof; certificates of deposit; and repurchase agreements. Funds of the Board are temporarily invested by the West Virginia Municipal Bond Commission specifically on behalf of the Board as part of the Commission's consolidated investment pool. These investments are considered cash and cash equivalents due to their liquid nature.

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

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

F. Food Service Receivables:

The accounts receivable for the Food Service Program has been reduced by \$29,097 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the Board.

G. Capital Assets:

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

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

Buildings and improvements, furniture and equipment, and vehicles of the School 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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

H. 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 \$128,163 deferred outflow of resources on the district wide statement of net position is a result of the net pension liability reporting required by GASB 68. Refer to section L and Note 10 for further discussion.

I. Pensions:

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

J. Compensated Absences and Other Post Employment Benefit Liability:

Compensated Absences:

It is the Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick benefits can be accumulated up to 20 and unlimited days, respectively, and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred. In lieu of a cash payment at retirement, can elect to use accumulated annual leave toward their postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

Other Post Employment Benefit (OPEB) Liability:

It is the School Board's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated for unlimited days and carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits are considered ended and no reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability. See Note 11 for further discussion.

K. Long-term Obligations:

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

L. 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. The details of the aggregate amount are as follows:

Taxes Receivable:	\$ 569,077
Child Nutrition Payments Receivable:	\$ 116,387

M. Net Position:

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

- **Net invested in capital assets** - This represents the School 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 School 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 School Board, and may be used at the discretion of the School Board to meet current expenses for any lawful purpose.

N. Fund Equity:

Effective July 1, 2010, the School Board adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," which establishes new standards of accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the School 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:

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

- 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 School Board minutes of the fiscal year ended June 30, 2015. 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 School Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

O. Elimination and Reclassifications:

In the process of aggregating data for the statement of net position and the statement of activities, some amounts reported as 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.

P. 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.

Q. 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.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

R. Newly Adopted Statements Issued by the GASB:

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

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

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

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

S. Recent Statements Issued by the GASB:

The Governmental Accounting Standards Board has also issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides

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guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The School Board has not yet determined the effect that the adoption of GASB Statement No. 72 may have on its financial statements.

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

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

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

The Governmental Accounting Standards Board has also issued Statement No. 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 School Board has not yet determined the effect that the adoption of GASB Statement No. 76 may have on its financial statements.

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

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Note 2 – Changes in Accounting Principles:

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

	Governmental Activities
Beginning net position as previously reported at June 30, 2014	\$ 16,280,440
Prior period adjustment - Implementation GASB 68 & 71	
Beginning net pension liability	(1,644,864)
Deferred outflows of resources - 2014 Board contributions	139,850
Total prior period adjustment	<u>(1,505,014)</u>
Net position as restated, July 1, 2014	<u><u>\$ 14,775,426</u></u>

Note 3 - Stewardship, Compliance and Accountability:

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

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2015:

<u>Fund</u>	<u>Amount</u>
General Current Expense	(\$307,668)

Note 4 - Risk Management:

The School 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 School 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 School 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.

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

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

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

The Brickstreet risk pool retains the risk related to the compensation of injured employees under the program.

Note 5 - Property Taxes:

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

- Class I - All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer.
- Class II - All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bona fide tenants.
- Class III - All real and personal property situated outside of municipalities, exclusive of Class I and II property.
- Class IV - All real and personal property situated inside of municipalities, exclusive of Class I and II property.

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

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

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

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

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

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>
Class I	\$	19.40¢	16.08¢
Class II	\$ 662,907,774	38.80¢	32.16¢
Class III	\$ 295,140,711	77.60¢	64.32¢
Class IV	\$ 44,531,752	77.60¢	64.32¢

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

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

Taxes Receivable

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

General Current Expense Fund

Taxes receivable	\$ 717,298
Less: allowance for uncollectible	148,221
Taxes receivable, net	<u>\$ 569,077</u>

Note 6 - Excess Levy:

The Board had an excess levy in effect during the fiscal year ended June 30, 2015. The levy was authorized by the voters of the county at an election held on May 13, 2014 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, textbooks and instructional equipment at an approximately total annual cost of \$400,000.

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- To continue to provide for the upkeep and maintenance of existing facilities by providing the necessary supplies, services or equipment at an approximately annual cost of \$500,000.
- To continue to provide for technology hardware and software, and other instructional materials for the 21st century curriculum and communication at an approximately annual cost of \$125,000.
- 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 \$1,904,637. Such funding will allow Morgan County to employ and retain highly qualified personnel to continue to provide the highest quality education for the children of Morgan County.
- To provide support for critical educational programs including alternative education and prevention resources; behavioral, academic and remedial support; advanced placement and vocational programming at an approximate annual cost of \$1,137,438.

A total of \$ 4,288,575 was received by the Board from the excess levy during the fiscal year ended June 30, 2015.

Note 7 - Capital Assets:

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

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	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 737,755	\$ -	\$ -	\$ 737,755
Construction in process	20,003	54,842	-	74,845
Total non-depreciable capital assets	757,758	54,842	-	812,600
Capital assets, depreciable:				
Buildings and improvements	19,882,616	-	-	19,882,616
Furniture and equipment	1,490,201	189,339	-	1,679,540
Vehicles	3,289,396	272,895	-	3,562,291
Total depreciable capital assets	24,662,213	462,234	-	25,124,447
Less accumulated depreciation for:				
Buildings and improvements	(7,368,229)	(367,637)	-	(7,735,866)
Furniture and equipment	(868,186)	(45,828)	-	(914,014)
Vehicles	(1,860,946)	(232,117)	-	(2,093,063)
Total accumulated depreciation	(10,097,361)	(645,582)	-	(10,742,943)
Total depreciable capital assets, net	14,564,852	(183,348)	-	14,381,504
Total capital assets, net	\$ 15,322,610	\$ (128,506)	\$ -	\$ 15,194,104

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

Instruction	\$ 327,217
Supporting Services:	
Instructional Staff	12,466
Central administration	7,269
Business	861
Operation and maintenance of facilities	61,163
Transportation	231,065
Food services	5,542
Total depreciation expense - governmental activities	\$ 645,582

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Note 8 - Long-term Debt:

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

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
Compensated absences	\$ 55,292	\$ 657	\$ -	\$ 55,949	\$ -	\$ 55,949
Capital lease payable	484,742	-	158,150	326,592	158,150	168,442
Long-term liabilities	<u>\$ 540,034</u>	<u>\$ 657</u>	<u>\$ 158,150</u>	<u>\$ 382,541</u>	<u>\$ 158,150</u>	<u>\$ 224,391</u>

Note 9 - Leases:

The Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for heating, ventilation and air conditioning equipment and those assets are leased from the federal government for a period of ten years beginning February, 2002. 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, 2015 for the Board's capital leases:

<u>Year</u>	
2016	\$ 114,182
2017	56,740
2018	56,740
Total minimum lease payments	<u>\$ 227,662</u>

The following is a summary of the future minimum required lease payments by year under operating leases as of June 30, 2015:

<u>Year</u>	
2016	\$ 43,968
2017	43,968
2018	10,994
Total minimum lease payments	<u>\$ 98,930</u>

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Note 10 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Defined Benefit Retirement System or the Teachers' Defined Contribution Retirement System. For the year ended June 30, 2015, the Board's total payroll for all employees was \$ 15,065,311 and the payroll was \$ 13,809,928 for employees covered by the two retirement programs.

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

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

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,

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- age 63 for those with a break in service between employment and retirement and 20 or more years of TRS service,

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

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

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

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

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

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

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

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

School Board's proportionate share of the net pension liability	\$ 1,047,400
State's proportionate share of the net pension liability	
associated with the School Board.	19,873,529
Total portion of net pension liability associated with the School Board	<u>\$ 20,920,929</u>

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The TRS net pension liability was measured as of June 30, 2014, and the total pension liability was determined by an actuarial valuation as of July 1, 2013 rolled forward to the measurement date. The School Board's proportion of the net pension liability was based on its proportionate share of employer and non-employer contributions to the TRS Plan for the fiscal year ended on the measurement date. For the year ended June 30, 2015, the School Board recognized pension expense of \$1,094,251 and for support provided by the State, revenue of \$1,100,946. At June 30, 2015, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 138,446
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	312,473
District contributions subsequent to the measurement Date	128,164	-
Total	\$ 128,164	\$ 450,919

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

Years ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ -	\$ 80,561
2017	-	27,689
2018	-	27,689
2019	-	27,689
2020	-	27,689
Thereafter	-	259,602
Total	\$ -	\$ 450,919

Actuarial Assumptions:

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

Inflation – 2.2%

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

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

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

Discount Rate – 7.5%

Investment Asset Allocation:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	27.50%	7.60%
International Equity	27.50%	8.50%
Private Equity	10.00%	9.90%
Fixed Income	15.00%	2.90%
Hedge Fund	10.00%	5.00%
Real Estate	10.00%	6.80%
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	1.0% Increase
	-6.50%	Rate (7.5%)	-8.50%
School Board's proportionate share of			
the TRS net pension liability	\$1,358,374	\$1,047,414	\$780,447

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Payables to the pension plan:

At June 30, 2015, the School Board reported a liability of \$224,948 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 School 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, 2014, this plan had approximately \$401.9 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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

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

Total payments reflected in the Board's financial statements to the defined contribution plan for FY 15 were:

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NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

Employees' contributions (4.5%)	\$	<u>71,554</u>
Employer's contributions (7.5%)		<u>119,256</u>
Total contributions	\$	<u><u>190,810</u></u>

Note 11. Post-Employment Benefits Other Than Pension:

A. General Information

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

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

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

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

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

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

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

In the alternative to applying unused sick and annual leave to health insurance, all employees participating in the PEIA insurance plan, and who are members of the State Teachers' Defined Benefit Retirement System prior to July 1, 2015, 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.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

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

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

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

The following summarizes the School Board's OPEB activity:

Total OPEB expense	\$ 1,803,470
Less:	
State appropriation allocation	\$ (490,707)
Pay as you go payments and other credits	
OPEB at year end	\$ 1,312,763

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

Fiscal Year Ending June 30	Annual OPEB Cost	Percentage Contributed
2015	\$ 611,845	87%
2014	\$ 610,104	96%
2013	\$ 689,120	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 School Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issues credits to the School Board. The amount of credit issued for fiscal year 2015 was \$490,707. This amount was treated as a reduction of current year operating expenses.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

Note 12 - Pending Litigation:

The School Board is involved in a number of legal proceedings and claims, involving students, employees and citizens who have sued the School 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 School Board. The School Board's insurance through the State Board of Risk and Insurance Management appears adequate to fully cover any potential liability.

Note 13 - Fund Balance

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

Fund Balances	General Current Expense	Special Revenue Fund	Total Governmental
Nonspendable:			
Prepaid Items	\$ 54,394	-	\$ 54,394
Restricted:			
Special Projects	-	472,796	472,796
Excess Levies	240,466	-	240,466
Unassigned	(98,229)	-	(98,229)
Total fund balance	\$ 196,631	\$ 472,796	\$ 669,427

Note 14 - Commitments, Contingencies and Subsequent Events:

The Board had encumbrances totaling \$816,330 as of June 30, 2015 in the following funds:

General Current Expense	Special Revenue Fund
\$331,523	\$484,807

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.

For the fiscal year ended June 30, 2014, Medicaid school-based health services revenue was recognized in accordance with fee-for-service billing as in prior years by the School Board. However, for fiscal year ended June 30, 2015, revenue was recognized based upon an estimated annual cost. It should be noted that the estimated annual cost settlement report is due February 15, 2016 and the results of the review of the

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2015

settlement report could result in changes to revenues recognized. This revision in revenue recognition was due to changes required by the Centers for Medicare and Medicaid Services (CMS) to the school-based health services portion of the Medicaid state plan. 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.

Note 15 - Interfund Transfers

Interfund Transfers

Following is a schedule of interfund transfers during 2015:

<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>
General Fund	Special Revenue	\$ 775,517
Special Revenue	General Fund	<u>19,818</u>
Total Transfers		<u><u>\$ 795,335</u></u>

Note 16 - Major Sources of Revenue:

The largest single source of revenue received by the School Board is state aid funds through the Public School Support Program. In addition, the School 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 School 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 School Board believes such disallowance, if any, would be immaterial.

REQUIRED SUPPLEMENTARY INFORMATION

**MORGAN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL CURRENT EXPENSE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
Revenues:				
Property taxes	\$ 9,606,952	\$ 9,621,952	\$ 9,530,414	\$ (91,538)
Other local sources	141,000	183,682	177,406	(6,276)
State sources	11,690,957	14,246,377	14,312,961	66,584
Federal sources	400,000	400,000	344,463	(55,537)
Total revenues	21,838,909	24,452,011	24,365,244	(86,767)
Expenditures:				
Instruction	12,183,472	13,906,869	13,502,833	404,036
Supporting services:				
Students	1,371,900	1,513,094	1,429,206	83,888
Instructional staff	710,320	979,543	865,233	114,310
Central administration	464,950	554,466	495,165	59,301
School administration	1,430,410	1,700,097	1,700,097	-
Business	340,510	377,229	339,919	37,310
Operation and maintenance of facilities	2,917,248	3,189,672	2,848,581	341,091
Student transportation	2,162,785	2,471,313	2,381,044	90,269
Food services	15,580	17,304	17,304	-
Community services	-	17,307	3,839	13,468
Capital outlay	-	-	97,619	(97,619)
Debt services - principal retirement	158,150	158,150	158,150	-
Total expenditures	21,755,325	24,885,044	23,838,990	1,046,054
Excess (deficiency) of revenues over expenditures	83,584	(433,033)	526,254	959,287
Other financing sources (uses):				
Transfers in	10,000	14,000	19,817	5,817
Transfers (out)	(951,526)	(956,842)	(775,517)	181,325
Total other financing sources (uses)	(941,526)	(942,842)	(755,700)	187,142
Change in fund balance	(857,942)	(1,375,875)	(229,446)	1,146,429
Fund balance - beginning	504,299	504,299	504,299	-
Fund balance - ending	\$ (353,643)	\$ (871,576)	\$ 274,853	\$ 1,146,429

See the notes to the required supplementary information.

**MORGAN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance With Final Budget Favorable (Unfavorable)
	Original	Final	Amounts	
Revenues:				
Other local sources	\$ 63,085	\$ 370,440	\$ 351,963	\$ (18,477)
State sources	1,139,274	1,332,006	1,250,623	(81,383)
Federal sources	2,116,797	2,886,942	2,591,702	(295,240)
Total revenues	3,319,156	4,589,388	4,194,288	(395,100)
Expenditures:				
Instruction	1,155,312	1,740,845	1,466,223	274,622
Supporting services:				
Students	132,285	201,617	165,311	36,306
Instructional staff	611,904	992,502	545,926	446,576
Central administration	-	9,000	24,098	(15,098)
School administration	-	730	730	-
Business	4,050	41,281	6,416	34,865
Operation and maintenance of facilities	87,924	275,791	145,010	130,781
Student transportation	320,659	597,924	119,263	478,661
Food services	1,825,956	1,867,504	1,861,095	6,409
Capital outlay	-	-	419,457	(419,457)
Total expenditures	4,138,090	5,727,194	4,753,529	973,665
Excess (deficiency) of revenues over expenditures	(818,934)	(1,137,806)	(559,241)	578,565
Other financing sources (uses):				
Transfers in	951,526	951,526	775,517	(176,009)
Transfers (out)	(19,796)	(27,390)	(19,818)	7,572
Total other financing sources (uses)	931,730	924,136	755,699	(168,437)
Change in fund balance	112,796	(213,670)	196,458	410,128
Fund balance - beginning	276,338	276,338	276,338	-
Fund balance - ending	\$ 389,134	\$ 62,668	\$ 472,796	\$ 410,128

See the notes to the required supplementary information.

**MORGAN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	<u>2014</u>
Board of Education's proportion of the net pension liability (asset)	0.030359%
Board of Education's proportionate share of the net pension liability (asset)	\$ 1,047,400
State's proportionate share of the net pension liability (asset) associated with the Board of Education	<u>19,873,529</u>
Total	<u><u>20,920,929</u></u>
Board of Education's covered-employee payroll	\$ 12,031,640
Board of Education's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.705%
Plan fiduciary net position as a percentage of the total pension liability	65.95%

Data prior to 2014 is unavailable.

See the notes to the required supplementary information.

**MORGAN COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE BOARD OF EDUCATION CONTRIBUTIONS - TEACHERS' RETIREMENT SYSTEM**

	<u>2015</u>
Contractually required contribution	\$ 1,061,997
Contributions in relation to the contractually required contribution	<u>(1,061,997)</u>
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered-employee payroll	\$ 12,219,849
Contributions as a percentage of covered-employee payroll	8.691%

Data prior to 2015 is unavailable.

See the notes to the required supplementary information.

**MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). 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 School Board adjourns the meeting and submits its Schedule of Proposed Levy Rates to the State Auditor's Office for approval. The Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.
2. The Board is also required to submit its proposed budget for the subsequent year to the State Board of Education for approval by the date established in the budget calendar. The Board is also required to hold a public hearing on the proposed budget before it is submitted for approval. The proposed budget must be made available for public inspection for at least 10 days before the public hearing is held.

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

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2015, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

General Current Expense Fund:

<u>Function</u>	<u>Amount</u>
Capital Outlay	97,619

Special Revenue Fund:

<u>Function</u>	<u>Amount</u>
Central Administration	15,098
Capital Outlay	419,457

The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs. Capital Outlay was budgeted in the Instruction line items and thus was not originally moved to the Capital Outlay Function.

**MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015**

C. Actuarial Revisions:

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

Total pension liability	\$10,132,186,000
Plan fiduciary net position	<u>(6,682,093,000)</u>
Total	<u>\$ 3,450,093,000</u>

Plan fiduciary net position as a	
percentage of the total pension liability	65.95%

OTHER SUPPLEMENTARY INFORMATION

**MORGAN COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015**

	Cash Balance 6/30/2014	Revenues Received	Expenditures Paid	Cash Balance 6/30/2015
High Schools:				
Berkeley Springs High School	\$ 104,166	\$ 291,898	\$ 254,489	\$ 141,575
Paw Paw Schools (Combined K-12)	36,669	57,653	46,386	47,936
Total high schools	140,835	349,551	300,875	189,511
Middle and Junior High Schools:				
Warm Springs Middle School	61,664	87,905	74,850	74,719
Total middle schools	61,664	87,905	74,850	74,719
Elementary Schools:				
Greenwood Elementary	4,878	8,966	6,875	6,969
Pleasant View Elementary	4,455	21,364	13,692	12,127
Warm Springs Intermediate	27,214	48,317	44,061	31,470
Widmyer Elementary	37,518	63,510	54,463	46,565
Total elementary schools	74,065	142,157	119,091	97,131
Total	\$ 276,564	\$ 579,613	\$ 494,816	\$ 361,361

**MORGAN COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 4,067,075	\$ 4,288,575	\$ 221,500	\$ 4,067,075	\$ 4,288,575	\$ 221,500
Expenditures :						
Technology hardware, software and other instructional materials for 21st century curriculum and communication	125,000	97,616	(27,384)	125,000	97,616	(27,384)
Support for critical educational programs: Alternative Ed., PRO, academic & remedial support, AP & CTE	1,137,438	1,137,438	-	1,137,438	1,137,438	-
Maintenance of facilities, supplies, services & equipment	500,000	500,000	-	500,000	500,000	-
Employee salaries & benefits	1,904,637	2,019,213	114,576	1,904,637	2,019,213	114,576
Provide instructional materials, textbooks and instructional equipment	400,000	370,095	(29,905)	400,000	370,095	(29,905)
Total Expenditures	<u>4,067,075</u>	<u>4,124,362</u>	<u>57,287</u>	<u>4,067,075</u>	<u>4,124,362</u>	<u>57,287</u>
Excess (Deficiency) of Collections over Expenditures	<u>\$ -</u>	<u>\$ 164,213</u>	<u>\$ 164,213</u>	<u>\$ -</u>	<u>\$ 164,213</u>	<u>\$ 164,213</u>

OTHER INFORMATION

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

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
<i>Passed Through West Virginia Department of Education:</i>			
Nutrition Cluster:			
School Breakfast Program	10.553	-	\$ 280,738
National School Lunch Program			
Cash Assistance	10.555	-	703,191
Non-Cash Assistance (Food Distribution)	10.555	-	46,384
National School Lunch Program Subtotal			<u>749,575</u>
Summer Food Service Program - Cash Assistance	10.559	-	<u>12,465</u>
Total - Nutrition Cluster			1,042,778
Team Nutrition Grants	10.574	-	139
Fresh Fruit and Vegetable Program	10.582	-	<u>7,268</u>
Total U.S. Department of Agriculture			1,050,185
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through West Virginia Department of Education:</i>			
Special Education Cluster:			
		390948, 397310, 404585, 04021500004024, 04021500002704, C214368, 04021500001289	555,143
IDEA Part B - School Age	84.027	04021500001389	10,682
IDEA Part B - Preschool	84.173		<u></u>
Total - Special Education Cluster			565,825
Title I Grants to Local Educational Agencies	84.010	399385, 398795, C216694, C235142	639,736
Vocational Education	84.048	397045, 04021500001061	19,476
Education for Homeless Children and Youth	84.196	398942, 04021500001820	35,964
21 Century Grant	84.287	04021500001503	136,684
Title III English	84.365	04021500002920	3,025
Title II - Improving Teacher Quality State Grants	84.367	399297, 385013, 04201500001786	<u>108,459</u>
Total U.S. Department of Education			1,509,169
Total Expenditures of Federal Awards			<u>\$ 2,559,354</u>

The accompanying notes to this schedule are an integral part of this schedule.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2015

Note 1 – Basis of Presentation

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

Note 2 – Child Nutrition Program

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

Note 3 – Donated Food Value

Donated food represents surplus agricultural commodities received from the U.S. Department of Agriculture passed through from the West Virginia Department of Agriculture. Commodities are valued based on amounts as established by the U.S. Department of Agriculture. For the year ended June 30, 2015, the total value of the donated food inventories was \$46,384 which is included in the Child Nutrition Cluster of programs.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

February 10, 2016

Morgan County Board of Education
247 Harrison Avenue
Berkeley Springs, West Virginia 25411

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of **Morgan County Board of Education**, Berkeley Springs, West Virginia (the Board) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 10, 2016 .

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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• Association of Certified Anti - Money Laundering Specialists •





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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

February 10, 2016

Morgan County Board of Education
247 Harrison Avenue
Berkeley Springs, West Virginia 25411

To the Board of Education:

Report on Compliance for The Major Federal Program

We have audited the **Morgan County Board of Education's**, Berkeley Springs, West Virginia (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Board's major federal program for the year ended June 30, 2015. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Board's major federal program.

Management's Responsibility

The Board's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for the Board's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Board's major program. However, our audit does not provide a legal determination of the Board's compliance.

Opinion on the Major Federal Program

In our opinion, the Board complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *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 federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



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**MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF AUDIT FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2015**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Nutrition Cluster - CFDA #10.553, 10.555 and 10.559
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None