

CALHOUN COUNTY, WEST VIRGINIA,  
BOARD OF EDUCATION

Financial Statements

June 30, 2013

CALHOUN COUNTY BOARD OF EDUCATION  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CALHOUN COUNTY BOARD OF EDUCATION  
 SCHOOL BOARD OFFICIALS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

<b>Office</b>	<b>Name</b>	<b>Term</b>
<u>Elective</u>		
School Board Members:	Cynthia Dale	07/01/2013 – 06/30/2017
	Marvin Wilson II	07/01/2010 – 06/30/2014
	Steve Whited	07/01/2010 – 06/30/2014
	Larry Harris	07/01/2013 – 06/30/2017
	Faye Barnhardt	07/01/2010 – 06/30/2014
<u>Appointive</u>		
School Board President	Steve Whited	07/01/2012 – 06/30/2013
Superintendent	Roger Propst	07/01/2012 – 06/30/2013
Treasurer	Patricia Riddle	07/01/2012 – 01/12/2013
	Daniel Minney	02/19/2013 – 06/30/2013



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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
Calhoun County Board of Education  
Mt. Zion, West Virginia

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

We have audited the accompanying financial statements of the governmental activities, each major fund, business-type activities, and the aggregate remaining fund information of the Calhoun County Board of Education as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Calhoun County Board of Education, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 – 11 and 40 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Calhoun County Board of Education's basic financial statements. The schedule of changes in school activity funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2014, on our consideration of the Calhoun County Board of Education internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Calhoun County Board of Education's internal control over financial reporting and compliance.

*The Fyffe Jones Group, AC.*

THE FYFFE JONES GROUP, AC  
Huntington, West Virginia  
April 17, 2014

CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Our discussion and analysis of the Calhoun County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2013. 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 \$19,953,129 (*net position*) at the close of the most recent fiscal year. Of this amount, \$(1,032,854) (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position increased by \$3,006,545. This can be attributed to the investment in capital assets, particularly the construction of a school.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$518,081, a decrease of \$1,825,163 in comparison with the prior year. Approximately \$(1,050,598) of this total amount is available for spending at the board's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$(1,064,786), or (11) percent of total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

The district-wide financial statements can be found on pages 12 - 13 of this report.



CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

**Notes to the basic financial statements** - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 19 to 39 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 \$19,953,129 at the close of the most recent fiscal year.

CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current and other assets	\$ 3,025,312
Capital assets	22,919,047
<b>Total assets</b>	<b>25,934,359</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>
<b>LIABILITIES</b>	
<b>Liabilities:</b>	
Current and other liabilities	2,735,761
Long-term liabilities outstanding	3,245,469
<b>Total liabilities</b>	<b>5,981,230</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	19,553,578
Restricted for:	
Debt service	121,917
Special projects	76,569
Capital projects	1,233,919
Unrestricted	(1,032,854)
<b>Total net position</b>	<b>\$ 19,953,129</b>

- The largest portion of the Board's net position 94 % 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 7.2 % represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects and debt service.
- The remaining balance of *unrestricted net position* -1.2 % may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

Restricted net position *increased* by \$3,006,545 during the year ended June 30, 2013. This *increase* resulted primarily from bond construction fund project.

CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The Board's net position *increased* by \$3,006,545 during the current year. The following discussion and analysis on governmental activities focuses on this *increase*:

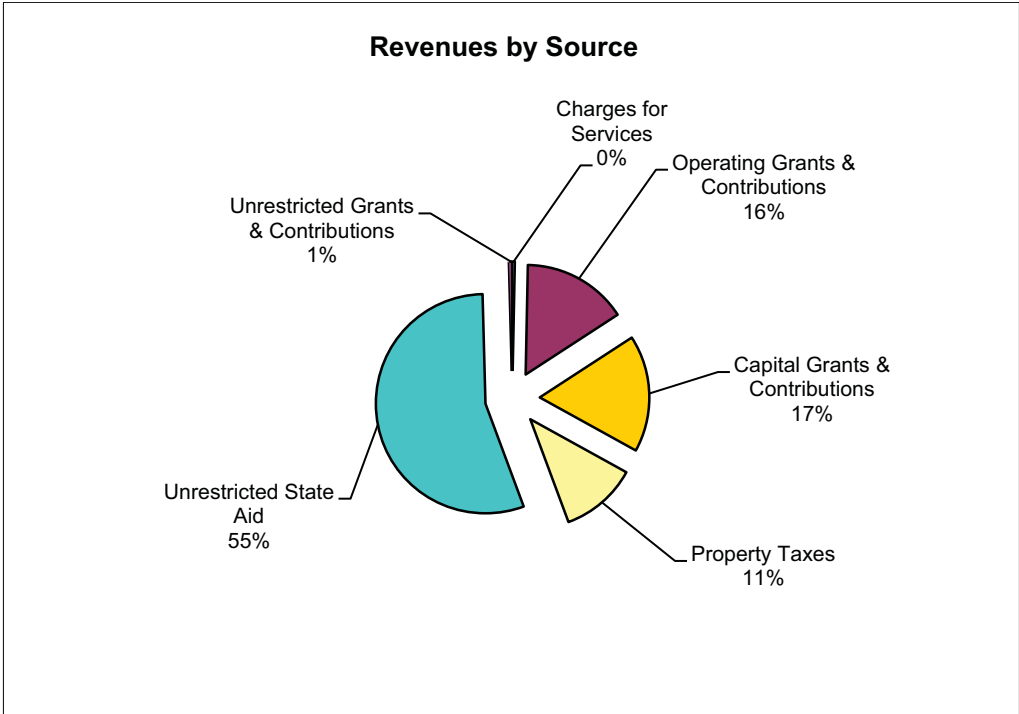
**Revenues:**

Program revenues:	
Charges for services	\$ 47,717
Operating grants and contributions	2,351,815
Capital grants and contributions	2,608,358
General revenues:	
Property taxes	1,713,811
Unrestricted state aid	8,374,241
Unrestricted investment earnings	846
Unrestricted grants and contributions	<u>63,057</u>
<b>Total revenue</b>	<u>15,159,845</u>
<b>Expenses:</b>	
Instruction	<u>6,672,749</u>
Supporting services:	
Students	519,906
Instructional staff	412,436
District admin.	394,043
School admin.	827,463
Business services	252,421
Operation and Maintenance.	400,897
Transportation	<u>1,671,656</u>
Total supporting services	11,151,571
Food services	821,739
Community services	52,720
Interest on long-term debt	<u>127,270</u>
<b>Total expenses</b>	<u>12,153,299</u>
<b>Change in net position</b>	3,006,545
<b>Net position - July 1, 2012</b>	<u>16,946,584</u>
<b>Net position - June 30, 2013</b>	<u><u>\$ 19,953,129</u></u>

A comparative analysis of revenues will be provided in future years when prior year information is available.

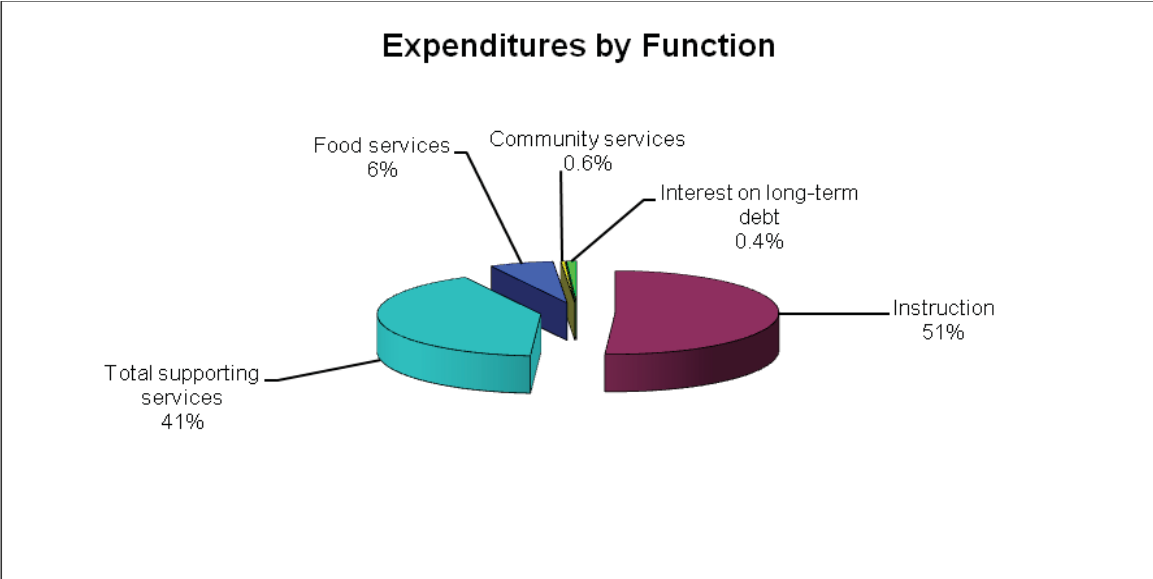
CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The following chart shows the Board's revenues for fiscal year ended June 30, 2013, by source:



A comparative analysis of expenditures will be provided in future years when prior year information is available.

The following chart shows the Board's expenditures for fiscal year ended June 30, 2013, by function:



CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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, *unreserved 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 \$518,081.

Governmental funds report the differences between their assets and liabilities as fund balance, which is divided into reserved and unreserved portions. Reservations indicate the portion of the Board's fund balances that are not available for appropriation. The unreserved fund balance is, in turn, subdivided between designated and undesignated portions. Designations reflect the Board's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. There was no self-imposed limitations to the general 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 \$113,298 or 1.4% in total general fund expenditures.

**Capital Asset and Debt Administration**

**Capital assets** - The Board's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$22,919,047 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was 17 percent.

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

- *Construction of new elementary school*

Land	\$ 645,045
Buildings and improvements	15,052,656
Furniture and equipment	435,877
Vehicles	969,375
Construction in process	5,816,094
Total capital assets	<u>\$ 22,919,047</u>

Additional information on the Board's capital assets can be found in Note 8 to the basic financial statements.

CALHOUN COUNTY BOARD OF EDUCATION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Long-term debt.** At the end of the current fiscal year, the Board had total bonded debt outstanding of \$3,365,469. 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, 2013, the liability for such costs was \$317,538, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$110,447 at June 30, 2013.

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

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

At the time these financial statements were prepared and audited, the Board was aware of circumstances that could significantly affect its financial health in the future:

- *Continuing General Fund Deficit*

**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 Board Office, 540 Alan B. Mollohan Drive, Mount Zion West Virginia 26151.

CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 665,954
Investments	1,370,275
Taxes receivable, net of allowance for uncollectible taxes	16,252
Deposit with Retirement Board	201,010
Other receivables	111,480
Prepaid Workers' Compensation	16,252
Due from other governments:	
State aid receivable	62,850
PEIA allocation receivable	168,640
Reimbursements receivable	402,599
Capital Assets:	
Land	645,045
Buildings and improvements	21,815,677
Furniture and equipment	1,665,167
Vehicles	2,124,511
Construction in process	5,816,094
Less accumulated depreciation	(9,147,447)
Total capital assets, net of depreciation	<u>22,919,047</u>
<b>Total assets</b>	<u>25,934,359</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
<b>Total deferred outflows of resources</b>	<u>\$ -</u>
 <b>LIABILITIES</b>	
Salaries payable and related payroll liabilities	\$ 469,927
PEIA premiums payable	261,956
Compensated absences	110,447
Accounts payable	441,878
Other post employment benefit payable	317,538
Due to Other Fiscal Agents	323,125
Deferred revenues	682,807
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	120,000
Accrued interest	8,083
Due beyond one year:	
Bonds, capital leases, and contracts	3,245,469
<b>Total liabilities</b>	<u>5,981,230</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
<b>Total deferred inflows of resources</b>	<u>-</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	19,553,578
Restricted for:	
Debt service	121,917
Special projects	76,569
Capital projects	1,233,919
Unrestricted	(1,032,854)
<b>Total net position</b>	<u>\$ 19,953,129</u>

See Notes to the Basic Financial Statements.

CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Assets Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 6,672,748	\$ 47,717	\$ 2,035,722	\$ -
Supporting services:				
Students	519,907	-	3,279	-
Instructional staff	412,434	-	15,240	-
District administration	394,043	-	7,000	-
School administration	827,463	-	-	-
Business services	252,422	-	-	-
Operation and maintenance of facilities	400,897	-	-	2,608,358
Student transportation	1,671,655	-	290,574	-
Food services	821,740	-	-	-
Community services	52,720	-	-	-
Interest on long-term debt	127,271	-	-	-
Total governmental activities	\$ 12,153,300	\$ 47,717	\$ 2,351,815	\$ 2,608,358
General revenues:				
Property taxes				1,713,811
Unrestricted state aid				8,374,241
Unrestricted investment earnings				846
Unrestricted grants and contributions				63,057
Transfers in				352,846
Transfers (out)				(352,846)
Total general revenues, extraordinary items and transfers				10,151,955
Change in net assets				3,006,545
Net position - beginning				16,946,584
Net position - ending				\$ 19,953,129

See Notes to the Basic Financial Statements.



CALHOUN COUNTY BOARD OF EDUCATION  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2013

	General Current Expense Fund	Special Revenue Fund	Special Revenue - ARRA Fund	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>							
<b>Assets:</b>							
Cash and cash equivalents	\$ 629,215	\$ -	\$ -	\$ -	\$ 36,739	\$ -	\$ 665,954
Investments	-	-	-	219,072	1,151,203	-	1,370,275
Taxes receivable, net	16,252	-	-	-	-	-	16,252
Deposit with Retirement Board	201,010	-	-	-	-	-	201,010
Prepaid Workers' Comp	16,252	-	-	-	-	-	16,252
Other receivables	99,645	11,834	-	-	-	-	111,479
Due from other governments:							
State aid receivable	59,552	3,298	-	-	-	-	62,850
PEIA allocation receivable	168,640	-	-	-	-	-	168,640
Reimbursements receivable	-	138,265	-	-	-	264,334	402,599
Due from other funds	-	670,757	-	-	26,300	172,087	869,144
<b>Total assets</b>	<b>1,190,566</b>	<b>824,154</b>	<b>-</b>	<b>219,072</b>	<b>1,214,242</b>	<b>436,421</b>	<b>3,884,455</b>
<b>Deferred Outflows of Resources</b>							
<b>Total deferred outflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 1,190,566</b>	<b>\$ 824,154</b>	<b>\$ -</b>	<b>\$ 219,072</b>	<b>\$ 1,214,242</b>	<b>\$ 436,421</b>	<b>\$ 3,884,455</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Salaries payable and related payroll liabilities	\$ 410,378	\$ 59,549	\$ -	\$ -	\$ -	\$ -	\$ 469,927
Other post employment benefits payable	317,538	-	-	-	-	-	317,538
PEIA premiums payable	261,956	-	-	-	-	-	261,956
Accounts payable & Payable to others	73,211	15,181	-	89,072	-	264,414	441,878
Deferred revenue	-	682,806	-	-	-	-	682,806
Due to other fiscal agents	323,125	-	-	-	-	-	323,125
Due to other funds	869,144	-	-	-	-	-	869,144
<b>Total liabilities</b>	<b>2,255,352</b>	<b>757,536</b>	<b>-</b>	<b>89,072</b>	<b>-</b>	<b>264,414</b>	<b>3,366,374</b>
<b>Deferred Inflows of Resources</b>							
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balances:</b>							
Nonspendable	217,262	-	-	-	-	-	217,262
Restricted	-	76,569	-	-	1,214,242	19,677	1,310,488
Committed	-	-	-	40,929	-	-	40,929
Unassigned	(1,282,048)	(9,951)	-	89,071	-	152,330	(1,050,598)
<b>Total fund balances</b>	<b>(1,064,786)</b>	<b>66,618</b>	<b>-</b>	<b>130,000</b>	<b>1,214,242</b>	<b>172,007</b>	<b>518,081</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,190,566</b>	<b>\$ 824,154</b>	<b>\$ -</b>	<b>\$ 219,072</b>	<b>\$ 1,214,242</b>	<b>\$ 436,421</b>	<b>\$ 3,884,455</b>

See Notes to the Basic Financial Statements.

CALHOUN COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE  
STATEMENT OF NET POSITION  
JUNE 30, 2013

Total fund balances on the governmental fund's balance sheet	\$	518,081
Amounts reported for governmental activities in the statement of net assets differ due to:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		22,919,047
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Bonds payable, due within one year		(120,000)
Bonds payable, due beyond one year		(3,245,469)
Accrued interest on bonds		(8,083)
Compensated absences		(110,447)
		(110,447)
Net position of governmental activities	\$	19,953,129

See Notes to the Basic Financial Statements.

CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	General Current Expense Fund	Special Revenue Fund	Special Revenue - ARRA Fund	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>							
Property taxes	\$ 1,441,461	\$ -	\$ -	\$ 272,350	\$ -	\$ -	\$ 1,713,811
Other local sources	40,042	33,086	-	259	-	-	73,387
State sources	7,874,162	1,491,320	-	-	-	2,792,010	12,157,492
Federal sources	56,725	1,121,127	297	-	-	-	1,178,149
Miscellaneous sources	35,005	2,000	-	-	-	-	37,005
<b>Total revenues</b>	<b>9,447,395</b>	<b>2,647,533</b>	<b>297</b>	<b>272,609</b>	<b>-</b>	<b>2,792,010</b>	<b>15,159,844</b>
<b>Expenditures:</b>							
Instruction	5,196,835	1,173,731	297	-	-	-	6,370,863
Supporting services:							
Students	366,769	153,138	-	-	-	-	519,907
Instructional staff	131,140	258,072	-	-	-	-	389,212
Central administration	358,911	17,456	-	-	-	-	376,367
School administration	788,937	15,000	-	-	-	-	803,937
Business	251,625	759	-	-	38	-	252,422
Operation and maintenance of facilities	1,100,845	34,786	-	-	32,216	51,210	1,219,057
Student transportation	1,519,128	293,447	-	-	-	-	1,812,575
Food services	1,891	819,849	-	-	-	-	821,740
Community services	50,912	1,808	-	-	-	-	52,720
Capital outlay	-	22,092	-	-	1,533,051	2,568,793	4,123,936
Debt service:							
Principal retirement	-	-	-	115,000	-	-	115,000
Interest and fiscal charges	-	-	-	127,271	-	-	127,271
<b>Total expenditures</b>	<b>9,766,993</b>	<b>2,790,138</b>	<b>297</b>	<b>242,271</b>	<b>1,565,305</b>	<b>2,620,003</b>	<b>16,985,007</b>
Excess (deficiency) of revenues over expenditures	(319,598)	(142,605)	-	30,338	(1,565,305)	172,007	(1,825,163)
<b>Other financing sources (uses):</b>							
Transfers in	111,372	241,474	-	-	-	-	352,846
Transfers (out)	(241,474)	(22,300)	-	(89,072)	-	-	(352,846)
<b>Total other financing sources (uses)</b>	<b>(130,102)</b>	<b>219,174</b>	<b>-</b>	<b>(89,072)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>(449,700)</b>	<b>76,569</b>	<b>-</b>	<b>(58,734)</b>	<b>(1,565,305)</b>	<b>172,007</b>	<b>(1,825,163)</b>
<b>Fund balances - beginning</b>	<b>(615,086)</b>	<b>(9,951)</b>	<b>-</b>	<b>188,734</b>	<b>2,779,547</b>	<b>-</b>	<b>2,343,244</b>
<b>Fund balances - ending</b>	<b>\$ (1,064,786)</b>	<b>\$ 66,618</b>	<b>\$ -</b>	<b>\$ 130,000</b>	<b>\$ 1,214,242</b>	<b>\$ 172,007</b>	<b>\$ 518,081</b>

See Notes to the Basic Financial Statements.

CALHOUN COUNTY BOARD OF EDUCATION  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Net change in fund balances - total governmental funds \$ (1,825,163)

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

Depreciation expense	(580,548)
Capital outlays	5,297,947

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).

Operating Grants and Contributions	(329,210)
Taxes Receivable	(447)
Deposit with Retirement Board	109,394
Pre-paid Comp	3,427
State Aid Receivable	3,554
PEA Allocation Receivable	1,184
Food Service Receivable	(11,909)
Reimbursements Receivable	3,680
Other Receivables	93,057

The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net assets. 115,000

Compensated absences are reported as liabilities in the statement of net assets, but are only reported in government funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased.

Accrued vacation payable	(691)
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Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

127,270

Change in net assets of governmental activities	<u><u>\$ 3,006,545</u></u>
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CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION - AGENCY FUNDS  
JUNE 30, 2013

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<hr/>	
<b>ASSETS</b>	
Cash and cash equivalents	\$ 288,756
<b>Total assets</b>	<u>\$ 288,756</u>
<b>LIABILITIES</b>	
Due to other funds	\$ 288,756
<b>Total liabilities</b>	<u>\$ 288,756</u>

See Notes to the Basic Financial Statements.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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 Calhoun 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.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

The funds maintained by the Board are:

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

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

Special Revenue Fund – American Reinvestment and Recovery Act (ARRA): A separate special revenue fund to account for all revenues and expenditures attributable to ARRA funds that are legally restricted to expenditure for specific purposes.

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

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

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

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

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

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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

**D. Encumbrances:**

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

**E. Cash and Investments:**

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2013, were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Board's name.

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements. 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



CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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, 2013.

Money market/sweep accounts with financial institutions were entirely covered by federal deposit insurance or secured by adequate bond or other securities held by the banking institution in the board's name. 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.

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

At June 30, 2013, the Board has \$1,372,270 invested with the West Virginia Municipal Bond Commission. Pool investments of the Municipal Bond Commission are held in a Government Money Market with the WV Board of Treasury Investments Consolidated Fund.

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

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

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

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. West Virginia statutes prohibit the Consolidated Fund Pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2013, the Pool did not have investments in any one private corporation or association that represented more than 5% of assets.

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

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**F. Interfund Receivables and Payables**

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

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

**G. Prepaid Items:**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**H. Capital Assets**

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

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

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

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

**I. 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 10 and unlimited days, respectively, and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred. In lieu of a cash payment at retirement, an employee can elect to use accumulated annual leave toward their

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

**J. Long-term Obligations**

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

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

**K. Restricted Net Position**

For the district-wide statement of net position, net position is reported as restricted when constraints placed on its use are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

**L. Fund Equity**

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

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.
- Restricted fund balances are restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2013. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

**M. 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.

**N. 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.

**O. 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.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**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 modified accrual basis of accounting for all governmental funds but do not include amounts for other post employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

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

**B. Excess of Expenditures Over Appropriations**

For the year ended June 30, 2013, 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.

<b><u>GENERAL CURRENT EXPENSE FUND:</u></b>	<b><u>Amount</u></b>
Instruction	\$ (822,690)
Students	(80,697)
Instructional Staff	(9,726)
Central Administration	(62,664)
School Administration	(195,431)
Business	(65,257)
Operation and Maintenance of Facilities	(238,306)
Student Transportation	(327,149)
Food Services	(1,891)
Community Services	( 50,912)

The overexpenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs.

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 2 - Stewardship, Compliance and Accountability: (Cont.)**

<b><u>SPECIAL REVENUE FUND:</u></b>	<u>Amount</u>
School Administration	\$ (14,411)
Student Transportation	(293,447)
Food Services	(819,849)
Community Services	(1,808)
Capital Outlay	(22,092)

The overexpenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs

**C. 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, 2013:

<u>Fund</u>	<u>Amount</u>
General Current Expense Fund	\$ (449,700)
Debt Service Fund	(58,734)
Bond Construction Fund	(1,565,305)

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

The following funds have a deficit fund balance at June 30, 2013:

<u>Fund</u>	<u>Amount</u>
General Current Expense Fund	\$(1,064,786)

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

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

GASB 63 – As of July 1, 2012, the Board implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.” This statement changed the name of the district-wide statement formerly known as the Statement of Net Assets to the Statement of Net Position. It also added new categories of Deferred Outflows of Resources and Deferred Inflows of Resources to the district-wide Statement of Net Position and the governmental fund Balance Sheet.

The Board will implement GASB Statement No. 65, “Items Previously Reported as Assets and Liabilities” effective as of July 1, 2013. Upon implementation, this statement will reclassify some items currently reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 4 - Risk Management:**

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

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

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

Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage. Members may purchase up to an additional \$500,000 of life insurance coverage. Premiums are established by PEIA and are paid monthly. The PEIA risk pool retains the risk for the health and prescription features of its indemnity plan, has fully transferred the risks of coverage of the Managed Care Organization (MCO) Plan to the plan provider and has transferred risk of life insurance coverage to a third party insurer.

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

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

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 5 - Property Taxes:**

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

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

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

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

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

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

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

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

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2013, were:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Bond Purposes</u>
Class I	\$ -	19.40¢	.40¢	3.71¢
Class II	\$ 76,732,848	38.80¢	.80¢	7.42¢
Class III	\$ 135,136,640	77.60¢	1.60¢	14.84¢
Class IV	\$ 10,014,017	77.60¢	1.60¢	14.84¢



CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 5 - Property Taxes: (Cont.)**

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.

**Note 6 - Excess Levy:**

The Board had an excess levy in effect during the fiscal year ended June 30, 2013. The levy was authorized by the voters of the county at an election held on November 2, 2010, for the fiscal years ended June 30, 2013, through June 30, 2017, to provide funds for the following purposes:

All proceeds collected from the excess levy are forwarded to the Calhoun County Public Library. The excess levy was initiated to provide funding for the library. The Calhoun County Board of Education does not directly benefit from the existing excess levy.

A total of \$29,650 was received by the Board from the excess levy during the fiscal year ended June 30, 2013.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 7 - Capital Assets:**

Capital asset balances and activity for the year ended June 30, 2013, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 645,045	\$ -	\$ -	\$ 645,045
Construction in process	786,873	5,029,221	-	5,816,094
Total non-depreciable capital assets	1,431,918	5,029,221	-	6,461,139
Capital assets, depreciable:				
Buildings and improvements	21,815,677	-	-	21,815,677
Furniture and equipment	1,665,167	-	-	1,665,167
Vehicles	1,855,785	268,726	-	2,124,511
Total depreciable capital assets	25,336,629	268,726	-	25,605,355
Less accumulated depreciation for:				
Buildings and improvements	(6,351,084)	(411,937)	-	(6,763,021)
Furniture and equipment	(1,146,624)	(82,666)	-	(1,229,290)
Vehicles	(1,069,191)	(85,945)	-	(1,155,136)
Total accumulated depreciation	(8,566,899)	(580,548)	-	(9,147,447)
Total depreciable capital assets, net	16,769,730	(311,822)	-	16,457,908
Total capital assets, net	\$ 18,201,648	\$ 4,717,399	\$ -	\$ 22,919,047

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

Instruction	\$ 301,885
Supporting Services:	
Instructional Staff	23,222
Central administration	17,416
School administration	23,222
Operation and maintenance of facilities	87,082
Transportation	127,721
Total depreciation expense - governmental activities	\$ 580,548

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Long-term liability activity for the year ended June 30, 2013, is as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
Bonds payable						
General obligation debt	\$ 3,480,469	\$ -	\$ 115,000	\$ 3,365,469	\$ 120,000	\$ 3,245,469
Compensated absences	109,756	691	-	110,447	110,447	-
Long-term liabilities	\$ 3,590,225	\$ 691	\$ 115,000	\$ 3,475,916	\$ 230,447	\$ 3,245,469

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

Year Ending June 30	Interest			
	Rate	Principal	Interest	Total
2014	3.25%	\$ 120,000	\$ 122,978	\$ 242,978
2015	3.25%	125,000	119,078	244,078
2016	3.25%	130,000	115,015	245,015
2017	3.25%	140,000	110,790	250,790
2018	3.25%	145,000	106,240	251,240
2019	3.25%	150,000	101,528	251,528
2020	3.25%	160,000	96,653	256,653
2021	3.25%	170,000	91,453	261,453
2022	3.25%	175,000	85,928	260,928
2023	3.40%	185,000	80,240	265,240
2024	3.60%	195,000	73,950	268,950
2025	3.75%	205,000	66,930	271,930
2026	3.85%	215,000	59,243	274,243
2027	3.90%	225,000	50,965	275,965
2028	4.00%	240,000	42,190	282,190
2029	4.10%	250,000	32,590	282,590
2030	4.15%	260,000	22,340	282,340
2031	4.20%	275,000	11,550	286,550

**Note 9 - Leases:**

The Board has entered into various lease/purchase agreements with the private sector, primarily for equipment. These agreements, accounted for as capital leases, are for various terms. While these agreements contain clauses indicating that their continuation is subject to continuing appropriation by the Legislature, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes. Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures during the life of the lease. Operating lease expenditures for the year ended June 30, 2013, were \$15,152.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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, 2013, the Board's total payroll for all employees was \$7,072,162 and the payroll was \$6,511,426 for employees covered by the two retirement programs.

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

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

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

**Teachers' Defined Benefit Retirement System:**

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

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

The normal form of benefit is a single life annuity paid monthly, in an amount equal to 2% of the final average salary times years of credited service. Other forms of benefits may be elected subject to actuarial reduction: Cash Refund Annuity, 50% or 100% Contingent Joint and Survivor Annuities, and ten year Certain and Life Annuities. Pre-retirement death benefits are paid to the spouse of a deceased member who had attained the age 50 and completed 25 years of credited service. The annuity payment is

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

computed as if the member had retired on the date of death with a 100% Joint and Survivor pension. If the member's age and service are less than that required, the sum of the accumulated member's and employer contributions with interest is paid to the member's beneficiary or estate.

Funding Status: According to the June 30, 2012, Actuarial Valuation Report of the Teachers' Retirement System, the plan's actuarial unfunded liability was \$4.57 billion as of July 1, 2012.

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.

The required contributions for the year ended June 30, 2013, and the two previous years were:

<u>Year ended June 30,</u>	2011	2012	2013
Required contributions	\$ 471,171,000	\$ 458,047,000	\$ 483,013,000
Percent of current year covered payroll	28.55 %	27.65 %	29.18 %

Total payments reflected in the Board's financial statements to the defined benefit plan for 2013 were:

Employees' contributions (6%)	\$ 353,009
Employer's contributions (15% or 7.5%)	53,256
Total contributions	<u>\$ 406,265</u>

**Teachers' Defined Contribution Retirement System**

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

Effective July 1, 2005, the Teachers' Defined Contribution Plan was closed to new membership. All employees hired after that date became members of the Teachers' Defined Benefit Retirement System which was reopened for participation on July 1, 2005. Existing members of the Teachers' Defined

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Contribution Plan were given the option to transfer membership to the Teachers' Defined Benefit Retirement System during 2009. 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, Mutual Global Discovery Fund – Z, Heartland Value Plus Inst, Sentinel Small Company I, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, JHancock Large Cap Equity I, Putnam Equity Income Y, Vanguard Large Cap Index Inv, PIMCO Total Return Fund – Admin, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund and Valic Individually Allocated Fixed Annuity.

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, 2012, this plan had approximately \$319.4 million in net assets 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 2013 were:

Employees' contributions (4.5%)	\$	21,307
Employer's contributions (7.5%)		-
Total contributions	\$	21,307

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**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 WV Retiree Health Benefit Trust Fund (RHBT) for the purpose of administering retiree post-employment health care benefits; vested the responsibility for operation of the fund with the PEIA Board of Finance; required the Board of Finance to adopt actuarial assumptions and determine the annual required contribution (ARC) rates sufficient to maintain the fund in accordance with the state plan for other post-employment benefits; required the board to have an actuarial valuation conducted at least biannually; required the Board of Finance to set the total ARC sufficient to maintain the fund in an actuarially sound manner in accordance with generally accepted accounting principles; required the Board of Finance to bill all participating employers their share of the ARC, and; required participating employers to make annual contributions to the fund in, at least, the amount of the minimum annual employer premium payment rates established by the board.

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

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

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

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

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

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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, 2013, was determined to be:

	Total	Amount/ Policy Holder
Annual Required Contribution	\$ 224,938,000	\$ 34,142
Less - Pay as you go-Retiree Subsidy	<u>162,000,000</u>	<u>29,360</u>
Remaining ARC	\$ 62,938,000	\$ 4,782

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

<b><u>FISCAL YEAR</u></b> <b><u>Ending June 30,</u></b>	<b><u>ANNUAL OPEB</u></b> <b><u>Cost</u></b>	<b><u>PERCENTAGE</u></b> <b><u>Contributed</u></b>
2013	\$372,281	89.6%
2012	\$348,934	74.2%
2011	\$945,505	20.3%

**B. Current Year Credits**

In February 2012, the West Virginia Legislature passed Senate Bill 469 that transferred the portion of the OPEB liability attributable to personnel funded through the state aid funding formula to the State of West Virginia. The Board is required to report only the portion of the OPEB liability attributable to the personnel employed in excess of the number funded through the formula in its financial statements for the current and all subsequent years until the actuarial unfunded liability is completely funded. To remove the OPEB liability, PEIA/RHBT issued credits to the Board. The amount of credit issued for 2013 was \$33,747. This amount was treated as a reduction of current year operating expenses.

**Note 12 - Pending Litigation:**

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



CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 13 - Fund Balance:**

The detailed components of the various fund balance categories as of June 30, 2013, are as follows:

Fund Balance	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Bond Construction Fund	Capital Projects Fund	Total Governmental Funds
<b>Nonspendable:</b>						
Prepaid Items	\$ 217,262	\$ -	\$ -	\$ -	\$ -	\$ 217,262
<b>Restricted for:</b>						
Special Projects	-	76,569	-	1,214,242	19,677	1,310,488
<b>Committed to:</b>						
Debt Service	-	-	40,929	-	-	40,929
<b>Unassigned</b>	(1,282,048)	(9,951)	89,071	-	152,330	(1,050,598)
<b>Total Fund Balance</b>	<b><u>\$ 1,064,786</u></b>	<b><u>\$ 66,618</u></b>	<b><u>\$ 130,000</u></b>	<b><u>\$1,214,242</u></b>	<b><u>\$ 172,007</u></b>	<b><u>\$ 518,081</u></b>

**Note 14 - Commitments, Contingencies and Subsequent Events:**

The Board had encumbrances totaling \$4,032,682 as of June 30, 2013, in the following funds:

General Current Expense Fund	Special Revenue Fund	Bond Construction Fund	Capital Projects Fund
\$ 12,923	\$ 34,694	\$ 1,380,962	\$ 2,604,102

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

As of June 30, 2013, the following commitments for construction and other capital improvements existed, which are included in the restricted fund balance reflected in the accompanying financial statements:

Arnoldsburg Elementary School: \$1,234,281

CALHOUN COUNTY BOARD OF EDUCATION  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 15 - Interfund Balances and Transfers:**

The composition of interfund balances as of June 30, 2013, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue	General Current	\$ 670,757
Bond Construction	General Current	26,300
Capital Projects	General Current	172,087

**Interfund Transfers**

During the year ended June 30, 2013, the General fund transferred \$241,474 to the Special Revenue fund to cover excess costs in the child nutrition program. \$22,300 was transferred from the Special Revenue fund to the General Current Expense fund to cover and \$89,072 was transferred from the Debt Service fund to the General Current Expense fund to allow excess funds from a previous bond issue to be used for current expenses.

**Note 16 - Major Sources of Revenue:**

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

**Note 17 - Subsequent Event:**

For the fiscal year ended June 30, 2013, Medicaid school-based health services revenue was recognized in accordance with fee-for-service billing as in prior years by the Board. It was originally anticipated that the revenue for the fiscal year would be recognized based upon an estimated annual cost settlement since the Centers for Medicare and Medicaid Services (CMS) had required the West Virginia Department of Health and Human Resources (DHHR) to revise the school-based health services portion of the Medicaid state plan. The original anticipated effective date of the state plan revisions was July 1, 2012; however, in December 2013, DHHR notified the West Virginia Department of Education (WVDE) that CMS had rejected the proposed transportation section of the revised state plan. As a result of the delays in approval of the revised state plan by CMS, DHHR proposed to CMS that the effective date of the revisions be changed to July 1, 2013. CMS indicated their verbal approval of the effective date change but no approval of the date change has been received in writing. If the effective date change is not ultimately approved by CMS, the Medicaid revenue amounts for the fiscal year ended June 30, 2013, could be significantly different than the amounts currently presented.

CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL CURRENT EXPENSE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Property taxes	\$ 1,305,942	\$ 1,387,942	\$ 1,441,461	\$ 53,519
Other local sources	112,600	113,456	40,042	(73,414)
State sources	6,599,826	6,618,891	7,874,162	1,255,271
Federal sources	100,000	100,000	56,725	(43,275)
Miscellaneous sources	13,000	24,377	35,005	10,628
<b>Total revenues</b>	<u>8,131,368</u>	<u>8,244,666</u>	<u>9,447,395</u>	<u>1,202,729</u>
<b>Expenditures:</b>				
Instruction	4,372,331	4,374,145	5,196,835	(822,690)
Supporting services:				
Students	286,072	286,072	366,769	(80,697)
Instructional staff	120,014	121,414	131,140	(9,726)
Central administration	286,888	296,247	358,911	(62,664)
School administration	593,506	593,506	788,937	(195,431)
Business	185,373	186,368	251,625	(65,257)
Operation and maintenance of facilities	852,043	862,539	1,100,845	(238,306)
Student transportation	1,179,693	1,191,980	1,519,128	(327,148)
Food services	-	-	1,891	(1,891)
Community services	-	-	50,912	(50,912)
<b>Total expenditures</b>	<u>7,875,920</u>	<u>7,912,271</u>	<u>9,766,993</u>	<u>(1,854,722)</u>
Excess (deficiency) of revenues over expenditures	<u>255,448</u>	<u>332,395</u>	<u>(319,598)</u>	<u>(651,993)</u>
<b>Other financing sources (uses):</b>				
Transfers in	-	-	111,372	111,372
Transfers (out)	174,355	174,355	(241,474)	(415,829)
<b>Total other financing sources (uses)</b>	<u>174,355</u>	<u>174,355</u>	<u>(130,102)</u>	<u>(304,457)</u>
<b>Change in fund balances</b>	<u>429,803</u>	<u>506,750</u>	<u>(449,700)</u>	<u>(956,450)</u>
<b>Fund balances - beginning</b>	<u>(615,086)</u>	<u>(615,086)</u>	<u>(615,086)</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ (185,283)</u>	<u>\$ (108,336)</u>	<u>\$ (1,064,786)</u>	<u>\$ (956,450)</u>

CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - SPECIAL REVENUE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Local sources	\$ 81,866	\$ 100,708	\$ 33,086	\$ (67,622)
State sources	1,212,623	1,310,560	1,491,320	180,760
Federal sources	1,024,928	2,057,495	1,121,127	(936,368)
Miscellaneous sources	-	2,000	2,000	-
<b>Total revenues</b>	<u>2,319,417</u>	<u>3,470,763</u>	<u>2,647,533</u>	<u>(823,230)</u>
<b>Expenditures:</b>				
Instruction	741,932	1,701,409	1,173,731	527,678
Supporting services:				
Students	-	279,867	153,138	126,729
Instructional staff	117,120	574,115	258,072	316,043
Central administration	4,198	49,369	17,456	31,913
School administration	-	589	15,000	(14,411)
Business	-	28,884	759	28,125
Operation and maintenance of facilities	290,574	363,803	34,786	329,017
Student transportation	-	-	293,447	(293,447)
Food services	-	-	819,849	(819,849)
Community services	-	-	1,808	(1,808)
Capital outlay	-	-	22,092	(22,092)
<b>Total expenditures</b>	<u>1,153,824</u>	<u>2,998,036</u>	<u>2,790,138</u>	<u>207,898</u>
Excess (deficiency) of revenues over expenditures	<u>1,165,593</u>	<u>472,727</u>	<u>(142,605)</u>	<u>(615,332)</u>
<b>Other financing sources (uses):</b>				
Transfers in	174,355	194,463	241,474	47,011
Transfers (out)	-	-	(22,300)	(22,300)
<b>Total other financing sources (uses)</b>	<u>174,355</u>	<u>194,463</u>	<u>219,174</u>	<u>24,711</u>
<b>Change in fund balances</b>	<u>1,339,948</u>	<u>667,190</u>	<u>76,569</u>	<u>(590,621)</u>
<b>Fund balances - beginning</b>	<u>-</u>	<u>-</u>	<u>(9,951)</u>	<u>(9,951)</u>
<b>Fund balances - ending</b>	<u>\$ 1,339,948</u>	<u>\$ 667,190</u>	<u>\$ 66,618</u>	<u>\$ (600,572)</u>

CALHOUN COUNTY BOARD OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Local sources	\$ 241,715	\$ 241,715	\$ 272,350	\$ 30,635
State sources	-	-	259	259
<b>Total revenues</b>	<u>241,715</u>	<u>241,715</u>	<u>272,609</u>	<u>30,894</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement	115,000	115,000	115,000	-
Interest and fiscal charges	126,715	126,715	127,271	(556)
<b>Total expenditures</b>	<u>241,715</u>	<u>241,715</u>	<u>242,271</u>	<u>(556)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>30,338</u>	<u>30,338</u>
<b>Other financing sources (uses):</b>				
Transfers (out)	-	-	(89,072)	(89,072)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(89,072)</u>	<u>(89,072)</u>
<b>Change in fund balances</b>	<u>-</u>	<u>-</u>	<u>(58,734)</u>	<u>(58,734)</u>
<b>Fund balances - beginning</b>	<u>188,734</u>	<u>188,734</u>	<u>188,734</u>	<u>-</u>
<b>Fund balances - ending</b>	<u>\$ 188,734</u>	<u>\$ 188,734</u>	<u>\$ 130,000</u>	<u>\$ (58,734)</u>

CALHOUN COUNTY BOARD OF EDUCATION  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - BOND CONSTRUCTION FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Other local sources	\$ 3,000,000	\$ 3,000,000	\$ -	\$ (3,000,000)
<b>Total revenues</b>	<b>3,000,000</b>		<b>-</b>	<b>-</b>
<b>Expenditures:</b>				
Capital outlay	3,000,000	3,000,000	1,533,051	1,466,949
Business	-	-	38	(38)
Operation and maintenance of facilities	-	-	32,216	(32,216)
<b>Total expenditures</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>1,565,305</b>	<b>1,434,695</b>
Excess (deficiency) of revenues over expenditures	-	(3,000,000)	(1,565,305)	1,434,695
<b>Change in fund balances</b>	<b>-</b>	<b>(3,000,000)</b>	<b>(1,565,305)</b>	<b>1,434,695</b>
<b>Fund balances - beginning</b>	<b>-</b>	<b>-</b>	<b>2,779,547</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ -</b>	<b>\$ (3,000,000)</b>	<b>\$ 1,214,242</b>	<b>\$ 1,434,695</b>

CALHOUN COUNTY BOARD OF EDUCATION  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
State sources	\$ -	\$ 2,570,650	\$ 2,792,010	\$ 221,360
<b>Total revenues</b>	<b>-</b>	<b>2,570,650</b>	<b>2,792,010</b>	<b>221,360</b>
<b>Expenditures:</b>				
Capital outlay	3,500,000	2,570,650	2,568,793	1,857
<b>Total expenditures</b>	<b>3,500,000</b>	<b>2,570,650</b>	<b>2,568,793</b>	<b>1,857</b>
Excess (deficiency) of revenues over expenditures	(3,500,000)	-	223,217	223,217
<b>Other financing sources (uses):</b>				
Change in fund balances	(3,500,000)	-	223,217	223,217
<b>Fund balance - beginning</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund balance - ending</b>	<b>\$ (3,500,000)</b>	<b>\$ -</b>	<b>\$ 172,007</b>	<b>\$ 172,007</b>

CALHOUN COUNTY BOARD OF EDUCATION  
 SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Cash Balance 7/1/2012	Revenues Received	Expenditures Paid	Cash Balance 6/30/2013
Arnoldsburg Elementary	\$ 66,814	\$ 42,819	\$ 43,531	\$ 66,102
Pleasant Hill Elementary	24,268	34,856	30,928	28,196
Calhoun Middle High School	<u>174,107</u>	<u>263,854</u>	<u>243,503</u>	<u>194,458</u>
<b>Total</b>	<u>\$ 265,189</u>	<u>\$ 341,529</u>	<u>\$ 317,962</u>	<u>\$ 288,756</u>



CALHOUN COUNTY BOARD OF EDUCATION  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Paid</u>
U.S. Department of Agriculture			
Pass Through West Virginia Department of Education			
Child Nutrition Cluster:			
National School Breakfast Program	10.553	88	\$ 163,389
National School Lunch Program	10.555	88	325,457
National School Snack Program	10.582	88	24,252
Donated Foods (Non-cash)	10.555	88	<u>12,801</u>
Total U.S. Department of Agriculture			<u>525,899</u>
U.S. Department of Education			
Pass Through the West Virginia Office of the Governor			
Education Jobs Fund - ARRA	84.397	52	297
U.S. Department of Education			
Pass Through West Virginia Department of Education			
Adult Education	84.002	43	13,285
Title I Grants to Local Educational Agencies	84.010	41	440,923
Vocational Education Basic Grants to States	84.048	50	43,909
Special Education Cluster:			
Special Education Grants to States	84.027	43	326,629
Special Education - Preschool	84.173	43	59,821
Safe and Drug-Free Schools	84.184	48	77,133
Education for Homeless Children and Youth	84.196	54	1,908
21st Century Learning	84.287	42	103,574
Rural Education	84.358	54	31,714
Title II Improving Teacher Quality	84.367	40	<u>109,351</u>
Total U.S. Department of Education			<u>1,208,544</u>
Total Federal Financial Assistance Expended			<u><u>\$ 1,734,443</u></u>

See Notes to the Schedule of Expenditures of Federal Awards.

CALHOUN COUNTY BOARD OF EDUCATION  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Note 1 – Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Calhoun County Board of Education and is presented on a basis of accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of OMB 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 the preparation of, the basic financial statements.

**Note 2 – Food Distribution:**

The Calhoun County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$21,285 is included in the Schedule of Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and reflects the amount distributed for the year ended June 30, 2013.



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS*

To the Calhoun County Board of Education  
Mt. Zion, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Calhoun County Board of Education, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Calhoun County Board of Education's basic financial statements, and have issued our report thereon dated April 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Calhoun County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Calhoun County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Calhoun County Board of Education's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

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

THE FYFFE JONES GROUP, AC

Huntington, West Virginia  
April 17, 2014



The Fyffe Jones Group, AC

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

To the Calhoun County Board of Education  
Mt. Zion, West Virginia

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

We have audited the Calhoun County Board of Education's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Calhoun County Board of Education's major federal programs for the year ended June 30, 2013. Calhoun County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

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

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

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

In our opinion, the Calhoun County Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

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

Management of the Calhoun County Board of Education, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Calhoun County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Calhoun County Board of Education's internal control over compliance.

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

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

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

*The Fyffe Jones Group, A.C.*

THE FYFFE JONES GROUP, AC

Huntington, West Virginia  
April 17, 2014

CALHOUN COUNTY BOARD OF EDUCATION  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 Section 510 (a)?	No

Programs tested:

<u>CFDA</u> <u>Number(s)</u>	<u>Name of Federal Program/Cluster</u>
84.010	Title I
84.027/84.173A	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B Programs:	\$300,000
Auditee qualified as a low-risk auditee:	Yes

**Section II – Financial Statement Findings**

**#13-01 Publishing Annual Financial Statement**

**Condition:** It was determined during our audit that the Calhoun County Board of Education did not publish its annual financial statements within the ninety days after the beginning of the subsequent fiscal year.

CALHOUN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Criteria:** West Virginia Code §18-9-3a states in part:

"The county board of every county, within ninety days after the beginning of each fiscal year, shall prepare on a form to be prescribed by the state tax commissioner and the state superintendent of schools, and cause to be published a statement revealing (a) the receipts and expenditures of the board during the previous fiscal year arranged under descriptive headings, (b) the name of each firm, corporation, and person who received more than two hundred fifty dollars in the aggregate from all funds during the previous fiscal year, together with the aggregate amount received from all funds and the purpose for which paid ... "

**Cause:** The Calhoun County Board of Education did not have the necessary procedures in place to ensure that the annual financial statements were published in the required time limit.

**Effect:** As a result of the failure to publish the Board's annual financial statements in the required time limit, the Board was not in compliance with the West Virginia State Code.

**Recommendation:** It is recommended that the Calhoun County Board of Education take the necessary steps to ensure that the annual financial statements are published within ninety days after the beginning of each fiscal year for the previous fiscal year.

**Audited Agency's Response:** The Calhoun County Board of Education will take the necessary steps to ensure that the financial statements are published in a timely manner, as required by the West Virginia State Code.

**Questioned Costs:** \$0

### #13-02 Untimely Deposits at Middle/High School

**Condition:** It was determined during our audit that the Calhoun County Middle/High School did not make timely deposits of cash receipts as required by the Accounting Procedures Manual for Public Schools in West Virginia.

**Criteria:** Accounting Procedures Manual for the Public Schools in the State of West Virginia, Section 1-16, states in part:

"...a bank deposit must be made whenever total collections on hand exceed \$500 or before any extended school holiday. Bank deposits must be made at least weekly, regardless of the amount of collections. If bank deposits are not made daily, it is recommended that the bank deposit slip be prepared daily and the total collections for the day sealed in a deposit envelope and placed in a safeguarded area until a deposit can be made... "

**Cause:** The Calhoun County Board of Education did not have the necessary procedures in place to ensure that timely deposits were being made.

**Effect:** As a result of the failure to ensure proper deposit procedures, the Board was not in compliance with the West Virginia State Code.



CALHOUN COUNTY BOARD OF EDUCATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Recommendation:** It is recommended that the Calhoun County Board of Education take the necessary steps to ensure that deposits are made in a timely manner, in compliance with proper procedures.

**Audited Agency's Response:** The Calhoun County Board of Education will take the necessary steps to ensure that deposits are made in a timely manner in compliance with proper procedures.

**Questioned Costs:** \$0

**#13-03 Improper Purchasing Procedures at Middle/High School**

**Condition:** It was determined during our audit that the Calhoun County Middle/High School did not follow proper purchasing procedures in accordance with the Accounting Procedures Manual for Public Schools in West Virginia.

**Criteria:** Accounting Procedures Manual for Public Schools in West Virginia, Section 1-19 and Section 1-20, requires a particular flow of documents in a certain date order with proper approvals throughout the process.

**Cause:** The Calhoun County Board of Education did not have the necessary procedures in place to ensure that the proper flow of documents with corresponding approvals were being followed.

**Effect:** As a result of the failure to ensure proper purchasing procedures, the Board was not in compliance with the West Virginia State Code.

**Recommendation:** It is recommended that the Calhoun County Board of Education take the necessary steps to ensure that proper purchasing procedures are in place.

**Audited Agency's Response:** The Calhoun County Board of Education will take the necessary steps to ensure that proper procedures are in place.

**Questioned Costs:** \$0

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

No matters were reported.

CALHOUN COUNTY BOARD OF EDUCATION  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Finding #13-01 Publishing Annual Financial Statement**

**Recommendation:** It is recommended that the Calhoun County Board of Education take the necessary steps to ensure that the annual financial statements are published within ninety days after the beginning of each fiscal year for the previous fiscal year.

**Action Taken:** The Calhoun County Board of Education will take the necessary steps to ensure that the financial statements are published in a timely manner, as required by the West Virginia State Code.

**Finding #13-02 Untimely Deposits at Middle/High School**

**Recommendation:** It is recommended that the Calhoun County Board of Education take the necessary steps to ensure that deposits at the Middle/High School are made in a timely manner.

**Action Taken:** The Calhoun County Board of Education will take the necessary steps to ensure that deposits at the Middle/High School are made in a timely manner.

**Finding #13-03 Improper Purchasing Procedures at Middle/High School**

**Recommendation:** It is recommended that the Calhoun County Board of Education take the necessary steps to ensure that proper purchasing procedures are in place at the individual schools.

**Action Taken:** The Calhoun County Board of Education will take the necessary steps to ensure that proper purchasing procedures are in place at the individual schools.

CALHOUN COUNTY BOARD OF EDUCATION  
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Finding #12-01** - *Publishing Annual Financial Statement* - The finding was repeated as Finding #13-01.