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

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

**B. District-wide and fund financial statements:**

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

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

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

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

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

The funds maintained by the Board are: *(Delete funds not maintained by the board)*

General Current Expense Fund: The General Current Expense Fund is the operating fund of the School 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 School 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 School 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 School 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 School Board holds for others in an agency capacity. These include: Regional education service agencies (RESA’s) and multi-county vocational centers (MCVC’s) for the purpose of providing high quality, cost effective educational programs and to provide vocational training, respectively, in which the county board of education serves as the fiscal agent; school activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

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

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

*(Use the following section if the School Board does NOT have cash/investments held by the Municipal Bond Commission and the Board of Treasury Investments)*

Cash on hand and deposits with banking institutions either in checking or savings accounts or other highly liquid investments with an original maturity of three months or less are presented as cash and cash equivalents in the accompanying financial statements.

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

All deposit accounts and investments of the School Board at June 30, 2016 consisted of the following:



-OR-

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

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

*(Use the following section if the School Board has cash/investments held by the Municipal Bond Commission and/or the Board of Treasury Investments)*

Cash on hand and deposits with banking institutions either in checking or savings accounts or other highly liquid investments with an original maturity of three months or less are presented as cash in the accompanying financial statements.

Boards of education are authorized by statute to provide excess funds to either the State Consolidated Investment Pool or the West Virginia Municipal Bond Commission (MBC) for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof; certificates of deposit; and repurchase agreements. Funds of the School Board are temporarily invested by the MBC specifically on behalf of the School Board as part of the MBC’s consolidated investment pool. Deposits with the State Consolidated Investment Pool are held by the West Virginia Board of Treasury Investments (BTI). The deposits with the MBC are held for debt service requirements of the School Board. The deposits with the BTI and MBC are not separately identifiable as to specific types of securities. Investment income is prorated to the School Board at rates specified by the BTI and MBC. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying basic financial statements. These investments are considered cash and cash equivalents due to their liquid nature. The BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia code, policies set by the BTI, and by provisions of bond indentures and trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources, in accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The BTI was established by the State Legislature and is subject to oversight by the State Legislature.

All deposit accounts and investments of the School Board at June 30, 2016 consisted of the following:



-OR-

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

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

Cash on deposit with the MBC is held by the BTI in the West Virginia Government Money Market Pool and is subject to the following BTI policies and limits.

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income; preserve capital; and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of BTI’s Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the BTI’s Consolidated Fund. Of the BTI’s Consolidated Fund pools and accounts in which the School Board invests, all are subject to credit risk. The following BTI investment risk information has been extracted from the notes to BTI’s financial statements.

**WV Government Money Market Pool - *Credit Risk*** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2015, the WV Government Money Market Pool has been rated AAAm by Standard & Poor’s. A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in 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.

At June 30, 2015, the WV Government Money Market Pool investments had a total carrying value of $248,468,000 of which the School Board’s ownership represents \_\_\_\_\_% (*the percentage is calculated as the School Board’s total investment in the WV Government Money Market Pool divided by the Pool’s total carrying value of $248,468,000*).

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

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **2015** | | | |
|  |  | **Carrying Value** |  | **WAM** | |
| **Security Type** |  | **(In thousands)** |  | **(Days)** | |
|  |  |  |  |  | |
| Repurchase agreements |  | $ 44,100 |  | 1 | |
| U.S. Treasury notes |  | 34,019 |  | 80 | |
| U.S. Treasury bills |  | 11,991 |  | 160 | |
| U.S. agency discount notes |  | 152,299 |  | 51 | |
| U.S. agency bonds |  | 6,000 |  | 30 | |
| Money market funds |  | 59 |  | 1 | |
|  |  |  |  |  | |
|  |  | $ 248,468 |  | 51 | |

*(The information to complete the above table is found within the FY2015 BTI Financial statements)*

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

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

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

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

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

**F. Food Service receivables:**

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

**G. Interfund receivables and payables:**

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

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

**H. Inventories:**

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

*(Used only by School Boards that operate a centralized warehouse)*

**I. Prepaid Items:**

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

*(Used only by School Boards that have recorded a prepaid item)*

**J. Capital Assets:**

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

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

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

Assets Years

|  |  |  |
| --- | --- | --- |
| Buildings |  | 50 |
| Site Improvements | 20 – 35 |
| Furniture and Equipment | 5 – 20 |
| Vehicles | 8 – 12 |

**K. Deferred Outflow of Resources:**

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

(*For entities that present deferred outflows in the aggregate)*

Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The details of the aggregate amount are as follows:

*(Note: Revise appropriately to include detailed amounts)*

**L. Pensions:**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teacher Retirement System (TRS) and additions to/deductions from the TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See note 9 for further discussion.

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

**Compensated Absences:**

It is the School Board’s policy to permit employees to accumulate earned but unused vacation pay benefits. Vacation benefits can be accumulated up to \_\_\_\_\_\_\_ days and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred and the liability for these amounts is reported in the general long-term debt account group. Upon termination employees may be compensated for vacation benefits accumulated. In lieu of a cash payment at retirement, employees hired prior to July 1, 2015 can elect to use accumulated annual leave toward their postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

**Other Post Employment Benefit (OPEB) Liability:**

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

**N. Long-term Obligations**:

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

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

**O. Deferred Inflow of Resources**

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

(*For entities that present deferred inflows in the aggregate)*

Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The details of the aggregate amount are as follows:

*(Note: Revise appropriately to include detailed amounts)*

**P. Net Position**:

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

* **Invested in capital assets, net of related debt -** This represents the School Board’s total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested capital assets, net of related debt.
* **Restricted net position, expendable -** This includes resources in which the School Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
* **Restricted net position, nonexpendable -** This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. The School Board does not have any restricted nonexpendable assets at June 30, 2016. *(Note: Remove this category if the School Board does not have permanent endowments)*
* **Unrestricted net position -** This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the School Board, and may be used at the discretion of the School Board to meet current expenses for any lawful purpose.

**Q. Fund Equity:**

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

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

**R. Elimination and Reclassifications:**

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

**S. Accounting Estimates:**

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

**T. Restricted Resources:**

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

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

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

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

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of GASB Statement No. 76 had no impact on the June 30, 2016 financial statements.

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

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

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

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

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

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

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

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

The Governmental Accounting Standards Board has also issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73,* effective for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The School Board has not yet determined the effect that the adoption of GASB Statement No. 82 may have on its financial statements.

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

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

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

Fund Amount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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. ***(Or other appropriate language.)***

The following funds have a deficit fund balance at June 30, 2016:

Fund Amount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

The Special Revenue Fund had a deficit fund balance of $ \_\_\_\_\_\_\_ as of June 30, 2016. The fund incurred expenditures \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Provide explanation for each deficit fund balance).

**Note 3 - Risk Management:**

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

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

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

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

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

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Company’s risk pool retains the risk related to the compensation of injured employees under the program.

**Note 4 - Property Taxes:**

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

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

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

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

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

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

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

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

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

Class of Assessed Valuations Current Excess Permanent Bond

Property For Tax Purposes Expense Levy Improvement Purposes

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Class I | $ |  |  | 19.40¢ |  |  | ¢ |  |  | ¢ |  |  | ¢ |  |
| Class II | $ |  | 38.80¢ |  | ¢ |  | ¢ |  |  | ¢ |  |
| Class III | $ |  | 77.60¢ |  | ¢ |  | ¢ |  |  | ¢ |  |
| Class IV | $ |  | 77.60¢ |  | ¢ |  | ¢ |  |  | ¢ |  |

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

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

**Taxes Receivable**

Taxes receivable as of June 30, 2016 for the School Board’s funds are as follows:

|  |  |  |
| --- | --- | --- |
|  | General Current Expense Fund | Debt  Service Fund |
|  |  |  |
| Taxes receivable | $ - | $ - |
| Less: allowance for uncollectible | - | - |
| Taxes receivable, net | $ - | $ - |

**Note 5 - Excess Levy:**

The School Board had an excess levy in effect during the fiscal year ended June 30, 2016. The levy was authorized by the voters of the county at an election held on for the fiscal years ended June 30, through June 30, to provide funds for the following purposes:

A total of $ was received by the School Board from the excess levy during the fiscal year ended June 30, 2016.

-OR-

The School Board did not have an excess levy in effect during the fiscal year ended June 30, 2016.

**Note 6 - Capital Assets:** *(The tables below are linked to the financial statement Excel template)*

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

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Beginning Balance | Restatement | Additions | Disposals | Ending Balance |
| Capital assets, non-depreciable: |  |  |  |  |  |
| Land | $ - | $ - | $ - | $ - | $ - |
| Construction in process | - | - | - | - | - |
| Total non-depreciable capital assets | - | - | - | - | - |
|  |  |  |  |  |  |
| Capital assets, depreciable: |  |  |  |  |  |
| Land improvements | - | - | - | - | - |
| Buildings and improvements | - | - | - | - | - |
| Furniture and equipment | - | - | - | - | - |
| Vehicles | - | - | - | - | - |
| Total depreciable capital assets | - | - | - | - | - |
|  |  |  |  |  |  |
| Less accumulated depreciation for: |  |  |  |  |  |
| Land improvements | - | - | - | - | - |
| Buildings and improvements | - | - | - | - | - |
| Furniture and equipment | - | - | - | - | - |
| Vehicles | - | - | - | - | - |
| Total accumulated depreciation | - | - | - | - | - |
| Total depreciable capital assets, net | - | - | - | - | - |
| Total capital assets, net | $ - | $ - | $ - | $ - | $ - |
|  |  |  |  |  |  |
|  |  |  |  |  |  |
| Depreciation expense was charged to functions/programs of the governmental activities as follows: | | | | |  |
|  |  |  |  |  |  |
| Instruction |  | $ - |  |  |  |
| Supporting Services: |  |  |  |  |  |
| Students |  | - |  |  |  |
| Instructional Staff |  | - |  |  |  |
| Central administration |  | - |  |  |  |
| School administration |  | - |  |  |  |
| Business |  | - |  |  |  |
| Operation and maintenance of facilities |  | - |  |  |  |
| Transportation |  | - |  |  |  |
| Other support services |  | - |  |  |  |
| Food services |  | - |  |  |  |
| Community Services |  | - |  |  |  |
| Total Depreciation expense - governmental activities | | $ - |  |  |  |

**Note 7 - Long-term Debt:** *(The table below is linked to the financial statement Excel template)*

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

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | Balance, Beginning of Year | Restatement | Additions | Deductions | Balance, End of Year | Amounts due within one year | Amounts due past one year |
| General obligation debt | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Premium on sale of bonds | - | - | - | - | - | - | - |
| Compensated absences | - | - | - | - | - | - | - |
| Accrued sick leave | - | - | - | - | - | - | - |
| Capital lease payable | - | - | - | - | - | - | - |
|  |  |  |  |  |  |  |  |
| Long-term liabilities | $ - | $ - | $ - | $ - | $ - | $ - | $ - |

General Obligation Bonds – General obligation bonds payable at June 30, 2016, with their outstanding balance are comprised of the following individual issues:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

Interest

Year ending June 30, Rate Principal Interest Total

20\_\_

20\_\_

20\_\_

20\_\_

20\_\_

Total

Bond Issue of \_\_\_\_\_\_\_\_\_:

On\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_, the School Board issued $\_\_\_\_\_\_\_\_\_\_\_\_\_ in general obligation bonds to provide funds for (school construction and renovations) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The bonds mature in varying annual increments through \_\_\_\_\_\_\_\_\_, 20­­\_\_ and interest is payable semiannually at \_\_\_\_\_%. Payments on the general obligation bonds payable during the year were made from the debt service fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016, including interest payments are listed as follows:

Year Principal Interest Total

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20\_\_ | | |  |  |  |  |  |  |
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| 20\_\_ | | |  |  |  |
|  | Total |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Total bonded indebtedness at July 1, 2015 | | | | | | | $ |
| Issuances | | | | | | |  |
| Maturities | | | | | | |  |
| Total bonded indebtedness at June 30, 2016 | | | | | | | $ |

Bond Issue of \_\_\_\_\_\_\_\_\_:

On\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_, the School Board issued $\_\_\_\_\_\_\_\_\_\_\_\_\_ in general obligation bonds to provide funds for (school construction and renovations) \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The bonds mature in varying annual increments through \_\_\_\_\_\_\_\_\_, 20­­\_\_ and interest is payable semiannually at \_\_\_\_\_%. Payments on the general obligation bonds payable during the year were made from the debt service fund.

The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2016, including interest payments are listed as follows:

Year Principal Interest Total

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20\_\_ | | |  |  |  |  |  |  |
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| 20\_\_ | | |  |  |  |
| 20\_\_ | | |  |  |  |
|  | Total |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Total bonded indebtedness at July 1, 2015 | | | | | | | $ |
| Issuances | | | | | | |  |
| Maturities | | | | | | |  |
| Total bonded indebtedness at June 30, 2016 | | | | | | | $ |

-OR IF APPLICABLE-

**Defeasance of Debt:** On \_\_\_\_\_\_\_\_\_\_\_, the School Board defeased certain general obligation bonds. The advanced refunding was undertaken to reduce total debt service payments and to obtain an economic gain by making available to the School Board the balance of monies in the debt service fund account of the refunded issue which had been collected to retire the bond issue. Securities were purchased and placed in an irrevocable trust for the purpose of making all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability was removed from the District’s financial statements.

- OR IF APPLICABLE -

(Only in the year the bonds are defeased)

On \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_, the School Board issued general obligation bonds of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(par value) with an interest rate of \_\_\_\_% to advance refund bonds with an interest rate of \_\_\_% and a par value of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The refunded bonds mature on \_\_\_\_\_\_\_\_\_\_\_20\_\_\_. The general obligation bonds were issued at par and, after paying issuance costs of $\_\_\_\_\_\_\_\_\_\_, the net proceeds were $\_\_\_\_\_\_\_\_\_\_\_.

The net proceeds of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District’s financial statements.

- OR IF APPLICABLE -

(Used for all years after the bond is defeased as long as there is an outstanding balance)

On \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_, the School Board issued general obligation bonds of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_(par value) with an interest rate of \_\_\_\_% to advance refund bonds with an interest rate of \_\_\_% and a par value of $\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_. The refunded bonds mature on \_\_\_\_\_\_\_\_\_\_\_20\_\_\_. The amount outstanding on the refunded bonds at \_\_\_\_\_\_\_\_\_\_ 20\_\_ was $\_\_\_\_\_\_\_\_\_\_\_.

The net proceeds of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the refunded bonds mature. The advanced refunding met the requirements of an in-substance debt defeasance and the refunded bonds were removed from the District’s financial statements.

Total amount of Refunding Bond Issue of 20\_\_\_\_ outstanding at June 30, 2016 is:

Year Principal Interest Total

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20\_\_ | | | |  | |  | |  | |  | |  | |  | |
| 20\_\_ | | | |  | |  | |  | |
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| 20\_\_ | | | |  | |  | |  | |
| 20\_\_ | | | |  | |  | |  | |
|  | Total |  |  | | $ | |  | | $ | |  | | $ | |
| Total bonded indebtedness at July 1, 2015 | | | | | | | | | | | $ | |
| Issuances | | | | | | | | | | |  | |
| Maturities | | | | | | | | | | |  | |
| Total bonded indebtedness at June 30, 2016 | | | | | | | | | | | $ | |

Of the total amount required to amortize all general obligation bonds outstanding as of June 30, 2016, including interest payments, the following summarizes the current and long-term portions:

|  |  |  |  |
| --- | --- | --- | --- |
| Total bonds payable at June 30, 2016 |  |  | $ |
| Less: Current portion |  |  |  |
| Long-term bonds payable |  |  | $ |

**Note 8 - Leases:** *(All entities with leases)*

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

*(All school boards with a capital lease)*

The School Board has entered into a capital lease-purchase agreement pursuant to the provisions of West Virginia Code §18-5-9a whereby energy conservation equipment has been installed in several of the schools (or description of other equipment being leased). The equipment is leased from for a period of ten years beginning , . At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The future minimum lease obligations as of June 30, 2016, are as follows:

Year

|  |  |  |  |
| --- | --- | --- | --- |
| 20\_\_ |  | $ |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
|  | |  |  |
| Less: Amount representing interest | |  |  |
| Present value of minimum lease payments | | $ |  |

The assets acquired through capital leases are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Asset: |  | $ |  |
| Buildings |  |  |  |
| Furniture and equipment |  |  |  |
| Vehicles |  |  |  |
|  |  |  |  |
| Less: Accumulated Depreciation |  |  |  |
| Buildings |  |  |  |
| Furniture and equipment |  |  |  |
| Vehicles |  |  |  |
| Total Assets, net accumulated depreciation | | $ |  |

*(All entities with a QZAB)*

The School Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for and those assets are leased from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for a period of ten years beginning , . At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

The following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments as of June 30, 2016 for the School Board’s capital leases:

Year

|  |  |  |  |
| --- | --- | --- | --- |
| 20\_\_ |  | $ |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| Total minimum lease payments | | $ |  |

*(All entities with an operating lease)*

The following is a summary of the future minimum required lease payments by year under operating leases as of June 30, 2016:

# Year

|  |  |  |  |
| --- | --- | --- | --- |
| 20\_\_ |  | $ |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| 20\_\_ |  |  |  |
| Total minimum lease payments | | $ |  |

**Note 9 - Employee Retirement System:**

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers’ Retirement System (TRS) or the Teachers’ Defined Contribution Retirement System (TDC). For the year ended June 30, 2016, the School Board’s total payroll for all employees was $ and the payroll was $ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ for employees covered by the two retirement programs.

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

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

**A. Teachers' Retirement System (TRS):**

**Plan Description:**

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

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

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

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

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

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

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

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

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
|  | School Board's proportionate share of the net pension liability |  | $ - |
|  |  |  |  |
|  | State's proportionate share of the net pension liability |  |  |
|  | associated with the School Board. |  | - |
|  | Total portion of net pension liability associated with the school board |  | $ - |

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

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  | **Deferred** |  | **Deferred** |
|  |  | **Outflows** |  | **Inflows** |
|  |  | **of Resource** |  | **of Resources** |
|  |  |  |  |  |
| Net difference between projected and actual earnings |  |  |  |  |
| on pension plan investments |  | $ - |  | $ - |
| Differences between expected and actual experience |  | - |  | - |
| Changes in proportion and differences between School Board |  |  |  |  |
| contributions and proportionate share of contributions |  | - |  | - |
| District contributions subsequent to the measurement Date |  | - |  | - |
| **Total** | | **$ -** |  | **$ -** |
|  |  |  |  |  |

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

|  |  |  |
| --- | --- | --- |
| **Years ending June 30,** |  |  |
| 2017 |  | $ - |
| 2018 |  | - |
| 2019 |  | - |
| 2020 |  | - |
| 2021 |  | - |
| Thereafter |  | - |
| **Total** |  | **$ -** |

**Actuarial Assumptions:**

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

**Inflation –** 3.0%

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

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

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

**Discount Rate** – 7.5%

**Investment Asset Allocation:**

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

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  |  | **Long-Term** |
|  |  | **Target** |  | **Expected Real** |
| **Asset Class** |  | **Allocation** |  | **Rate of Return** |
|  |  |  |  |  |
| Domestic Equity |  | 27.5% |  | 7.0% |
| International Equity |  | 27.5% |  | 7.7% |
| Private Equity |  | 10.0% |  | 9.4% |
| Core Fixed Income |  | 7.5% |  | 2.7% |
| Hedge Fund |  | 10.0% |  | 4.7% |
| Real Estate |  | 10.0% |  | 5.6% |
| High Yield Fixed Income |  | 7.5% |  | 5.5% |
| **Total** |  | **100%** |  |  |
|  |  |  |  |  |

**Discount Rate:**

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

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | **1.0% Decrease** |  | **Current Discount Rate** |  | **1.0% Increase** |
|  |  | **-1.00%** |  | **0.00%** |  | **1.00%** |
|  |  |  |  |  |  |  |
| School Board's proportionate share of |  |  |  |  |  |  |
| the TRS net pension liability |  | $ - |  | $ - |  | $ - |
|  |  |  |  |  |  |  |

**Payables to the pension plan:**

At June 30, 2016, the School Board reported a liability of $\_\_\_\_\_\_\_\_\_\_for its unpaid legally required contributions to the pension plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

**B. Teachers' Defined Contribution Retirement System:**

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

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

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

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

*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 School Board’s financial statements to the defined contribution plan for FY 2016 were:

|  |  |  |
| --- | --- | --- |
| Employees' contributions (4.5%) | $ |  |
| Employer’s contributions (7.5%) |  |  |
| Total contributions | $ |  |

**Note 10 Post-Employment Benefits Other Than Pension:**

1. **General Information**

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

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

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

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

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

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

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

In the alternative to applying unused sick and annual leave to health insurance, all employees participating in the PEIA insurance plan, and who are members of the State Teachers’ Defined Benefit Retirement System prior to July 1, 2015, may apply unused sick and annual leave towards an increase in the employee’s retirement benefits with those days constituting additional credited service. The cost for the employees who elect this option is reflected as a liability of the State Teachers’ Retirement System and not included as an OPEB obligation.

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

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

Amount/ Total Policy Holder

Total Annual Required Contribution $ 314,888,000 $ 5,145

Pay as you go – Retiree Subsidy $ 150,000,000 $ 1,956

Remaining ARC $ 164,888,000 $ 3,189

The following summarizes the School Board’s OPEB activity:

Total OPEB expense $

Less:

State appropriation allocation -0-

Pay as you go payments and other credits

OPEB at year end $

The School 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:

*(Note: the table below is linked to the financial statement Excel template)*

|  |  |  |
| --- | --- | --- |
| **Fiscal Year Ending** | **Annual OPEB** | **Percentage** |
| **June 30** | **Cost** | **Contributed** |
| 2016 | $ - | 0% |
| 2015 | - | 0% |
| 2014 | - | 0% |

1. **Current Year Credits**

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

**Note 11 - Pending Litigation:**

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

**Note 12 - Restatement of Beginning Fund Balance:**

The fund balance at the beginning of the year of the following fund(s) required restatement:

General Current Special

Expense Fund Revenue Fund \_\_\_\_\_\_\_\_\_\_\_Fund \_\_ Fund

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Fund balance at June 30, \_\_\_\_\_\_, as previously stated | $ |  | $ |  | $ |  | $ |  |
| Total Adjustments  (See Below) |  |  |  |  |  |  |  |  |
| Fund balance at  June 30, \_\_\_\_\_\_,  Restated | $ |  | $ |  | $ |  | $ |  |

The adjustments consisted of the following:

General Current Expense Fund:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Special Revenue Fund:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Note 13 - Fund Balance**

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

*(Note: the table below is linked to the financial statement Excel template)*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  | Special |  |  |  |  |  |
|  | General | Special | Revenue | Debt | Bond | Permanent | Capital |  |
|  | Current | Revenue | ARRA | Service | Construction | Improvement | Projects | Total |
| Fund Balances | Expense | Fund | Fund | Fund | Fund | Fund | Fund | Governmental |
| **Nonspendable:** |  |  |  |  |  |  |  |  |
| Inventory | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Prepaid Items | - | - | - | - | - | - | - | - |
| **Restricted for:** |  |  |  |  |  |  |  |  |
| Special Projects | - | - | - | - | - | - | - | - |
| Capital Projects | - | - | - | - | - | - | - | - |
| Debt Service | - | - | - | - | - | - | - | - |
| Arbitrage   Payments | - | - | - | - | - | - | - | - |
| Excess Levies | - | - | - | - | - | - | - | - |
| **Committed to:** |  |  |  |  |  |  |  |  |
| \*TBD | - | - | - | - | - | - | - | - |
| \*TBD | - | - | - | - | - | - | - | - |
| **Assigned to:** |  |  |  |  |  |  |  |  |
| \*TBD | - | - | - | - | - | - | - | - |
| \*TBD | - | - | - | - | - | - | - | - |
| **Unassigned** | - | - | - | - | - | - | - | - |
| **Total fund  balances** | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
|  |  |  |  |  |  |  |  |  |

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

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

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| General Current Expense | Special Revenue Fund | Special Revenue - ARRA | Debt Service Fund | Bond Construction Fund | Permanent Improvement Fund | Capital Projects Fund |
|  |  |  |  |  |  |  |

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

During the fiscal year ended June 30, 2016, the School Board was awarded a grant of $ from the School Building Authority (SBA) to finance the construction of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.

As of June 30, 2016 the following commitments for construction and other capital improvements existed, which are included in the restricted fund balance reflected in the accompanying financial statements:

$

Subsequent to June 30, 2016, the following additional commitments for construction and other capital improvements have been entered into:

$

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

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

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

*(Note: Remove previous paragraph is there are no buildings known to contain asbestos and/or other environmental issues.)*

### Note 15 - Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2016 is as follows:

Receivable Fund Payable Fund Amount

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Due to/from other funds:** |  |  |  | $ |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  | $ |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Advances from/to other funds:** |  |  |  | $ |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  | $ |

During the year ended June 30, 2016, the \_\_\_\_\_\_\_\_\_\_ fund transferred $\_\_\_\_\_\_\_\_\_\_\_\_ to the \_\_\_\_\_\_\_\_\_\_\_ fund.

##### Interfund Transfers

*(Insert explanation of any interfund transfers that occurred during the year between funds).*

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**A. Budgets and Budgetary Accounting:**

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

1. Pursuant to State statute, the School Board is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain its financial condition and to determine the amount that is to be raised from the levy of taxes for the fiscal year commencing July 1. The School Board adjourns the meeting and submits its Schedule of Proposed Levy Rates to the State Auditor’s Office for approval. The School Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.

2. The School 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 School 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:**

*(Note - Complete Note B only if applicable and revise explanation appropriately. Note must be completed for each GENERAL FUND AND SPECIAL REVENUE FUND for which comment is applicable. ONLY the budgetary comparison schedules for the General Fund and Special Revenue Funds are reported as Required Supplementary Information [GASB No. 34])*

For the year ended June 30, 2016, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FUND:

Function Amount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

***(Note: Revise appropriately to accurately describe situation)***

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FUND:

Function Amount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

*(Note: Revise appropriately to accurately describe situation)*

**C. Actuarial Revisions:**

Subsequent to the issuance of the West Virginia Consolidated Public Retirement Board’s June 30, 2016 Comprehensive Annual Financial Report, certain actuarial amounts from the actuarial valuation as of July 1, 2015, rolled forward to June 30, 2016, were revised. The amounts revised as of June 30, 2015 are described below:

|  |  |  |
| --- | --- | --- |
| Total pension liability |  | $ - |
| Plan fiduciary net position |  | - |
| **Total** |  | $ - |
|  |  |  |
| Plan fiduciary net position as a |  |  |
| percentage of the total pension liability |  | XX.XX% |
|  |  |  |

**OTHER SUPPLEMENTARY INFORMATION**

**A. Budgets and Budgetary Accounting:**

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

1. Pursuant to State statute, the School Board is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain its financial condition and to determine the amount that is to be raised from the levy of taxes for the fiscal year commencing July 1. The School Board adjourns the meeting and submits its Schedule of Proposed Levy Rates to the State Auditor’s Office for approval. The School Board then reconvenes its meeting on the third Tuesday of April to formally lay the approved levy.

2. The School 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 School 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:**

*(Note - Complete Note B only if applicable and revise explanation appropriately. Note must be completed for each fund OTHER THAN the general fund and special revenue funds for which comment is applicable. Budgetary comparison schedules for all funds other than the General Fund and Special Revenue Funds are reported as Other Supplementary Information [GASB No. 34])*

For the year ended June 30, 2016, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FUND:

Function Amount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

***(Note: Revise appropriately to accurately describe situation)***

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ FUND:

Function Amount

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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

*(Note: Revise appropriately to accurately describe situation)*