

MARSHALL COUNTY BOARD OF EDUCATION

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2018

RFP #18-180 (Marshall County)

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MARSHALL COUNTY BOARD OF EDUCATION
INDEX OF FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

GOVERNMENTAL FUND TYPES

General Current Expense

Special Revenue Funds

Restricted Projects

Debt Service

Capital Projects Funds

Capital Projects

FIDUCIARY FUND TYPE

School Activity Funds

MARSHALL COUNTY BOARD OF EDUCATION
BOARD OFFICIALS
JUNE 30, 2018

Office	Name	Term
Elective		
Board Members:		
	Thomas E. Gilbert	07/01/14 – 06/30/18
	Lori E. Kestner	07/01/16 – 06/30/20
	John Miller	07/01/16 – 06/30/20
	Duane Miller	07/01/14 – 06/30/18
	Christie Robinson	03/14/17 – 06/30/18
Appointive		
Board President	Thomas E. Gilbert	03/14/17 – 06/30/18
Superintendent	Dr. Jeffrey R. Crook	07/01/17 – 06/30/19
Treasurer	Nannetta B. Hartley, CPA	07/01/17 – 06/30/18



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

INDEPENDENT AUDITOR'S REPORT

Honorable Members of the
Marshall County Board of Education
Moundsville, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Marshall County Board of Education (the Board) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Marshall County Board of Education as of June 30, 2018, and the respective change in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 of the financial statements, during the fiscal year ended June 30, 2018, the Marshall County Board of Education adopted the new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7 through 17 and 74 and 75, respectively, the schedule of the district's proportionate share of the net pension liability, schedule of district contributions to Teachers' Retirement System, the schedule of the district's proportionate share of the net OPEB liability, schedule of the district's contributions – retiree health benefit trust fund and notes to required supplementary information on pages 76 through 83 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to

our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County Board of Education's basic financial statements. The schedule of revenues, expenditures, and changes in fund balances – budget and actual – debt service fund, schedule of revenues, expenditures, and changes in fund balances – budget and actual – capital projects fund, notes to other supplementary information, schedule of changes in school activity funds and schedule of excess levy revenues and expenditures are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of revenues, expenditures, and changes in fund balances – budget and actual – debt service fund, schedule of revenues, expenditures, and changes in fund balances – budget and actual – capital projects fund, notes to other supplementary information, schedule of changes in school activity funds, schedule of excess levy revenues and expenditures, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2019, on our consideration of the Marshall County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and

compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Marshall County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County Board of Education's internal control over financial reporting and compliance.


Clarksburg, West Virginia
March 22, 2019

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018**

Our discussion and analysis of the Marshall County Board of Education's financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2018. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$131,488,103 (*net position*) at the close of the most recent fiscal year. Of this amount, \$4,935,904 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position increased by \$7,265,307. The increase was largely due to the increase in the Board's net investment in capital assets. The debt associated with our capital assets decreased dramatically upon the pay offs of both bonds during FY 2018 which increased this line item.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$19,579,338, a decrease of \$2,487,415 in comparison with the prior year. Approximately \$6,900,000 of this total amount is available for spending at the board's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general current expense fund was \$6,912,848 or 12% of total general current expense fund expenditures.
- The Board's total debt decreased by \$12,848,467 during the current fiscal year. The key factor in this decrease was the paying off of the 2 bonds that the Board of Education previously held.

Overview of the Financial Statements

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

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

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

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

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

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

The Board maintains 4 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general current expense fund, the special revenue fund, the debt service fund, and the capital projects fund, all of which are considered major funds.

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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

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

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$131,488,103 at the close of the most recent fiscal year.

- The largest portion of the Board's net position 94% reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Board's net position 2% represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for special projects and debt service.
- The remaining balance of *unrestricted net position* 4% may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

The following summarizes the statement of net position at June 30, 2018 in comparison with June 30, 2017:

	2018 Governmental Activities	2017 Governmental Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 27,416,394	\$ 32,529,525	\$ (5,113,131)
Capital assets	123,870,205	121,742,574	2,127,631
Deferred outflows of resources	4,062,659	2,832,013	1,230,646
Total assets and deferred outflows of resources	\$ 155,349,258	\$ 157,104,112	\$ (1,754,854)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 7,979,906	\$ 23,502,613	\$ (15,522,707)
Long-term liabilities outstanding	1,788,745	1,788,571	174
Deferred inflows of resources	1,758,091	416,376	1,341,715
Net pension liability – proportionate share	7,508,794	7,173,756	335,038
Net other post employment benefit (OPEB) liability – proportionate share	4,825,619	-0-	4,825,619
Total liabilities and deferred inflows of resources	23,861,155	32,881,316	(9,020,161)
Net position:			
Net Investment in Capital Assets	122,081,635	106,959,058	15,122,577
Restricted	4,470,564	12,018,134	(7,547,570)
Unrestricted	4,935,904	5,245,604	(309,700)
Total net position	131,488,103	124,222,796	7,265,307
Total liabilities, deferred inflows of resources, and net position	\$ 155,349,258	\$ 157,104,112	\$ (1,754,854)

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

The key elements of the increase of the Board's net position for the year ended June 30, 2018 are as follows:

- Capital assets increased by \$2,127,631 which represents the completion of the John Marshall High School renovations, excluding the CPA.
- Current and other liabilities decreased by \$15,522,707 which was the result of the payments made to close both the 2007 and 2014 General Obligation Bonds.
- At the end of the current fiscal year, the Board is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.
- Restricted net position decreased by approximately \$7,547,570 during the year ended June 30, 2018. This decrease was due to funds being restricted for the advanced retirement of our 2007 bond in FY 2017 which was paid off in FY 2018.
- The Board's net position increased by \$7,265,307 during the current year. The following discussion and analysis on governmental activities focuses on this increase.

The following summarizes the Statement of Activities for the year ended June 30, 2018 in comparison with the year ended June 30, 2017:

	2018 Governmental Activities	2017 Governmental Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 34,794	\$ 26,139	\$ 8,655
Operating grants and contributions	8,611,505	9,018,557	(407,052)
Capital grants and contributions	211,821	566,287	(354,466)
General revenues:			
Property taxes	55,173,094	60,855,095	(5,682,001)
Unrestricted state aid	17,920,940	13,102,848	4,818,092
Unrestricted investment earnings	185,801	103,478	82,323
Unrestricted grants and contributions	-0-	-0-	-0-
Gain or (loss) on disposal of capital assets	127,112	22,114	104,998
Total revenues	<u>82,265,067</u>	<u>83,694,518</u>	<u>(1,429,451)</u>

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

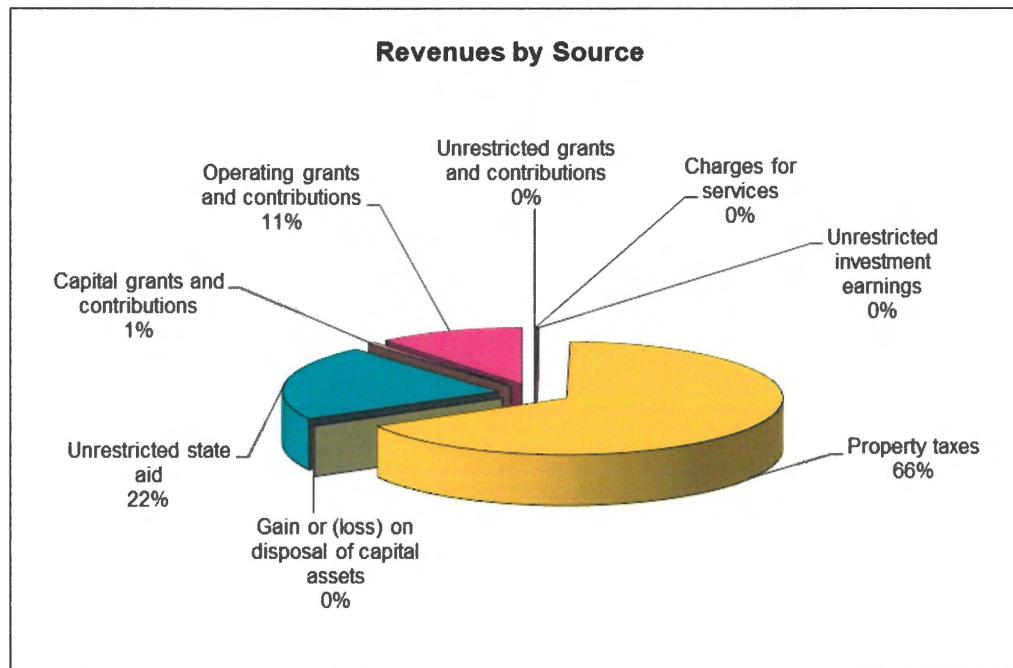
	2018 Governmental Activities	2017 Governmental Activities	Variance
Expenses:			
Instruction	\$ 44,314,824	\$ 39,428,447	\$ 4,886,377
Supporting services:			
Students	3,521,836	3,230,495	291,341
Instructional staff	1,065,821	1,209,729	(143,908)
General administration	2,354,499	2,091,501	262,998
School administration	3,728,479	4,080,396	(351,917)
Central services	1,205,248	1,122,904	82,344
Operation and maintenance of facilities	6,518,043	6,302,230	215,813
Student transportation	5,547,058	6,163,596	(616,538)
Total supporting services	<u>23,940,984</u>	<u>24,200,851</u>	<u>(259,867)</u>
Food services	3,784,870	4,080,691	(295,821)
Community services	96,379	89,920	6,459
Interest on long-term debt	3,484	682,050	(678,566)
Total expenses	<u>72,140,541</u>	<u>68,481,959</u>	<u>3,658,582</u>
Change in net position before transfers	10,124,526	15,212,559	(5,088,033)
Transfers	-0-	-0-	-0-
Change in net position	<u>10,124,526</u>	<u>15,212,559</u>	<u>(5,088,033)</u>
Net position – beginning	124,222,796	109,010,237	15,212,559
Restatement – see notes	<u>(2,859,219)</u>	<u>-0-</u>	<u>(2,859,219)</u>
Net position – ending	<u>\$ 131,488,103</u>	<u>\$ 124,222,796</u>	<u>\$ 7,265,307</u>

The key elements of the changes in the Board's Statement of Activities for the year ended June 30, 2018 are as follows:

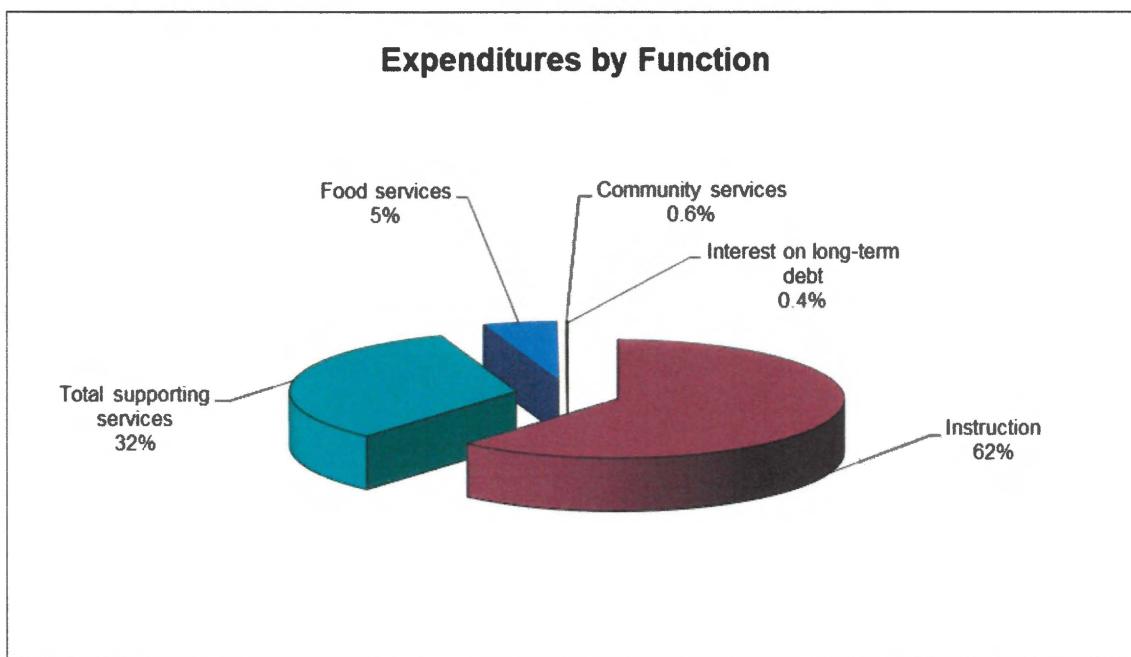
- General revenues from property taxes decreased by approximately \$5,700,000 which was the result of ongoing oil/gas activities within the County – decreased activity for this fiscal year.
- General revenues from unrestricted state aid increased approximately \$4,800,000 due to a decrease in local share.
- Overall expenses increased by approximately \$3,700,000 which was primarily the result of increases in instruction and student transportation.

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

The following chart shows the Board's revenues for fiscal year ended June 30, 2018 by source:



The following chart shows the Board's expenditures for fiscal year ended June 30, 2018 by function:



**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Financial Analysis of the Board's Funds

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

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$19,579,338.

Governmental funds report the differences between their assets, deferred outflows, liabilities, and deferred inflows as fund balance, which is divided into nonspendable, restricted, committed, assigned and unassigned portions. Nonspendable, restricted, committed, and assigned indicate the portion of the Board's fund balances that are not available for appropriation. The unassigned fund balance is available financial resources in governmental funds. The \$6,912,848 fund balance is primarily designated for the following purpose:

- Capital Projects

The Board had 4 major funds for the fiscal year ended June 30, 2018. Those funds are the General Current Expense Fund, Special Revenue Fund, Debt Service Fund, and the Capital Projects Fund.

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$11,681,677 to \$18,077,251 during the fiscal year ended June 30, 2018.

Special Revenue Fund

This is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditures for specific purposes. The fund balance decreased from \$546,377 to \$497,829 during the fiscal year ended June 30, 2018. This decrease of \$48,548 was due primarily to funding within the individual projects.

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Debt Service Fund

This is a separate fund used to account for the accumulated resources, and the payment of, general long-term debt, principal, and interest. The fund balance decreased from \$11,471,757 to \$2,634,190 during the fiscal year ended June 30, 2018. This decrease of \$8,837,567 was due to the Board paying off 2 bonds during FY 2018.

Capital Projects Fund

This is a separate fund used to account for all financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a permanent improvement fund. The fund balance increased from \$(1,633,058) to \$(1,629,932) during the fiscal year ended June 30, 2018. This increase of \$3,126 was due to a decrease in expenditures for the renovations at John Marshall High School.

General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$3,366,900 or 5% in total general fund expenditures. The most significant differences, including the differences between the original and final budget figures, and significant variances between the actual amounts and final budget amounts may be summarized as follows:

- The only variance of some significance was in the Instructional Expense. This is the County's largest expenditure line item in our financial statement and all functions in the County centers around the instruction and education of the children within our County.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$123,870,205 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was 2 percent.

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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

The continued renovation of John Marshall High School

	2018 Governmental Activities	2017 Governmental Activities	Variance
Land	\$ 2,400,774	\$ 2,400,774	-0-
Land improvements	1,138,586	1,015,667	122,919
Buildings and improvements	111,863,633	74,362,961	37,500,672
Furniture and equipment	3,058,942	1,587,531	1,471,411
Vehicles	2,874,347	3,386,554	(512,207)
Construction in process	2,533,923	38,989,087	(36,455,164)
Total capital assets	\$ 123,870,205	\$ 121,742,574	\$ 2,127,631

Long-term debt. At the end of the current fiscal year, the Board had capital lease obligations of \$1,788,570. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2018, the liability for such costs was \$758,891, which is included in the district-wide financial statement of net position.

	2018 Governmental Activities	2017 Governmental Activities	Variance
General obligation bonds	\$ -0-	\$ 12,465,598	(\$12,465,598)
Capital Lease obligations	1,788,570	2,111,429	(\$322,859)
Compensated absences	758,891	612,413	146,478
Bond Premium	-0-	206,489	(\$206,489)
Total debt outstanding	\$ 2,547,461	\$ 15,395,929	(\$12,848,468)

**MARSHALL COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Factors Bearing on the Board's Future

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

Contacting the Board's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Office, 214 Middle Grave Creek Road, Moundsville, WV 26041.

**MARSHALL COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018**

**Governmental
Activities**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Assets

Cash and cash equivalents	\$ 11,377,327
Investments	13,255,165
Taxes receivable, net of allowance for uncollectible taxes	75,188
Deposits with retirement board	7,095
Food service receivable	177,090
Other receivables	231,888
Prepaid workers' compensation	155,553
Due from other governments:	
PEIA allocation receivable	688,044
Reimbursements receivable	1,449,044

Capital Assets

Land	2,400,774
Land improvements	1,653,154
Buildings and improvements	153,660,903
Furniture and equipment	9,659,286
Vehicles	7,570,453
Construction in process	2,533,923
Less accumulated depreciation	<u>(53,608,288)</u>
Total capital assets, net of depreciation	<u>123,870,205</u>

TOTAL ASSETS

151,286,599

Deferred Outflows of Resources

Pension	3,394,403
Other post employment benefit (OPEB)	<u>668,256</u>
Total deferred outflows of resources	<u>4,062,659</u>
Total assets and deferred outflows of resources	<u>155,349,258</u>

**Governmental
Activities**

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND NET POSITION**

Liabilities

Salaries payable and related payroll liabilities	\$ 3,960,203
PEIA premiums payable	961,606
Compensated absences	758,891
Accounts payable	2,299,206
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	322,857
Accrued interest	175
Due beyond one year:	
Bonds, capital leases, and contracts	1,465,713
Net pension liability – proportionate share	7,508,794
Net other post employment benefit (OPEB) liability – proportionate share	<u>4,825,619</u>
Total liabilities	<u>22,103,064</u>

Deferred Inflows of Resources

Pension	615,576
Other post employment benefit (OPEB)	<u>1,142,515</u>
Total deferred inflows of resources	<u>1,758,091</u>
Total liabilities and deferred inflows of resources	<u>23,861,155</u>

Net Position

Net investment in capital assets	122,081,635
Restricted for:	
Debt service	2,634,190
Special projects	1,836,374
Unrestricted	<u>4,935,904</u>
Total net position	<u>\$ 131,488,103</u>

See accompanying notes and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense), Revenue & Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
Governmental Activities:						
Instruction	\$ 44,314,824	\$ 34,794	\$ 5,041,184	\$ -0-	\$ (39,238,846)	
Supporting services:						
Students	3,521,836	-0-	-0-	-0-	(3,521,836)	
Instructional staff	1,065,821	-0-	235,501	-0-	(830,320)	
General administration	2,354,499	-0-	-0-	-0-	(2,354,499)	
School administration	3,728,479	-0-	-0-	-0-	(3,728,479)	
Central services	1,205,248	-0-	209,635	-0-	(995,613)	
Operation and maintenance of facilities	6,518,043	-0-	276,902	89,321	(6,151,820)	
Student transportation	5,547,058	-0-	-0-	122,500	(5,424,558)	
Food services	3,784,870	-0-	2,848,283	-0-	(936,587)	
Community services	96,379	-0-	-0-	-0-	(96,379)	
Interest on long-term debt	3,484	-0-	-0-	-0-	(3,484)	
Total governmental activities	\$ 72,140,541	\$ 34,794	\$ 8,611,505	\$ 211,821	\$ (63,282,421)	
General Revenues:						
Property taxes					55,173,094	
Unrestricted state aid					17,920,940	
Unrestricted investment earnings					185,801	
Gain (loss) on disposal of capital assets					127,112	
Transfers in					8,402,121	
Transfers (out)					(8,402,121)	
Total general revenues and transfers					\$ 73,406,947	
Change in net position					\$ 10,124,526	
Net position – beginning					124,222,796	
Prior period adjustments – (see notes)					(2,859,219)	
Net position – beginning, a restated					\$ 121,363,577	
Net position – ending					\$ 131,488,103	

See accompanying notes and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
BALANCE SHEETS -
GOVERNMENTAL FUNDS
JUNE 30, 2018**

	<u>General</u>						
	<u>Current Expense Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>		<u>Total Governmental Funds</u>	

**ASSETS AND DEFERRED OUTFLOWS
OF RESOURCES**

Assets:

Cash and cash equivalents	\$ 11,377,327	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,377,327
Investments	10,623,989	-0-	2,631,176	-0-	-0-	13,255,165
Taxes receivables, net	72,174	-0-	3,014	-0-	-0-	75,188
Deposit with retirement board	7,095	-0-	-0-	-0-	-0-	7,095
Prepaid expenses	155,553	-0-	-0-	-0-	-0-	155,553
Food service receivable, net	-0-	177,090	-0-	-0-	-0-	177,090
Other receivables	230,763	1,125	-0-	-0-	-0-	231,888
Due from other governments:						
PEIA allocation receivable	688,044	-0-	-0-	-0-	-0-	688,044
Reimbursements receivable	585,828	586,313	-0-	276,903	-0-	1,449,044
Total assets	<u>23,740,773</u>	<u>764,528</u>	<u>2,634,190</u>	<u>276,903</u>	<u>27,416,394</u>	
Deferred Outflows of Resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 23,740,773	\$ 764,528	\$ 2,634,190	\$ 276,903	\$ 27,416,394	

**LIABILITIES, DEFERRED INFLOWS
OF RESOURCES AND FUND BALANCES**

Liabilities

Salaries payable and related payroll liabilities	\$ 3,960,203	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 3,960,203
PEIA premiums payable	961,606	-0-	-0-	-0-	-0-	961,606
Accounts payable and payable to others	532,078	137,195	-0-	1,629,933	-0-	2,299,206
Total liabilities	<u>5,453,887</u>	<u>137,195</u>	<u>-0-</u>	<u>1,629,933</u>	<u>-0-</u>	<u>7,221,015</u>

Deferred Inflows of Resources

Total deferred inflows of resources	<u>209,635</u>	<u>129,504</u>	<u>-0-</u>	<u>276,902</u>	<u>616,041</u>
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Fund Balances

Nonspendable	162,648	-0-	-0-	-0-	-0-	162,648
Restricted	1,338,545	497,829	2,634,190	-0-	-0-	4,470,564
Committed	8,700,000	-0-	-0-	-0-	-0-	8,700,000
Assigned	963,210	-0-	-0-	-0-	-0-	963,210
Unassigned	6,912,848	-0-	-0-	(1,629,932)	-0-	5,282,916
Total fund balances	<u>18,077,251</u>	<u>497,829</u>	<u>2,634,190</u>	<u>(1,629,932)</u>	<u>-0-</u>	<u>19,579,338</u>

**TOTAL LIABILITIES, DEFERRED
INFLOWS OF RESOURCES AND
FUND BALANCES**

	<u>\$ 23,740,773</u>	<u>\$ 764,528</u>	<u>\$ 2,634,190</u>	<u>\$ 276,903</u>	<u>\$ 27,416,394</u>
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**MARSHALL COUNTY BOARD OF EDUCATION
BALANCE SHEETS –
GOVERNMENTAL FUNDS (CONT'D)
JUNE 30, 2018**

<u>Total</u>	
<u>Governmental</u>	
<u>Funds</u>	

Amounts reported for governmental activities in the Statement of Net Position differ due to: Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	\$ 123,870,205
Other deferred charges are not reported in the funds	486,537
Property taxes receivable and food service billings receivable will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore deferred in the funds	129,504
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	3,394,403
Deferred inflows of resources related to pensions	(615,576)
Deferred outflows of resources related to OPEB	668,256
Deferred inflows of resources related to OPEB	(1,142,515)
Some liabilities, including net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the funds	
Accrued interest on bonds	(175)
Capital leases payable	(1,788,570)
Compensated absences	(758,891)
Net pension liability – proportionate share	(7,508,794)
Net OPEB liability – proportionate share	(4,825,619)
Net position of governmental activities	<u>\$ 131,488,103</u>

See accompanying notes and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General</u>					<u>Total</u>
	<u>Current</u>	<u>Special</u>	<u>Debt</u>	<u>Capital</u>		<u>Governmental</u>
	<u>Expense</u>	<u>Revenue</u>	<u>Service</u>	<u>Projects</u>		<u>Funds</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>Funds</u>
Revenues						
Property taxes	\$ 52,598,724	\$ -0-	\$ 2,574,371	\$ -0-	\$ 55,173,095	
Other local sources	511,001	24,325	54,687	-0-	590,013	
State sources	14,740,357	2,548,493	-0-	61,287	17,350,137	
Federal sources	590,222	5,123,831	-0-	-0-	5,714,053	
Total revenues	<u>68,440,304</u>	<u>7,696,649</u>	<u>2,629,058</u>	<u>61,287</u>	<u>78,827,298</u>	
Expenditures						
Instruction	36,382,444	3,251,813	-0-	-0-	39,634,257	
Supporting services:						
Students	3,007,680	320,302	-0-	-0-	3,327,982	
Instructional staff	315,228	673,277	-0-	-0-	988,505	
General administration	1,924,221	-0-	-0-	-0-	1,924,221	
School administration	3,552,621	94,003	-0-	-0-	3,646,624	
Central services	985,013	226,437	-0-	-0-	1,211,450	
Operation and maintenance of facilities	6,755,839	416,756	-0-	-0-	7,172,595	
Student transportation	5,429,994	401,189	-0-	-0-	5,831,183	
Food services	-0-	3,292,697	-0-	-0-	3,292,697	
Community services	77,183	-0-	-0-	-0-	77,183	
Capital outlay	334,766	72,177	-0-	3,937,838	4,344,781	
Debt service:						
Principal retirement	-0-	-0-	12,788,456	-0-	12,788,456	
Interest and fiscal charges	-0-	-0-	305,713	-0-	305,713	
Total expenditures	<u>58,764,989</u>	<u>8,748,651</u>	<u>13,094,169</u>	<u>3,937,838</u>	<u>84,545,647</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>9,675,315</u>	<u>(1,052,002)</u>	<u>(10,465,111)</u>	<u>(3,876,551)</u>	<u>(5,718,349)</u>	
Other Financing Sources (Uses)						
Proceeds from disposal of real or personal property	325,848	-0-	-0-	-0-	325,848	
Transfers in	1,085,463	1,067,218	1,627,544	4,621,896	8,402,121	
Transfers (out)	(7,596,138)	(63,764)	-0-	(742,219)	(8,402,121)	
Total other financing sources (uses)	<u>(6,184,827)</u>	<u>1,003,454</u>	<u>1,627,544</u>	<u>3,879,677</u>	<u>325,848</u>	
Net change in fund balances	<u>3,490,488</u>	<u>(48,548)</u>	<u>(8,837,567)</u>	<u>3,126</u>	<u>(5,392,501)</u>	
Fund balances – beginning	11,681,677	546,377	11,471,757	(1,633,058)	22,066,753	
Prior period adjustments	2,905,086	-0-	-0-	-0-	2,905,086	
Fund balances – beginning, as restated	<u>14,586,763</u>	<u>546,377</u>	<u>11,471,757</u>	<u>(1,633,058)</u>	<u>24,971,839</u>	
Fund balances – ending	<u>\$ 18,077,251</u>	<u>\$ 497,829</u>	<u>\$ 2,634,190</u>	<u>\$ (1,629,932)</u>	<u>\$ 19,579,338</u>	

See accompanying notes and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Net change in fund balances – total governmental funds \$ (5,392,501)

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

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

Depreciation expense	(3,788,692)
Capital outlays	44,938,237

Certain receivables will be collected this year but are not available soon enough to pay for the current period's expenditures. This is the amount by which such receivables increased (decreased).

Property taxes receivables	-0-
Operating grants and contributions	(47,390)

A portion of the change in fund balances is the current year amortization of the premium on general obligation bonds. The current year amortization of the premium is a reduction of interest expense rather than revenue for the purpose of this statement. 206,489

The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on the net position. 12,788,457

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

Cost of assets disposed	(39,654,737)
Accumulated depreciation of assets disposed	632,823

Compensated absences are reported as liabilities in the Statement of Net Position, but are only reported in governmental funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased.

Accrued vacation payable	(146,478)
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**MARSHALL COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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

\$ 95,739

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

District pension contributions	1,008,390
Cost of benefits earned net of employee contributions	(980,238)

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

District OPEB contributions	-0-
Cost of benefits earned net of employee contributions	<u>464,427</u>

Change in net position of governmental activities	<u>\$ 10,124,526</u>
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See accompanying notes and independent auditor's report.

MARSHALL COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
JUNE 30, 2018

	<u>Agency Funds</u>	<u>School Activity</u>	<u>Funds</u>
Assets			
Cash and cash equivalents	\$ 1,117,560		
TOTAL ASSETS	\$ 1,117,560		
Liabilities			
Due to other funds	\$ 1,117,560		
TOTAL LIABILITIES	\$ 1,117,560		

See accompanying notes and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

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 Marshall 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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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:

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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2018**

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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2018**

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:

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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2018 consisted of the following:

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
State Investment Pool	\$ 10,623,989	\$ 10,623,989	\$ 10,623,989
Municipal Bond Commission	2,631,176	2,631,176	2,631,176
Deposits with financial institutions –			
Individual Schools	1,117,560	1,117,560	1,125,614
Deposits with financial institutions –			
Board of Education	<u>11,377,327</u>	<u>11,377,327</u>	<u>11,748,158</u>
Total cash and investments	\$ <u>25,750,052</u>	\$ <u>25,750,052</u>	\$ <u>26,128,937</u>

The School Board had no fixed-term investments at June 30, 2018.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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.

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, 2018, 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 obligations or obligations guaranteed as to repayment of interest and principal by the United States of America.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

At June 30, 2018, the WV Government Money Market Pool investments had a total carrying value of \$212,304,000 of which the School Board's ownership represents 5%.

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:

<u>Security Type</u>	<u>2018</u>	
	<u>Carrying Value</u> <u>(in thousands)</u>	<u>WAM</u> <u>(days)</u>
U.S. Treasury notes	\$ 10,973	76
U.S. Treasury bills	23,950	43
U.S. Agency bonds and notes	52,300	17
U.S. Agency discount notes	76,734	20
Repurchase agreement	48,100	3
Money Market funds	247	3
	<u>\$ 212,304</u>	<u>21</u>

Other Investment Risks - Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk.

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.

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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. WV Government Money Market Pool does not 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 \$6,815 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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

H. 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.

I. 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 extend assets' lives are not capitalized.

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

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

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

J. 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. The Board's deferred outflows for the government wide financials include the Board's current year retirement contributions for pension expense and other post-employment benefits (OPEB) that will impact future reporting periods.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

K. 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 11 for further discussion.

L. 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 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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 12 for further discussion.

M. 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.

N. Deferred Inflow of Resources:

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

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

E-rate receivable, SBA receivable, and Child Nutrition receivable combined for a total deferred inflow at year-end of \$616,041.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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Additionally, deferred inflows for the government wide financials include the proportionate share of the Board's net difference between projected and actual investment earnings and the differences between the employer contributions and proportionate share of contributions.

O. Net Position:

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

- **Net investment in capital assets** – This represents the School Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested capital assets, net of related debt.
- **Restricted net position, expendable** – This includes resources in which the School Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** – This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the School Board, and may be used at the discretion of the School Board to meet current expenses for any lawful purpose.

P. 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:

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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- 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, 2018. 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.

Q. 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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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R. 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.

S. 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.

T. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has 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. See Note 2 for a discussion of the effect and additional disclosure at Note 12.

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 adoption of GASB Statement No. 81 had no impact on the June 30, 2018 financial statements.

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**MARSHALL COUNTY BOARD OF EDUCATION
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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 adoption of GASB Statement No. 82 had no impact on the June 30, 2018 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of GASB Statement No. 86 had no impact on the June 30, 2018 financial statements.

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U. Recent Statements Issued by the GASB:

The Governmental Accounting Standards Board has also issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The objective of this Statement is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure asset retirement obligations (AROs), including obligations that may not have been previously reported. This statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The School Board has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The School Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. This Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The School Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

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The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School Board has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

Note 2 - Changes in Accounting Principles:

Effective July 1, 2017, the School Board adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement addresses accounting and financial reporting for other post-employment benefits (OPEB) provided to School Board employees who participate in the State OPEB plan. The Statement also requires various note disclosures (Note 12) and required supplementary information. As a result, beginning net position has been restated as follows:

	<u>Governmental Activities</u>
Beginning net position as previously reported at June 30, 2017	\$ 124,222,796
Prior period adjustment – Implementation of GASB 75	
Removal of PY GASB 45 OPEB liability	2,905,086
Beginning net OPEB liability	(6,205,248)
Deferred outflows of resources – 2017 OPEB contributions	<u>440,943</u>
Total prior period adjustment	<u>(2,859,219)</u>
Net position as restated, July 1, 2017	<u>\$ 121,363,577</u>

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Note 3 - Stewardship, Compliance and Accountability:

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

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2018:

<u>Fund</u>	<u>Amount</u>
Special Revenue Fund	\$ 48,548
Debt Service Fund	8,837,567

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

The following funds have a deficit fund balance at June 30, 2018:

<u>Fund</u>	<u>Amount</u>
Capital Projects Fund	\$(1,629,932)

The Capital Projects Fund had a deficit due to expenditures for the renovations at John Marshall High School. Funds from the General Fund had not yet been transferred to this Fund to offset the deficit.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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Note 4 - Risk Management:

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

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

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.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
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Workers Compensation Fund (WCF): Brickstreet Insurance Company provides workers' compensation coverage to Marshall County Board of Education. The cost of all coverage, as determined by Brickstreet Company, is paid by the School Board.

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

Note 5 - Property Taxes:

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

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

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

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

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

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

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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, 2018 were:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Bond Purposes</u>
Class I	\$ -0-	19.40¢	20.20¢	1.90¢
Class II	\$ 486,742,303	38.80¢	40.40¢	3.80¢
Class III	\$ 2,852,804,820	77.60¢	80.80¢	7.60¢
Class IV	\$ 348,509,008	77.60¢	80.80¢	7.60¢

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.

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**MARSHALL COUNTY BOARD OF EDUCATION
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Taxes Receivable

Taxes receivable as of June 30, 2018 for the School Board's funds are as follows:

	<u>General Current Expense Fund</u>	<u>Debt Service Fund</u>
Taxes receivable	\$ 898,500	\$ 44,812
Less: allowances for uncollectible	(826,326)	(41,798)
 Taxes receivable, net	 <u>\$ 72,174</u>	 <u>\$ 3,014</u>

Note 6 - Excess Levy:

The School Board had an excess levy in effect during the fiscal year ended June 30, 2018. The levy was authorized by the voters of the county at an election held on December 15, 2012 for the fiscal years ended June 30, 2014 through June 30, 2018 to provide funds for the following purposes:

- | | |
|---|------------|
| a) To provide for the purchase of instructional equipment, teaching supplies, textbooks and library books | \$ 550,000 |
| b) To improve access to technology through the purchase of hardware software, infrastructure, repair and training, and tech support personnel | 400,000 |
| c) To provide special education services for identified students | 400,000 |
| d) To provide maintenance on equipment and buildings | 400,000 |
| e) To provide vehicle maintenance and fuel | 100,000 |
| f) To assist in providing library services through the County Library | 95,000 |
| g) To provide a contract with the Marshall County Health Department for health services to students | 60,000 |
| h) To provide support to the Marshall County 4-H through WVU Extension | 70,000 |
| i) To provide free breakfast to all students | 200,000 |
| j) To provide vocational supplies and equipment | 100,000 |
| k) To provide classroom furniture | 57,700 |
| l) To provide music and band equipment | 50,000 |

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

m) To provide financing for John Marshall High School renovations	\$ 1,300,000
n) To provide professional training outside the county	30,000
o) To provide toward employee salaries/benefits:	
1) Local county salary supplement, substitute costs, and fixed charges	11,337,099
2) To provide Academic Intervention Specialists and Academic Coaches	300,000
3) To provide for extra duty salary supplements:	
Curricular positions	170,000
Athletic positions	400,000
4) Extended employment for summer maintenance	100,000
5) To provide for dental and optical plans	650,000

If for any reason all of the funds herein above allocated for any one of the above enumerated purposes is not used for such purpose in any of the such five (5) fiscal years, the unused portion of such funds may be allocated by the Board of Education of the County of Marshall, in its discretion and expended for any one of the remaining purposes.

A total of \$27,386,069 was received by the School Board from the excess levy during the fiscal year ended June 30, 2018.

Note 7 - Tax Abatement:

During the fiscal year ended June 30, 2018, the School Board's property tax revenues were reduced by approximately \$800,000 pursuant to 24 CFR 905.108 and 24 CFR 990.190 of The Housing Act of 1937. Under the agreement, payments in lieu of taxes (PILOTs) are remitted to the City of Moundsville by the Moundsville Housing Authority. The City is then required to remit the PILOT to the Marshall County Board of Education. The School Board received \$36,213 for its share of PILOT collections during the fiscal year ended June 30, 2018.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Note 8 - Capital Assets:

Capital asset balances and activity for the year ended June 30, 2018, is as follows:

	<u>Beginning Balance</u>	<u>Restatement</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, non-depreciable:					
Land	\$ 2,400,774	\$ -0-	\$ -0-	\$ -0-	\$ 2,400,774
Construction in process	<u>38,989,087</u>	<u>-0-</u>	<u>2,533,923</u>	<u>(38,989,087)</u>	<u>2,533,923</u>
Total non-depreciable capital assets	<u>41,389,861</u>	<u>-0-</u>	<u>2,533,923</u>	<u>(38,989,087)</u>	<u>4,934,697</u>
Capital assets, depreciable:					
Land improvements	1,446,951	-0-	206,203	-0-	1,653,154
Buildings and improvements	113,300,598	-0-	40,360,305	-0-	153,660,903
Furniture and equipment	8,504,100	-0-	1,192,261	(37,075)	9,659,286
Vehicles	<u>7,553,483</u>	<u>-0-</u>	<u>645,545</u>	<u>(628,575)</u>	<u>7,570,453</u>
Total depreciable capital assets	<u>130,805,132</u>	<u>-0-</u>	<u>42,404,314</u>	<u>(665,650)</u>	<u>172,543,796</u>
Less accumulated depreciation for:					
Land improvements	(431,284)	-0-	(83,284)	-0-	(514,568)
Buildings and improvements	(38,937,637)	-0-	(2,859,633)	-0-	(41,797,270)
Furniture and equipment	(6,916,568)	-0-	(312,351)	628,575	(6,600,344)
Vehicles	<u>(4,166,930)</u>	<u>-0-</u>	<u>(533,424)</u>	<u>4,248</u>	<u>(4,696,106)</u>
Total accumulated depreciation	<u>(50,452,419)</u>	<u>-0-</u>	<u>(3,788,692)</u>	<u>632,823</u>	<u>(53,608,288)</u>
Total depreciable capital assets, net	<u>80,352,713</u>	<u>-0-</u>	<u>38,615,622</u>	<u>(32,827)</u>	<u>118,935,508</u>
Total capital assets, net	<u>\$ 121,742,574</u>	<u>\$ -0-</u>	<u>\$ 41,149,545</u>	<u>\$ (39,021,914)</u>	<u>\$ 123,870,205</u>

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2018**

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

Instruction	\$ 2,462,650
Supporting Services:	
Central administration	378,869
Operation and maintenance of facilities	378,869
Transportation	378,869
Food services	<u>189,435</u>
Total depreciation expense – governmental activities	<u>\$ 3,788,692</u>

Note 9 - Long-term Debt:

Long-term liability activity for the year ended June 30, 2018 is as follows:

	<u>Balance</u>				<u>Balance</u>			
	<u>Beginning</u>				<u>End of Year</u>			
	<u>of Year</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deductions</u>	<u>of Year</u>	<u>within one year</u>		<u>Amounts due</u>
General obligation debt	\$ 12,465,598	\$ -0-	\$ -0-	\$ 12,465,598	\$ -0-	\$ -0-		\$ -0-
Capital lease payable	2,111,429	-0-	-0-	322,859	1,788,570	322,857		1,465,713
Compensated absences	612,413	-0-	146,478	-0-	758,891	-0-		758,891
Bond premium payable	206,489	-0-	-0-	206,489	-0-	-0-		-0-
Long-term liabilities	<u>\$ 15,395,929</u>	<u>\$ -0-</u>	<u>\$ 146,478</u>	<u>\$ 12,994,946</u>	<u>\$ 2,547,461</u>	<u>\$ 322,857</u>		<u>\$ 2,224,604</u>

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Note 10 - 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.

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 various equipment and those assets are leased for a period of ten years beginning September 2010 and June 30, 2015. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

The following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments as of June 30, 2018 for the School Board's capital lease:

<u>Year</u>	
2019	\$ 185,373
2020	<u>185,373</u>
Total minimum lease payments	370,746
Less: Amount representing interest	<u>10,746</u>
Present value of minimum lease payments	\$ <u>360,000</u>

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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 Cameron High School and John Marshall High School. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for lease payments for the next fiscal year is not available.

<u>Year</u>	
2019	\$ 142,857
2020	142,857
2021	142,857
2022	142,857
2023	142,857
Thereafter	<u>714,285</u>
Total minimum lease payments	1,428,570
Less: Amount representing interest	<u>-0-</u>
Present value of minimum lease payments	\$ <u>1,428,570</u>

Note 11 - 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, 2018, the School Board's total payroll for all employees was \$34,825,946 and the payroll was \$33,144,836 for employees covered by the two retirement programs.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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, 2016, 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, 2016, 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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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.

Total payments reflected in the Board's financial statements to the defined benefit plan for the year ended June 30, 2018 were:

Employees' contributions (6%)	\$ 1,949,875
Employer's contributions (15% or 7.5%)	<u>2,621,306</u>
Total contributions	<u>\$ 4,571,181</u>

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

At June 30, 2018, 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	\$ 7,508,794
State's proportionate share of the net pension liability associated with the School Board.	<u>115,446,339</u>
Total portion of net pension liability associated with the School Board	<u>\$ 122,955,133</u>

The TRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of July 1, 2016 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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

For the year ended June 30, 2018, the School Board recognized pension expense of \$11,692,364 and for support provided by the State, revenue of \$10,657,511. At June 30, 2018, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -0-	\$ 236,021
Differences between expected and actual experience	65,282	133,762
Changes in proportion and differences between School Board contributions and proportionate share of contributions	2,038,652	245,793
Changes in assumptions	282,079	-0-
District contributions subsequent to the measurement date	<u>1,008,390</u>	<u>-0-</u>
Total	<u>\$ 3,394,403</u>	<u>\$ 615,576</u>

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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2019	\$ 257,566
2020	516,919
2021	527,660
2022	234,825
2023	233,467
Thereafter	<u>-0-</u>
Total	<u>\$ 1,770,437</u>

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the July 1, 2016 valuation, with update procedures used to roll forward the total pension liability to June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. 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 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.
Investment Rate of Return:	7.5%, net of pension plan investment expense, including inflation.
Mortality:	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.
Discount Rate:	7.5%

Investment Asset Allocation:

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

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	<u>10.0%</u>	4.7%
Total	<u>100.0%</u>	

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.

	<u>1% Decrease</u> <u>(6.5%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(7.5%)</u>	<u>1% Increase</u> <u>(8.5%)</u>
School Board's proportionate share of the TRS net pension liability	\$ <u>9,885,654</u>	\$ <u>7,508,794</u>	\$ <u>5,477,926</u>

Payables to the Pension Plan:

At June 30, 2017, the School Board reported a liability of \$0 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.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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 were 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, Western Asset Core Plus Bond A, TIAA-CREF High-Yield Inst, Vanguard Inter-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, 2017, this plan had approximately \$470.9 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

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 the fiscal year ended June 30, 2018 were:

Employees' contributions (4.5%)	\$ 29,258
Employer's contributions (7.5%)	<u>48,764</u>
Total contributions	\$ <u>78,022</u>

Note 12 - Post-Employment Benefits Other Than Pension:

General Information

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 West Virginia Public Employees Insurance Agency (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 Finance Board, and required the board to have an actuarial valuation conducted at least biannually.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

All retired employees are eligible to obtain health insurance coverage through PEIA with the retired employee's premium contribution established by the PEIA Finance Board. The PEIA 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.

Plan Description

The West Virginia Other Postemployment Benefit Plan (the Plan) is a cost sharing, multiple employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code §5-16D-2. The financial activities of the Plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia, established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of PEIA and RHBT staff. The Plan administers and provides medical and prescription drug benefits to certain retired members receiving pension benefits under the PERS, TRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A or Troopers Plan B pension systems, as administered by the CPRB.

The Plan sponsor provides a capped pay-as-you-go subsidy to each covered retired member, as well as a fully insured retiree life insurance program.

Retiree contributions are set each year by the RHBT and approved by the PEIA Finance Board. Increases to retiree contributions may reflect healthcare inflation, claim experience, and premium increases above the plan sponsor capped pay-as-you-go subsidy. Retiree contributions depend on date of hire and years of service at retirement. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy. Members hired before July 1, 2010, pay retiree healthcare contributions that are reduced by a sponsor subsidy which depends on the member's years of service at retirement.

Details regarding this plan and a copy of the RHBT financial report can be obtained by contacting Public Employees Insurance Agency, 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

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**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Benefits provided:

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.

Contributions:

WVC §5-16D-3 states that contribution requirements of the members and the participating employers are set each year by the RHBT and approved by the PEIA Finance Board. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. The paygo rates for June 30, 2017 and 2016, respectively, were:

	2017		2016
	<u>July 2016 to</u> <u>December 2016</u>	<u>January 2017 to</u> <u>June 2017</u>	
Paygo premium	\$ <u>196</u>	\$ <u>135</u>	\$ <u>163</u>

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Contributions to the OPEB plan from the School Board were \$1,466,514 for the year end June 30, 2018. Employees are not required to contribute to the OPEB plan.

The State of West Virginia (the State) is a nonemployer contributing entity that provides funding through Senate Bill 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. This special funding under the school aid formula subsidizes employer contributions of the county boards of education and contributes to the overall unfunded OPEB liability.

The State is a nonemployer contributing entity that provides funding through Senate Bill 419, effective July 1, 2012 and amended by West Virginia Code §11-21-96. For fiscal years beginning on and after July 1, 2016, this Senate Bill and corresponding State Code section requires that an annual amount of \$30 million from the State shall be dedicated for payment of the unfunded liability of the RHBT fund. The \$30 million annual contribution is to continue through July 1, 2037, or until the unfunded liability has been eliminated, whichever comes first.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 Million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2018, the School Board reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the School Board were as follows:

School Board's proportionate share of the net OPEB liability	\$ 4,825,619
State's proportionate share of the net OPEB liability associated with the School Board.	<u>22,568,911</u>
Total portion of net OPEB liability associated with the School Board	<u>\$ 27,394,530</u>

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to the measurement date. The School Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date.

For the year ended June 30, 2017, the School Board's proportion was .20 percent, which was a decrease of .05 percent from its proportion measured as of June 30, 2016 (.25 percent).

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$2,497,814 and for support provided by the State, revenue of \$2,332,809. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ -0-	\$ 77,020
Differences between expected and actual experience	-0-	16,159
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-0-	1,049,336
School Board contributions subsequent to the measurement date	<u>668,256</u>	<u>-0-</u>
Total	\$ <u>668,256</u>	\$ <u>1,142,515</u>

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

School Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

<u>Years ending June 30.</u>	
2019	\$ (306,141)
2020	(306,141)
2021	(306,141)
2022	(<u>224,092</u>)
Total	<u>\$ (1,142,515)</u>

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions. These assumptions were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 and apply to all periods included in the measurement, unless otherwise specified.

Inflation:	2.75%
Salary Increases:	Dependent upon pension system. Ranging from 3.0% to 6.5% including inflation
Investment Rate of Return:	7.15%, net of OPEB plan investment expense, including inflation
Mortality:	Post-Retirement: RP – 2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis
Discount Rate:	7.15%
Healthcare Cost Trend Rates:	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Investment Asset Allocation:

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Those 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 percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following tables:

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	27.5%
International Equity	27.5%
Fixed Income	15.0%
Real Estate	10.0%
Private Equity	10.0%
Hedge Funds	<u>10.0%</u>
Total	<u>100.0%</u>

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

The discount rate used to measure the total OPEB liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The following table presents the School Board's proportionate share of its net OPEB liability calculated using the discount rate of 7.15 percent and the impact of using a discount rate that is 1% higher or lower than the current rate.

	<u>Current</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>(6.15%)</u>	<u>(7.15%)</u>	<u>(8.15%)</u>
School Board's proportionate share of the RHBT net OPEB liability	\$ <u>5,618,880</u>	\$ <u>4,825,619</u>	\$ <u>4,166,198</u>

Healthcare Cost Trend Rate:

The following table presents the School Board's proportionate share of its net OPEB liability calculated using the healthcare cost trend rate that is 1% higher or lower than the current rate.

	<u>Current</u>		
	<u>Healthcare Cost</u>		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
School Board's proportionate share of the RHBT net OPEB liability	\$ <u>4,053,589</u>	\$ <u>4,825,619</u>	\$ <u>5,769,855</u>

Payables to the OPEB Plan:

At June 30, 2018, the School Board reported a liability of \$0 for its unpaid legally required contributions to the OPEB 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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Other Post-Employment Benefits – Dental and Vision Insurance:

The Board provides Dental and Vision insurance to eligible employees. Upon retirement, the Marshall County Board of Education covers all retirees free for 3 months. After this 3 month period, the cost is \$40/month for family coverage and \$25/month for single coverage.

At June 30, 2018, the Board recognized OPEB expense of \$14,896 related to the Dental and Vision Insurance.

Note 13 - 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 14 - Restatement of Beginning Fund Balance:

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

	<u>General Current Expense Fund</u>
Fund balance at June 30, 2017, as previously stated	\$ 11,681,677
Total Adjustments (See Below)	<u>2,905,086</u>
Fund balance at June 30, 2017, Restated	<u>\$ 14,586,763</u>

The adjustments consisted of the following:

General Current Expense Fund:

To remove the OPEB payable that was recorded in accordance with GASB 45 so that the Net OPEB liability can then be booked on the District-Wide Statements.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Note 15 - Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2018 are as follows:

<u>Fund Balances</u>	<u>General</u>						<u>Total</u>
	<u>Current</u>	<u>Special</u>	<u>Debt</u>	<u>Capital</u>			<u>Governmental</u>
	<u>Expense</u>	<u>Revenue</u>	<u>Service</u>	<u>Projects</u>			<u>Funds</u>
Nonspendable:							
Prepaid items	\$ 162,648	\$ -0-	\$ -0-	\$ -0-			\$ 162,648
Restricted for:							
Special projects	1,338,545	497,829	-0-	-0-			1,836,374
Debt service	-0-	-0-	2,634,190	-0-			2,634,190
Committed to:							
Capital projects	8,700,000	-0-	-0-	-0-			8,700,000
Assigned to:							
Encumbrances	493,697	-0-	-0-	-0-			493,697
Individual schools	469,513	-0-	-0-	-0-			469,513
Unassigned	<u>6,912,848</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,629,932)</u>			<u>5,282,916</u>
Total fund balances	<u>\$ 18,077,251</u>	<u>\$ 497,829</u>	<u>\$ 2,634,190</u>	<u>\$ (1,629,932)</u>			<u>\$ 19,579,338</u>

Note 16 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$2,524,051 as of June 30, 2018 in the following funds:

General Current Expense Fund	\$ 493,697
Special Revenue Fund	496,817
Capital Projects Fund	1,533,537

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

Subsequent to June 30, 2018, the following additional commitments for construction and other capital improvements have been entered into:

John Marshall High School Athletic Complex, Child Nutrition Building, JMHS Center of Performing Arts	\$ <u>8,700,000</u>
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See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2018**

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 for services provided during the fiscal year ended June 30, 2018 has been recognized in accordance with the fee-for-service billings because there is insufficient data to estimate the cost settlement amounts. The interim cost settlement for the fiscal year ended June 30, 2017 was received by the School Board during August 2018. As such, Medicaid revenue has been adjusted accordingly within the accompanying financial statements. The interim cost settlement for the fiscal year ended June 30, 2018 will not be available until spring or summer of 2019. 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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Note 17 - Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2018 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	
General Current Expense Fund	General Current Expense Fund - Projects	\$ 2,412
General Current Expense Fund	Debt Service Fund	1,627,544
General Current Expense Fund	Capital Projects Fund	4,621,896
General Current Expense Fund	Special Projects Fund	1,067,218
Special Projects Fund	General Current Expense Fund	63,764
Capital Projects Fund	General Current Expense Fund	742,219

During fiscal year ended June 30, 2018 there were transfers from the General Current Expense Fund to a project in the General Current Expense Fund for \$2,412; to the Debt Service Fund for \$1,627,544 to cover the principal and interest payments on our debt; to the Capital Project Fund for \$4,621,896 to cover the renovations at John Marshall High School and the John Marshall Athletic Complex; and to the Special Revenue Fund for \$1,067,218 to cover the local expense for child nutrition program.

There was a transfer from the Special Projects Fund to the General Fund for \$63,764 to cover the calculated indirect costs for the various projects in the Special Project Fund. There was a transfer from the Capital Projects Fund to the General Fund for \$742,219 for various capital projects completed in the Capital Projects Fund.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

Note 18 - Major Source 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.

Note 19 - Payments on Behalf:

The Board may receive commitments or payments made by the State or an intermediate governmental jurisdiction for the benefit of the Board or contributions of equipment or supplies. Such revenue includes the payment to a pension fund by the State or an intermediate unit on behalf of the Board's employees for services rendered to the Board. The revenues recorded as payments on behalf of the Board are as follows:

Retirement allocation by the State	\$ 1,677,929
Unfunded retirement liability allocation by the State	7,346,453
Other post employment benefit amount	798,258
PEIA allocations from the State	3,193,041
Technology allocations	143,987
Donated foods	218,282

Note 20 - Evaluation of Subsequent Events:

The Board of Education's management has evaluated subsequent events through March 22, 2019, the date the financial statements were available to be issued.

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

**MARSHALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL -
GENERAL CURRENT EXPENSE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		<u>Actual</u> <u>GAAP</u> <u>Basis</u>	<u>Adjustments</u> for <u>Regulatory</u> <u>Basis</u>	<u>Actual</u> <u>Regulatory</u> <u>Basis</u>	<u>Variance</u> with <u>Final</u> <u>Budget</u>
	Original	Final				
			<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>	<u>Amounts</u>
Revenues						
Property taxes	\$ 51,934,300	\$ 51,934,300	\$ 52,598,724	\$ -0-	\$ 52,598,724	\$ 664,424
Other local sources	98,800	423,561	511,001	-0-	511,001	87,440
State sources	13,756,937	14,615,313	14,740,357	-0-	14,740,357	125,044
Federal sources	300,000	-0-	590,222	-0-	590,222	590,222
Miscellaneous sources	-0-	800	-0-	-0-	-0-	(800)
Total revenues	<u>66,090,037</u>	<u>66,973,974</u>	<u>68,440,304</u>	<u>-0-</u>	<u>68,440,304</u>	<u>1,466,330</u>
Expenditures						
Instruction	35,129,337	37,230,203	36,382,444	-0-	36,382,444	847,759
Supporting services:						
Students	2,594,100	2,794,750	3,007,680	-0-	3,007,680	(212,930)
Instructional staff	317,700	425,964	315,228	-0-	315,228	110,736
General administration	1,659,100	2,385,904	1,924,221	-0-	1,924,221	461,683
School administration	4,053,900	4,053,900	3,552,621	-0-	3,552,621	501,279
Central services	902,600	903,275	985,013	-0-	985,013	(81,738)
Operation and maintenance of facilities	7,168,000	7,796,060	6,755,839	-0-	6,755,839	1,040,221
Student transportation	5,691,800	5,735,095	5,429,994	-0-	5,429,994	305,101
Contingency	7,142,000	6,333,777	-0-	-0-	-0-	6,333,777
Food services	-0-	50	-0-	-0-	-0-	50
Community services	78,700	78,700	77,183		77,183	1,517
Capital outlay	<u>330,000</u>	<u>696,459</u>	<u>334,766</u>	<u>-0-</u>	<u>334,766</u>	<u>361,693</u>
Total expenditures	<u>65,067,237</u>	<u>68,434,137</u>	<u>58,764,989</u>	<u>-0-</u>	<u>58,764,989</u>	<u>9,669,148</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,022,800</u>	<u>(1,460,163)</u>	<u>9,675,315</u>	<u>-0-</u>	<u>9,675,315</u>	<u>11,135,478</u>
Other Financing Sources (Uses)						
Proceeds from disposal of real or personal property	-0-	-0-	325,848	-0-	325,848	325,848
Transfers in	-0-	-0-	1,085,463	-0-	1,085,463	1,085,463
Transfers (out)	(6,022,800)	(8,460,840)	(7,596,138)	-0-	(7,596,138)	864,702
Total other financing sources (uses)	(6,022,800)	(8,460,840)	(6,184,827)	-0-	(6,184,827)	2,276,013
Change in fund balances	(5,000,000)	(9,921,003)	3,490,488	-0-	3,490,488	13,411,491
Fund balances – beginning, as restated	<u>5,000,000</u>	<u>9,921,003</u>	<u>14,586,763</u>	<u>-0-</u>	<u>14,586,763</u>	<u>4,665,760</u>
Fund balances – ending	\$ <u> -0-</u>	\$ <u> -0-</u>	\$ <u>18,077,251</u>	\$ <u>-0-</u>	\$ <u>18,077,251</u>	\$ <u>18,077,251</u>

See accompanying notes to required supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		<u>Actual GAAP Basis</u>	<u>Adjustments for Regulatory Basis</u>	<u>Actual Regulatory Basis</u>	<u>Variance with Final Budget</u>
	<u>Regulatory Basis</u>	<u>Original</u>				
	<u>Final</u>					
Revenues						
Local sources	\$ -0-	\$ -0-	\$ 24,325	\$ -0-	\$ 24,325	\$ 24,325
State sources	1,684,107	2,086,091	2,548,493	-0-	2,548,493	462,402
Federal sources	4,836,200	5,119,284	5,123,831	-0-	5,123,831	4,547
Total revenues	6,520,307	7,205,375	7,696,649	-0-	7,696,649	491,274
Expenditures						
Instruction	1,624,500	4,782,280	3,251,813	-0-	3,251,813	1,530,467
Supporting services:						
Students	50,800	462,800	320,302	-0-	320,302	142,498
Instructional staff	291,100	709,919	673,277	-0-	673,277	36,642
General administration	-0-	13,144	-0-	-0-	-0-	13,144
School administration	100,500	94,003	94,003	-0-	94,003	-0-
Central services	217,000	260,919	226,437	-0-	226,437	34,482
Operation and maintenance of facilities	-0-	1,067	416,756	-0-	416,756	(415,689)
Student transportation	-0-	408,289	401,189	-0-	401,189	7,100
Contingency	2,866,016	152,787	-0-	-0-	-0-	152,787
Food services	3,738,800	3,875,678	3,292,697	-0-	3,292,697	582,981
Capital outlay	-0-	53,270	72,177	-0-	72,177	(18,907)
Total expenditures	8,888,716	10,814,156	8,748,651	-0-	8,748,651	2,065,505
Excess (deficiency) of revenues over (under) expenditures	(2,368,409)	(3,608,781)	(1,052,002)	-0-	(1,052,002)	2,556,779
Other Financing Sources (Uses)						
Transfers in	2,368,409	3,235,481	1,067,218	-0-	1,067,218	(2,168,263)
Transfers (out)	-0-	(44,395)	(63,764)	-0-	(63,764)	(19,369)
Total other financing sources (uses)	2,368,409	3,191,086	1,003,454	-0-	1,003,454	(2,187,632)
Change in fund balances	-0-	(417,695)	(48,548)	-0-	(48,548)	369,147
Fund balances – beginning	-0-	417,695	546,377	-0-	546,377	128,682
Fund balances – ending	\$ -0-	\$ -0-	\$ 497,829	\$ -0-	\$ 497,829	\$ 497,829

See accompanying notes to required supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE MEASUREMENT PERIOD ENDED JUNE 30, 2017
FOR THE YEAR ENDED JUNE 30, 2018**

	2017	2016	2015	2014
District's proportion of the net pension liability (asset)	0.217333%	0.174551%	0.151781%	0.149731%
District's proportionate share of the net pension liability (asset)	\$ 7,508,794	\$ 7,173,756	\$ 5,259,597	\$ 5,165,871
State's proportionate share of the net pension liability (asset) associated with the district	<u>115,446,339</u>	<u>99,533,478</u>	<u>91,404,878</u>	<u>98,018,065</u>
Total	<u>\$ 122,955,133</u>	<u>\$ 106,707,234</u>	<u>\$ 96,664,475</u>	<u>\$ 103,183,936</u>
District's covered – employee payroll	\$ 31,433,032	\$ 30,701,860	\$ 29,978,965	\$ 29,569,106
District's proportionate share of the net pension liability (asset) as a percentage of its covered – employee payroll	23.888%	23.366%	17.544%	17.471%
Plan fiduciary net position as a percentage of the total pension liability	67.85%	61.42%	66.25%	65.95%

Data prior to 2014 is unavailable.

See accompanying notes to required supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2018**

	2018	2017	2016	2015
Contractually required contribution	\$ 2,621,644	\$ 2,596,336	\$ 2,596,821	\$ 2,638,094
Contributions in relation to the contractually required contribution	(\$ 2,621,644)	(\$ 2,596,336)	(\$ 2,596,821)	(\$ 2,638,094)
Contribution deficiency (excess)	\$ _____-0-	\$ _____-0-	\$ _____-0-	\$ _____-0-
District's covered – employee payroll	\$ 32,494,976	\$ 31,433,032	\$ 30,701,866	\$ 29,978,965
Contributions as a percentage of covered – employee payroll	8.068%	8.260%	8.458%	8.800%

Data prior to 2015 is unavailable.

See accompanying notes to required supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
FOR THE MEASUREMENT PERIOD ENDED JUNE 30, 2017
FOR THE YEAR ENDED JUNE 30, 2018**

2017

District's proportion of the net OPEB liability (asset)	0.196244%
District's proportionate share of the net OPEB liability (asset)	\$ 4,825,619
State's proportionate share of the net OPEB liability (asset) associated with the district	<u>22,568,911</u>
Total	<u>\$ 27,394,530</u>
District's covered payroll	\$ 26,289,183
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	18.356%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%

Data prior to 2017 is unavailable.

See accompanying notes to required supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH BENEFIT TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2018**

2018

Contractually required contribution	\$ 1,466,514
Contributions in relation to the contractually required contribution	(<u>1,466,514</u>)
Contribution deficiency (excess)	\$ <u> </u> -0-
District's covered payroll	\$ 26,854,272
Contributions as a percentage of covered payroll	5.461%

Data prior to 2018 is unavailable.

See accompanying notes to required supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018**

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 for/on behalf unfunded retirement contributions and Tools for Schools, 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

For the year ended June 30, 2018, 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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

General Current Expense Fund:

<u>Function</u>	<u>Amount</u>
Supporting services:	
Students	\$ 212,930
Central services	\$ 81,738

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.

Special Revenue Fund:

<u>Function</u>	<u>Amount</u>
Supporting services:	
Operation & Maintenance	\$ 415,689
Capital Outlay	\$ 18,907

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.

See independent auditor's report.

MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018

C. Changes in Assumptions:

The actuarial assumptions used in the total pension liability calculation can change from year to year. Please see table below which summarizes the actuarial assumptions used for the respective measurement dates.

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Inflation:	3%	3%	3%	2.2%
Salary Increases:	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%	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%.	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	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.

See independent auditor's report.

MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Mortality:	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active – RP2000, non-annuitant monthly mortality table, retired – RP2000 healthy annuitant, scale AA; disabled – RP2000 disabled annuitant mortality table, scale AA.	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%	7.5%	7.5%	7.5%

See independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

**MARSHALL COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
DEBT SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		<u>Actual GAAP Basis Amounts</u>	<u>Adjustments for Regulatory Basis</u>	<u>Actual Regulatory Basis Amounts</u>	<u>Variance with Final Budget</u>				
	<u>Regulatory Basis</u>									
	<u>Original</u>	<u>Final</u>								
Revenues										
Local sources	\$ 2,624,250	\$ 2,610,751	\$ 2,574,371	\$ -0-	\$ 2,574,371	\$ (36,380)				
State sources	-0-	-0-	54,687	-0-	54,687	54,687				
Total revenues	<u>2,624,250</u>	<u>2,610,751</u>	<u>2,629,058</u>	<u>-0-</u>	<u>2,629,058</u>	<u>18,307</u>				
Expenditures										
Debt service:										
Principal retirement	3,668,455	12,620,825	12,788,456	-0-	12,788,456	(167,631)				
Interest and fiscal charges	<u>610,095</u>	<u>277,075</u>	<u>305,713</u>	<u>-0-</u>	<u>305,713</u>	<u>(28,638)</u>				
Total expenditures	<u>4,278,550</u>	<u>12,897,900</u>	<u>13,094,169</u>	<u>-0-</u>	<u>13,094,169</u>	<u>(196,269)</u>				
Excess (deficiency) of revenues over (under) expenditures	(1,654,300)	(10,287,149)	(10,465,111)	-0-	(10,465,111)	(177,962)				
Other Financing Sources (Uses)										
Transfers in	1,654,300	1,184,608	1,627,544	-0-	1,627,544	442,936				
Transfers (out)	-0-	-0-	-0-	-0-	-0-	-0-				
Total other financing sources (uses)	<u>1,654,300</u>	<u>1,184,608</u>	<u>1,627,544</u>	<u>-0-</u>	<u>1,627,544</u>	<u>442,936</u>				
Change in fund balances	-0-	(9,102,541)	(8,837,567)	-0-	(8,837,567)	264,974				
Fund balances – beginning	-0-	9,102,541	11,471,757	-0-	11,471,757	2,369,216				
Fund balances – ending	\$ -0-	\$ -0-	\$ 2,634,190	\$ -0-	\$ 2,634,190	\$ 2,634,190				

See accompanying notes to other supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual GAAP Basis	Adjustments for Regulatory Basis	Actual Regulatory Basis	Variance with Final Budget
	Original	Final				
	Regulatory Basis					
Revenues						
State sources	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>61,287</u>	\$ <u>-0-</u>	\$ <u>61,287</u>	\$ <u>61,287</u>
Total revenues	<u>-0-</u>	<u>-0-</u>	<u>61,287</u>	<u>-0-</u>	<u>61,287</u>	<u>61,287</u>
Expenditures						
Capital outlay	<u>2,000,000</u>	<u>2,079,822</u>	<u>3,937,838</u>	<u>-0-</u>	<u>3,937,838</u>	<u>(1,858,016)</u>
Total expenditures	<u>2,000,000</u>	<u>2,079,822</u>	<u>3,937,838</u>	<u>-0-</u>	<u>3,937,838</u>	<u>(1,858,016)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,000,000)</u>	<u>(2,079,822)</u>	<u>(3,876,551)</u>	<u>-0-</u>	<u>(3,876,551)</u>	<u>(1,796,729)</u>
Other Financing Sources (Uses)						
Transfers in	2,000,000	2,079,822	4,621,896	-0-	4,621,896	2,542,074
Transfers (out)	<u>-0-</u>	<u>-0-</u>	<u>(742,219)</u>	<u>-0-</u>	<u>(742,219)</u>	<u>(742,219)</u>
Total other financing sources (uses)	<u>2,000,000</u>	<u>2,079,822</u>	<u>3,879,677</u>	<u>-0-</u>	<u>3,879,677</u>	<u>1,799,855</u>
Change in fund balances	-0-	-0-	3,126	-0-	3,126	3,126
Fund balances – beginning	<u>-0-</u>	<u>-0-</u>	<u>(1,633,058)</u>	<u>-0-</u>	<u>(1,633,058)</u>	<u>(1,633,058)</u>
Fund balances – ending	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>(1,629,932)</u>	\$ <u>-0-</u>	\$ <u>(1,629,932)</u>	\$ <u>(1,629,932)</u>

See accompanying notes to other supplementary information and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2018**

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 for/on behalf unfunded retirement contributions and Tools for Schools 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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULES (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

B. Excess of Expenditures Over Appropriations

For the year ended June 30, 2018, 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.

Debt Service Fund:

<u>Function</u>	<u>Amount</u>
Principal	\$ 167,631
Interest	\$ 28,638

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.

Capital Projects Fund

<u>Function</u>	<u>Amount</u>
Capital outlays	\$ 1,858,016

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.

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018**

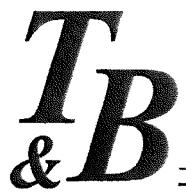
	<u>Cash Balance</u> <u>7/1/2017</u>	<u>Revenues</u> <u>Received</u>	<u>Expenditures</u> <u>Paid</u>	<u>Cash Balance</u> <u>6/30/2018</u>
Cameron Elementary School	\$ 41,361	\$ 90,536	\$ 79,714	\$ 52,183
Central Elementary School	32,890	38,717	40,669	30,938
Glen Dale Elementary School	30,293	75,617	63,509	42,401
Center McMechen Elementary School	29,466	40,187	38,258	31,395
McNinch Elementary School	19,311	62,837	56,497	25,651
Sand Hill Elementary School	13,827	2,903	2,377	14,353
Washington Lands Elementary School	48,083	94,165	90,527	51,721
Hilltop Elementary School	27,174	83,259	84,995	25,438
Moundsville Middle School	113,908	152,302	131,321	134,889
Sherrard Middle School	71,670	155,220	135,137	91,753
Cameron High School	189,334	362,775	369,175	182,934
John Marshall High School	<u>420,586</u>	<u>728,095</u>	<u>714,777</u>	<u>433,904</u>
Total	<u>\$ 1,037,903</u>	<u>\$ 1,886,613</u>	<u>\$ 1,806,956</u>	<u>\$ 1,117,560</u>

See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2018**

	Current Year			Levy To Date		
	Estimated Per Levy		Variance	Estimated Per Levy		Variance
	Call	Actual		Call	Actual	
Excess Levy Collections	\$ 16,769,799	\$ 25,176,442	\$ 8,406,643	\$ 83,848,995	\$ 127,120,266	\$ 43,271,271
Expenditures (County Specific Levy Call):						
Instructional equipment, teaching supplies, textbooks, and library books	550,000	550,000	-0-	2,750,000	2,750,000	-0-
Technology hardware, software, infrastructure, repairs, training and personnel	400,000	400,000	-0-	2,000,000	2,000,000	-0-
Special education services	400,000	400,000	-0-	2,000,000	2,000,000	-0-
Maintenance on equipment and buildings	400,000	400,000	-0-	2,000,000	2,000,000	-0-
Vehicle maintenance and fuel	100,000	100,000	-0-	500,000	500,000	-0-
County library assistance	95,000	95,000	-0-	475,000	475,000	-0-
Marshall County Health Department services	60,000	60,000	-0-	300,000	300,000	-0-
Marshall County 4-H support through WVU Extension Office	70,000	70,000	-0-	350,000	350,000	-0-
Free breakfast to all students	200,000	200,000	-0-	1,000,000	1,000,000	-0-
Vocational supplies and equipment	100,000	100,000	-0-	500,000	500,000	-0-
Classroom furniture	57,700	57,700	-0-	288,500	288,500	-0-
Music and Band equipment	50,000	50,000	-0-	250,000	250,000	-0-
Financing for John Marshall High School renovations	1,300,000	1,300,000	-0-	6,500,000	6,500,000	-0-
Professional training outside the County	30,000	30,000	-0-	150,000	150,000	-0-
Local County Supplements, sub costs, and fixed charges	12,957,099	12,957,099	-0-	64,785,495	64,785,495	-0-
Total Expenditures	16,769,799	16,769,799	-0-	83,848,995	83,848,995	-0-
Excess (deficiency) of collections over (under) expenditures	\$ -0-	\$ 8,406,643	\$ 8,406,643	\$ -0-	\$ 43,271,271	\$ 43,271,271

See independent auditor's report.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

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

Honorable Members of the
Marshall County Board of Education
Moundsville, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Marshall County Board of Education (Board), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Marshall County Board of Education's basic financial statements, and have issued our report thereon dated March 22, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Marshall County Board of Education in a separate letter dated March 22, 2019.

Purpose of this Report

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


Tetrick L. Bartlett, PLLC
Clarksburg, West Virginia
March 22, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Honorable Members of the
Marshall County Board of Education
Moundsville, West Virginia

Report on Compliance for Each Major Federal Program

We have audited Marshall County Board of Education's (Board) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Marshall County Board of Education's major federal programs for the year ended June 30, 2018. The Marshall County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Marshall County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Marshall County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Marshall County Board of Education, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Tetrick & Bartlett, PLLC
Clarksburg, West Virginia
March 22, 2019

**MARSHALL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

A. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued: Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified? _____ No _____

Significant deficiency(s) identified not considered
to be material weaknesses? _____ None Reported _____

Noncompliance material to financial statements noted? _____ No _____

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ No _____

Significant deficiency(s) identified? _____ None Reported _____

Type of auditors' report issued on compliance for
major programs: _____ Unmodified Opinion _____

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR
Section 200.516(a)? _____ No _____

Identification of major programs:

U.S. Department of Agriculture

Child Nutrition Cluster:

School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Summer Food Service Program for Children	CFDA #10.559

Dollar threshold used to distinguish between
Type A and Type B programs: _____ \$750,000 _____

Auditee qualified as low-risk auditee? _____ Yes _____

**MARSHALL COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2018**

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

**MARSHALL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Agriculture			
Passed-through West Virginia Department of Education			
Fresh Fruit and Vegetable Program	10.582	88	\$ 46,388
Child and Adult Care Food Program	10.558	88	4,451
Team Nutrition Training Grants	10.574	88	5,833
<i>Child Nutrition Cluster:</i>			
Passed-through West Virginia Department of Agriculture – Food Distribution Program – National School Lunch Program	10.555	88	218,282
Passed-through the West Virginia Department of Education			
National School Lunch Program	10.555	88	<u>1,591,820</u>
<i>Total Federal Expenditures CFDA #10.555</i>			1,810,102
Passed-through the West Virginia Department of Education			
School Breakfast Program	10.553	88	773,136
Summer Food Service Program for Children	10.559	88	<u>13,755</u>
<i>Total Child Nutrition Cluster</i>			<u>2,596,993</u>
<i>Total U.S. Department of Agriculture</i>			\$ <u>2,653,665</u>
U.S. Department of Health and Human Services			
Passed-through the West Virginia Department of Education			
<u>Program Title</u>			
Center for Disease Control and Prevention Investigations and Technical Assistance	93.283	49	\$ <u>9,887</u>
<i>Total U.S. Department of Health and Human Services</i>			\$ <u>9,887</u>

**MARSHALL COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Education			
Passed-through the West Virginia Department of Education			
<u>Program Title</u>			
Title I Grants to Local Educational Agencies	84.010	41	\$ 861,325
<i>Special Education Cluster:</i>			
Special Education – Grants to States	84.027	43	1,167,427
Special Education – Preschool Grants	84.173	43	<u>43,473</u>
<i>Total Special Education Cluster</i>			<u>1,210,900</u>
Career and Technical Education – Basic Grants to States	84.048	50	132,099
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	84.367	40	209,790
Student Support and Academic Enrichment Program	84.424	42	29,237
Adult Education – Basic Grants to States	84.002	61	<u>24,317</u>
Total U.S. Department of Education			\$ <u>2,467,668</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>5,131,220</u>

N/A = Not available

See accompanying notes to the schedule of expenditures of federal awards and independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018**

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Marshall County Board of Education under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Marshall County Board of Education, it is not intended to and does not present the financial position and changes in net position of the Marshall County Board of Education.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Commodities are valued based on amounts as established by the U.S. Department of Agriculture. The Board received and disbursed \$218,282 in food commodities in the Food Distribution Program for the year ended June 30, 2018.

Note 4. Indirect Cost Rate

The Marshall County Board of Education has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

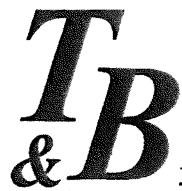
See independent auditor's report.

**MARSHALL COUNTY BOARD OF EDUCATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Reference Number:

There were no Findings and Questioned Costs for the prior audit period of July 1, 2016 to June 30, 2017 that are required to be reported.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

Honorable Members and Management of the
Marshall County Board of Education
214 Middle Grave Creek Road
Moundsville, West Virginia

In planning and performing our audit of the financial statements of the Marshall County Board of Education as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Marshall County Board of Education's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Education's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. (We previously communicated to you about the Board of Education's internal control in our letter dated March 22, 2019.) This letter does not affect our report dated March 22, 2019, on the financial statements of the Marshall County Board of Education.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Board of Education personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Employment Agreement or Contract

During our tests of 25 employee personnel files, we noted that two employees did not have a signed agreement or contract with the Board of Education.

We recommend that the Marshall County Board of Education Personnel Department review all personnel files to ensure that each employee has a signed employment agreement or contract with the Board of Education, as required.

Federal Form W-4

During our test of 25 employee personnel files, we noted that one file did not contain a signed "*W-4 Employee Withholding Allowance Certificate*". This form is required so that the requested federal income tax determined by the employee can be withheld from the employee's salary.

We recommend that the Marshall County Board of Education Personnel Department review its personnel files to ensure that all employees have a current form W-4 on file with the Board of Education.

Supporting Documentation

During our testing procedures of cash disbursements, we noted one charge for the payment of a stipend, where management of the Marshall County Board of Education did not obtain a timesheet or other support documentation for the charge.

We recommend that the Marshall County Board of Education management take the necessary steps to ensure that all payments for stipends are approved and supported by a timesheet or other support documentation.

Purchase Order Process

We noted during our audit procedures that one cash disbursement was made for an invoice or other support documentation which was not in compliance with the Board of Education's purchase order policy. More specifically, one purchase order was not properly approved before the purchase was made.

We recommend that the Marshall County Board of Education management take the necessary steps to ensure that all purchase orders be issued and approved before the purchases are made and that the purchase order approved to obligate the estimated maximum amount of the purchase.

This communication is intended solely for the information and use of management, the Board Members and others within the Board of Education, and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.


Tetrick & Bartlett, PLLC
Clarksburg, West Virginia
March 22, 2019