

UNAUDITED

ANNUAL FINANCIAL STATEMENTS OF THE

UPSHUR COUNTY BOARD OF EDUCATION

ON A GAAP BASIS, INCLUDING GASB STATEMENT 34

AS OF AND FOR THE FISCAL YEAR ENDED

JUNE 30, 2018

UPSHUR COUNTY BOARD OF EDUCATION

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For The Year Ended June 30, 2018

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UPSHUR COUNTY BOARD OF EDUCATION

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**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Our discussion and analysis of the Upshur County Board of Education's (Board) 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 \$23,124,169 at the close of the most recent fiscal year. Unrestricted net position is a negative (\$3,628,338)
- The Board's total net position decreased by \$682,044. The decrease is attributable to adoption of GASB 68 and GASB 75. See attached Notes to the Financial Statements for a discussion of the impact of implementing these accounting standards.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of \$728,687, an increase of \$560,258 in comparison with the prior year. Approximately \$161,838 of this total amount is available for spending at the board's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$161,838, or 0.05 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

The district-wide financial statements can be found on pages 15-16 of this report.

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

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

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

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

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

The Board maintains two agency funds: to account for resources held for student activities and groups, and for the Fred Eberle Multi-County Vocational Center. The basic fiduciary fund financial statement can be found on page 20 of this report.

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 to 52 of this report.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$23,124,169 at the close of the most recent fiscal year.

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

- The largest portion of the Board's net position 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 represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for excess levy revenue that can only be expended for specific purposes as delineated in the enabling levy call.
- The remaining balance of *unrestricted net position* may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

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

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current and other assets	\$ 4,968,543	\$ 4,215,752	\$ 752,791
Capital assets	27,424,808	27,944,101	(519,293)
Deferred outflows of resources	1,557,894	1,754,977	(197,083)
Total assets and deferred outflows of resources	33,951,244	33,914,830	36,415
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 4,093,849	\$ 5,519,304	\$ (1,425,455)
Long-term liabilities outstanding	1,196,625	1,395,996	(199,371)
Deferred inflows of resources	1,681,770	18,542	1,663,228
Net pension liability - Proportionate share	1,666,067	3,174,774	(1,508,707)
Net other post employment benefit (OPEB) liability - Proportionate share	2,188,764	-	2,188,764
Total liabilities and deferred inflows of resources	10,827,075	10,108,616	718,459

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Net position:

Net Investment in Capital Assets	26,228,183	26,548,105	(319,922)
Restricted	524,324	278,865	245,459
Unrestricted	<u>(3,628,338)</u>	<u>(3,020,757)</u>	<u>(607,581)</u>
Total net position	<u>23,124,169</u>	<u>23,806,213</u>	<u>(682,044)</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 33,951,244</u>	 <u>\$ 33,914,829</u>	 <u>\$ 36,415</u>

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

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

- Current and other assets increased by approximately \$752,791 which primarily represents an increase in cash on hand.
- Capital assets decreased by approximately \$519,293 which represents an increase in accumulated depreciation greater than new investment in capital assets.
- Current and other liabilities decreased by approximately \$1,425,455 which was primarily the result of implementing GASB 75 which reclassified the Board OPEB liability from a current liability to a long-term liability.
- Long-term liabilities decreased by approximately \$199,371 which was primarily the result of paying down outstanding capital lease balances due.
- Deferred inflows of resources increased by approximately \$1,663,228 which was primarily the result of reclassification due to implementing GASB 68 and GASB 75.
- At the end of the current fiscal year, the Board is able to report a positive balance in net investment in capital assets and restricted of net position where unrestricted is a negative balance.
- Restricted net position increased by \$245,549 during the year ended June 30, 2018. This increase resulted primarily from an increase in balances restricted for excess levy.
- The Board's net position decreased by \$682,044 during the current year. The following discussion and analysis on governmental activities focuses on this decrease:

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

**UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DISTRICT-WIDE STATEMENT OF ACTIVITIES
REVENUES AND EXPENSES**

	2018 Governmental Activities	2017 Governmental Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 927,008	\$ 1,016,481	\$ (89,473)
Operating grants and contributions	5,690,570	5,618,262	72,308

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Capital grants and contributions	439,333	201,976	237,357
General revenues:			
Property taxes	10,164,361	10,591,298	(426,937)
Unrestricted state aid	21,145,643	22,411,777	(1,266,134)
Unrestricted investment earnings	39,954	21,757	18,197
Unrestricted grants and contributions	-	-	-
Gain or (loss) on disposal of capital assets	-	-	-
Total revenues	<u>38,406,867</u>	<u>39,861,551</u>	<u>(1,454,684)</u>
Expenses:			
Instruction	<u>21,661,043</u>	<u>23,824,223</u>	<u>(2,163,180)</u>
Supporting services:			
Students	2,020,052	2,135,566	(115,514)
Instructional staff	827,366	917,157	(89,791)
General administration	657,579	728,934	(71,355)
School administration	1,951,689	2,157,232	(205,543)
Central services	552,771	543,736	9,035
Operation and maintenance of facilities	4,312,148	4,320,196	(8,048)
Student transportation	3,120,314	3,330,659	(210,345)
Other	-	-	-
Total supporting services	<u>13,441,918</u>	<u>14,133,480</u>	<u>(691,562)</u>
Food services	2,480,044	2,661,055	(181,011)
Community services	135,196	134,467	729
Interest on long-term debt	<u>38,424</u>	<u>47,032</u>	<u>(8,608)</u>
Total expenses	<u>37,756,625</u>	<u>40,800,257</u>	<u>(3,043,632)</u>
Change in net position before transfers	650,242	(938,706)	1,588,948
Transfers	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	650,242	(938,706)	1,588,948
Net position - Beginning	23,806,214	24,744,920	(938,706)
Restatement - GASB 75	<u>(1,332,287)</u>	<u>-</u>	<u>(1,332,287)</u>
Net position - Ending	<u>\$ 23,124,169</u>	<u>\$ 23,806,214</u>	<u>\$ (682,045)</u>

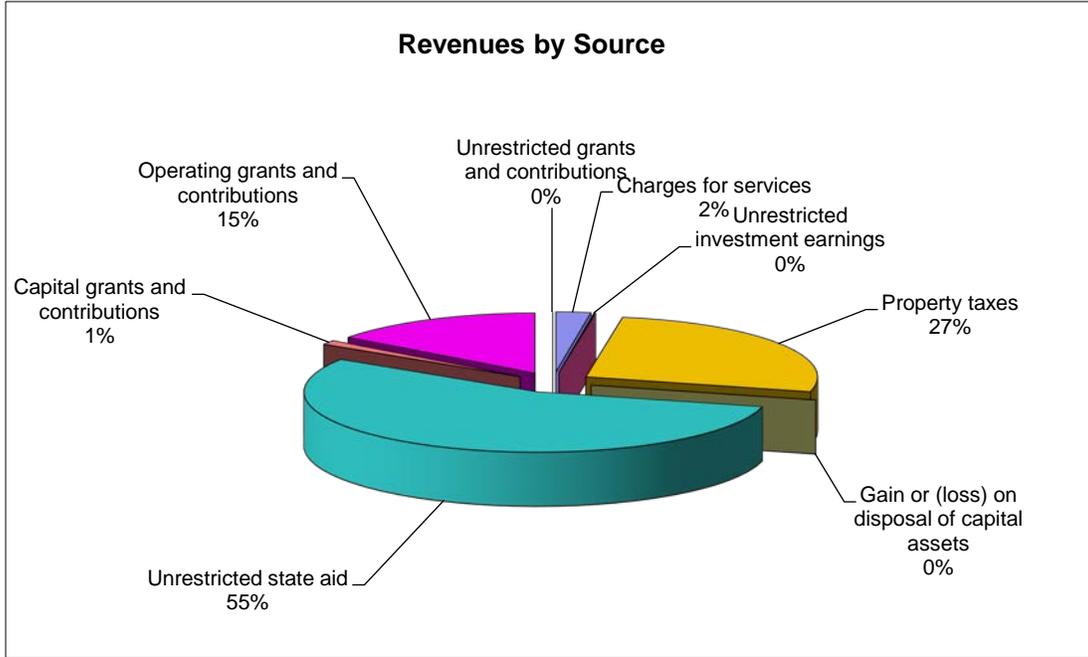
**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

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

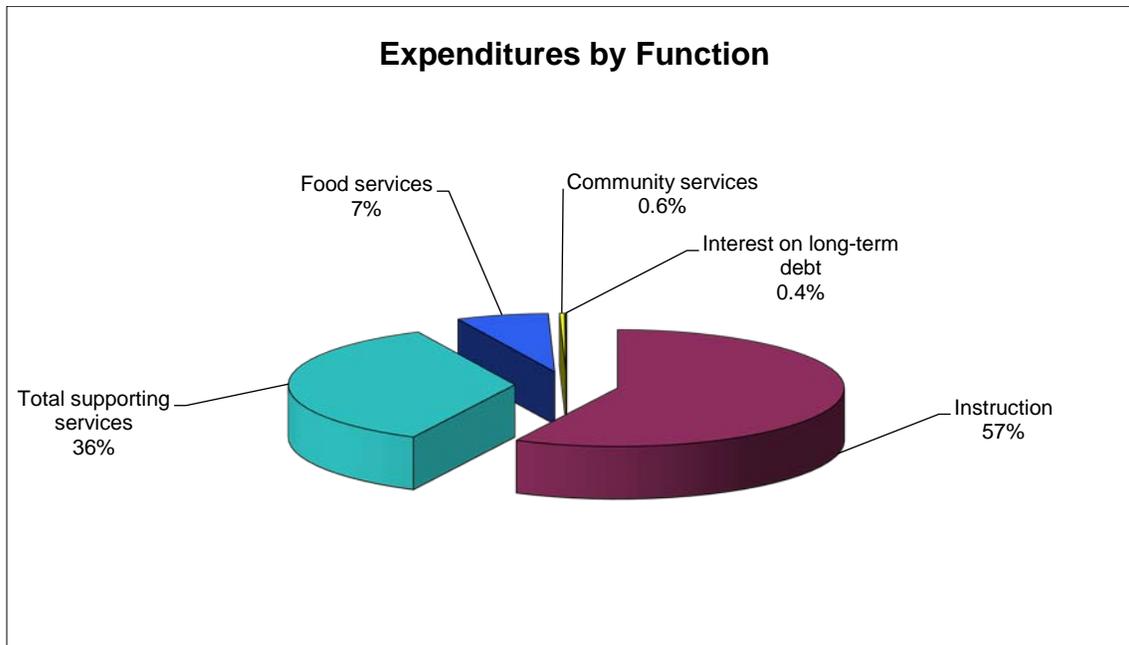
- Capital grants and contributions increased by approximately \$237,357 which was primarily the result of an increase in bus replacement funds and receipt of a School Building authority Grant for roof replacement.
- General revenues from property taxes decreased by approximately \$426,937 which was primarily the result of a decrease in local assessed values utilized to levy property taxes.
- General revenues from unrestricted state aid decreased by approximately \$1,266,134 which was primarily the result of a decrease in an on-behalf payment to the state teacher's retirement fund made by the WV Department of Education.
- Overall expenses decreased by approximately \$3,043,632 which was primarily the result of a decrease in the expense accrual related to the reduced on-behalf payment to the state teacher's retirement fund mentioned above and reductions in staff made to match reduced budgeted revenues.

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal 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:



**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal 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 \$728,687. Included in this year's change in the combined fund balance is a restatement of the prior year fund balance due to implementation of GASB 75 which removed the OPEB liability from the governmental funds statements.

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 \$728,687 fund balance of the general fund is primarily designated for the following purpose:

- \$222,501 is restricted Excess Levy funds available to be spent according to the terms of the enabling levy call.
- \$524,324 is committed for special revenue fund project revenue received but not expended at June 30, 2018.
- The (\$18,139) unassigned portion.

Designations reflect the Board's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds.

In addition, the following other changes in fund balances should be noted and whether restrictions, commitments, or other limitations significantly affect the availability of fund resources for future use.

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

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from (\$1,534,389) to \$384,339 during the fiscal year ended June 30, 2018. As previously discussed, this increase of \$1,918,728 was due primarily to restatement of beginning balance in the amount of \$1,602,426 for removal of the OPEB liability from the governmental funds statements due to implementation of GASB 75. The remaining increase of \$316,302 was due to a reduction in personnel expenditures.

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

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

expenditures for specific purposes. The fund balance increased from \$100,392 to \$344,348 during the fiscal year ended June 30, 2018. This increase of \$243,956 was due primarily to an increase unexpended restricted funds over the prior year's balance.

General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of \$2,002,877 or 6.1% in total general fund expenditures. The most significant differences, including the differences between the original and final budget figures, and significant variances between the actual amounts and final budget amounts may be summarized as follows:

- Budget supplements to carryover unrestricted prior year fund balances for use in the current fiscal year's budget
- Additional budget supplements to include increased revenue in excess of expected budget amounts

The special projects fund budget was increased during the year by \$1,545,976 or 26 % in special projects fund expenditures. The most significant difference may be summarized as follows:

- Budget supplements to carryover earmarked, encumbered, and unspent grant funds from the prior fiscal year.
- Additional budget supplements to include in the budget new grant awards not included in the original budget amounts.

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 \$27,424,808 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was about 2 percent.

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

- The replacement of the artificial football field turf at Buckhannon-Upshur High School in the amount of \$368,173
- The purchase of four new school buses in the amount of \$443,130
- The purchase of food service equipment in the amount of \$21,679
- An increase in accumulated depreciation in the amount of \$1,522,030

	2018 Governmental Activities	2017 Governmental Activities	Variance
Land	\$ 1,723,950	\$ 1,723,950	\$ (0)
Land improvements	-	-	-

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

Buildings and improvements	22,750,356	23,101,881	(351,525)
Furniture and equipment	1,384,387	1,641,066	(256,679)
Vehicles	1,437,022	1,477,205	(40,183)
Construction in process	129,094	-	129,094
			\$
Total capital assets	<u>\$ 27,424,808</u>	<u>\$ 27,944,102</u>	<u>(519,294)</u>

Additional information on the Board's capital assets can be found in Note 7 to the basic financial statements.

Long-term debt. At the end of the current fiscal year, the Board had total bonded debt outstanding of \$0- and capital lease obligations of \$1,196,625. 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 \$2,188,764, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$2,513 at June 30, 2018.

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
General obligation bonds	\$ -	\$ -	\$ -
Capital Lease obligations	1,196,625	1,395,996	(199,371)
Compensated absences	2,513	20,253	(17,740)
Accrued sick leave	-	-	-
	<u>\$</u>	<u>\$</u>	<u>\$</u>
Total debt outstanding	<u>1,199,138</u>	<u>1,416,249</u>	<u>(217,111)</u>

**UPSHUR COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended June 30, 2018**

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

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 Upshur County Board of Education, Office of Superintendent, 102 Smithfield Street, Buckhannon, WV 26201.

**UPSHUR COUNTY BOARD OF EDUCATION
BOARD OFFICIALS
For the Fiscal Year Ended June 30, 2018**

Office

Board Members

Elective

Dr. Greenbrier D. Almond
Katie Loudin
Dr. Tammy J. Samples
Alan M. Suder
Kristi L. Wilkerson

Office

Board President

Superintendent

Treasurer

Appointive

Dr. Tammy J. Samples

Roy H. Wager

George P. Carver

**UPSHUR COUNTY BOARD OF EDUCATION
SCHEDULE OF FUNDS
For the Fiscal Year Ended June 30, 2018**

GOVERNMENTAL FUND TYPES

General Current Expense

Special Revenue

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

STATEMENT OF NET POSITION

FYE JUNE 30, 2018

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Assets:	
Cash and cash equivalents	\$ 2,570,913
Investments	-
Inventory	-
Taxes receivable, net of allowance for uncollectible taxes	280,608
Deposit with Retirement Board	180,804
Food service receivable	-
Other receivables	129,094
Prepaid Workers' Compensation	-
Other prepaid expenses	7,239
Due from other governments:	
State aid receivable	170,268
PEIA allocation receivable	596,280
Reimbursements receivable	1,033,337
Capital Assets:	
Land	1,723,950
Land improvements	-
Buildings and improvements	44,509,652
Furniture and equipment	8,343,989
Vehicles	5,343,244
Construction in process	129,094
Less accumulated depreciation	(32,625,121)
Total capital assets, net of depreciation	<u>27,424,808</u>
Total assets	<u>32,393,351</u>
Deferred outflows of resources:	
Pension	1,269,999
Other post employment benefit (OPEB)	287,895
Total deferred outflows of resources	<u>1,557,894</u>
Total assets and deferred outflows of resources	<u>\$ 33,951,245</u>
LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND NET POSITION	
Liabilities:	
Salaries payable and related payroll liabilities	\$ 2,782,026
PEIA premiums payable	505,404
Compensated absences	2,513
Accounts payable	803,906
Other post employment benefit payable	-
Due to Other Fiscal Agents	-
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	203,012
Accrued interest	-
Accrued sick leave payable	-
Due beyond one year:	
Bonds, capital leases, and contracts	993,613
Accrued sick leave payable	-
Net pension liability - Proportionate Share	1,666,067
Net other post employment benefit (OPEB) liability - Proportionate Share	2,188,764
Total liabilities	<u>9,145,305</u>
Deferred inflows of resources:	
Pension	951,125
Other post employment benefit (OPEB)	730,645
Total deferred inflows of resources	<u>1,681,770</u>
Total liabilities and deferred inflows of resources	<u>\$ 10,827,075</u>
Net Position:	
Net Investment in Capital Assets	26,228,183
Restricted for:	
Debt service	-
Special projects	524,324
Capital projects	-
Unrestricted	(3,628,338)
Total net position	<u>\$ 23,124,169</u>

See Notes to Financial Statements

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

FYE JUNE 30, 2018

Functions	Expenses	Program Revenues			Net (Expense), Revenue & Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 21,661,043	\$ 426,267	\$ 3,305,112	\$ -	\$ (17,929,664)
Supporting services:					
Students	2,020,052	146,728	54,894	-	(1,818,430)
Instructional staff	827,366	16,282	41,425	-	(769,660)
General administration	657,579	12,940	17,870	-	(626,769)
School administration	1,951,689	38,407	53,037	-	(1,860,245)
Central services	552,771	10,878	15,021	-	(526,872)
Operation and maintenance of facilities	4,312,148	84,859	120,181	129,094	(3,978,014)
Student transportation	3,120,314	154,865	84,794	310,239	(2,570,415)
Other support services	-	-	-	-	-
Food services	2,480,044	35,782	1,998,236	-	(446,026)
Community services	135,196	-	-	-	(135,196)
Interest on long-term debt	38,424	-	-	-	(38,424)
Total governmental activities	37,756,625	927,008	5,690,570	439,333	(30,699,715)
General revenues:					
Property taxes					10,164,361
Unrestricted state aid					21,145,643
Unrestricted investment earnings					39,954
Unrestricted grants and contributions					-
Extraordinary item - other post employment benefits					-
Gain (loss) on disposal of capital assets					-
Transfers in					375,736
Transfers (out)					(375,736)
Total general revenues, extraordinary items and transfers					31,349,957
Change in net position					650,242
Net position - beginning					23,806,214
Prior period adjustments - (See Note 2)					(1,332,287)
Net position - beginning, as restated					22,473,927
Net position - ending					\$ 23,124,169

See Notes to Financial Statements

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

BALANCE SHEET - GOVERNMENTAL FUNDS
FYE JUNE 30, 2018

	11 General Current Expense	61 Special Revenue Fund	Total Governmental
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Cash and cash equivalents	\$ 2,148,391	\$ 422,523	\$ 2,570,913
Investments	-	-	-
Inventory	-	-	-
Taxes receivable, net	280,608	-	280,608
Deposit with Retirement Board	180,804	-	180,804
Prepaid Workers' Comp	-	-	-
Food service receivable, net	-	-	-
Other receivables	129,094	-	129,094
Other prepaid expenses	7,239	-	7,239
Due from other governments:			
State aid receivable	170,268	-	170,268
PEIA allocation receivable	596,280	-	596,280
Reimbursements receivable	389,851	643,486	1,033,337
Due from other funds	-	-	-
Total assets	3,902,534	1,066,009	4,968,543
Deferred outflows of resources	-	-	-
Total deferred outflows of resources	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 3,902,534	\$ 1,066,009	\$ 4,968,543
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Salaries payable and related payroll liabilities	\$ 2,429,552	\$ 352,474	\$ 2,782,026
Other post employment benefits payable	-	-	-
PEIA premiums payable	431,540	73,864	505,404
Accounts payable & Payable to others	508,583	295,324	803,906
Due to other fiscal agents	-	-	-
Due to other funds	-	-	-
Total liabilities	3,369,675	721,661	4,091,336
Deferred inflows of resources	148,521	-	148,521
Total deferred inflows of resources	148,521	-	148,521
Fund Balances:			
Nonspendable	-	-	-
Restricted	222,501	524,324	746,825
Committed	-	-	-
Assigned	-	-	-
Unassigned	161,838	(179,977)	(18,139)
Total fund balances	384,339	344,348	728,687
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,902,534	\$ 1,066,009	\$ 4,968,544
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			27,424,808
Other deferred charges are not reported in the funds			-
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			148,521
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			1,269,999
Deferred inflows of resources related to pensions			(951,125)
Deferred outflows of resources related to OPEB			287,895
Deferred inflows of resources related to OPEB			(730,645)
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			
Capital leases payable			(1,196,625)
Compensated absences			(2,513)
Net pension liability - proportionate share			(1,666,067)
Net OPEB liability - proportionate share			(2,188,764)
Net position of governmental activities			\$ 23,124,170

See Notes to Financial Statements

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FYE JUNE 30, 2018

	11 General Current Expense	61 Special Revenue	Total Governmental
Revenues:			
Property taxes	\$ 10,166,538	\$ -	\$ 10,166,538
Other Local sources	190,647	259,089	449,736
State sources	24,248,922	1,704,102	25,953,023
Federal sources	530,773	4,271,336	4,802,109
Miscellaneous sources	11,825	-	11,825
Total revenues	35,148,703	6,234,528	41,383,231
Expenditures:			
Instruction	20,085,959	2,780,244	22,866,203
Supporting services:			
Students	2,132,690	143,137	2,275,827
Instructional staff	499,426	383,616	883,042
General administration	755,493	-	755,493
School administration	2,206,139	966	2,207,105
Central Services	532,575	88,851	621,426
Operation and maintenance of facilities	3,978,327	37,649	4,015,976
Student transportation	3,295,437	77,190	3,372,627
Other support services	-	-	-
Food services	120,966	2,328,580	2,449,545
Community services	135,196	-	135,196
Capital outlay	550,621	452,116	1,002,737
Debt service:			
Principal retirement	199,371	-	199,371
Interest and fiscal charges	38,424	-	38,424
Total expenditures	34,530,624	6,292,349	40,822,973
Excess (deficiency) of revenues over expenditures	618,079	(57,822)	560,258
Other financing sources (uses):			
Transfers in	36,979	338,757	375,736
Transfers (out)	(338,757)	(36,979)	(375,736)
Total other financing sources (uses)	(301,778)	301,778	-
Net change in fund balances	316,302	243,956	560,258
Fund balances - beginning	(1,534,389)	100,392	(1,433,997)
Prior period adjustments - (See Note 2)	1,602,426	-	1,602,426
Fund balances - beginning, as restated	68,037	100,392	168,429
Fund balances - ending	\$ 384,339	\$ 344,348	\$ 728,687

See Notes to Financial Statements

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FYE JUNE 30, 2018**

Net change in fund balances - total governmental funds \$ 560,258

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	(1,522,030)
Capital outlays	1,002,737

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

Property taxes receivable	(2,177)
Operating Grants and Contributions	-

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

199,371

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	(399,707)
Accumulated depreciation of assets disposed	399,707

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

Accrued vacation payable	17,740
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Governmental funds report district pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense

District pension contributions	340,138
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Cost of benefits earned net of employee contributions	(248,992)
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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	287,895
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Cost of benefits earned net of employee contributions	15,304
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Change in net position of governmental activities	<u>\$ 650,243</u>
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UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FYE JUNE 30, 2018

	Agency Funds	
	School Activity Funds	Fred Eberle Technical Center
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets:		
Cash and cash equivalents	\$ 727,398	\$ 1,107,354
Total assets	<u>727,398</u>	<u>1,107,354</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Liabilities:		
Due to other funds	<u>727,398</u>	<u>1,107,354</u>
Total liabilities	<u>727,398</u>	<u>1,107,354</u>
Deferred inflows of resources:		
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>\$ 727,398</u>	<u>\$ 1,107,354</u>

See Notes to Financial Statements

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
FYE JUNE 30, 2018

	Cash Balance 7/1/2017	Revenues Received	Expenditures Paid	Cash Balance 6/30/2018
High Schools:				
Buckhannon-Upshur High School	\$ 369,895	\$ 515,665	\$ 505,306	\$ 380,254
Total high schools	<u>369,895</u>	<u>515,665</u>	<u>505,306</u>	<u>380,254</u>
Middle and Junior High Schools:				
Buckhannon-Upshur Middle School	\$ 79,317	197,970	192,440	\$ 84,847
Total middle and junior high s	<u>79,317</u>	<u>197,970</u>	<u>192,440</u>	<u>84,847</u>
Elementary Schools:				
Buckhannon Academy	\$ 84,391	46,996	35,106	\$ 96,281
French Creek	28,345	45,639	42,946	31,038
Hodgesville	17,166	23,177	20,564	19,779
Rock Cave	24,723	35,077	27,091	32,709
Tennerton	24,847	41,703	36,091	30,459
Union District	22,926	22,600	19,466	26,060
Washington District	21,840	31,740	27,609	25,971
				-
				-
Total elementary schools	<u>224,238</u>	<u>246,932</u>	<u>208,873</u>	<u>262,297</u>
Total	<u>\$ 673,450</u>	<u>\$ 960,567</u>	<u>\$ 906,619</u>	<u>\$ 727,398</u>

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal 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 Upshur County Board of Education (School Board) is a corporation created under the authority of West Virginia Code §18-5-1 et seq. and is composed of five members nominated and elected by the voters of the county for four-year terms. The Board is responsible for the supervision and control of the county school district and has the authority, subject to State statutes and the rules and regulations of the State Board, to control and manage all of the public schools and school interests in the county.

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

B. District-wide and fund financial statements:

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

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

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

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

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

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

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.

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 (MVC's) for the purpose of providing high quality, cost effective educational programs and to provide vocational training, respectively, in which the county board of education serves as the fiscal agent; school activity funds to account for the assets of the individual schools of the district, the student clubs, and school support organizations; and may include a scholarship fund to account for contributions and donations made to the school district by a benefactor for the purpose of providing scholarships for graduates of the school district.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Encumbrances:

**UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018**

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

E. Cash and Investments:

Cash on hand and deposits with banking institutions either in checking or savings accounts or other highly liquid investments with an original maturity of three months or less are presented as cash and cash equivalents in the accompanying financial statements. Such deposits at June 30, 2018, were entirely covered by Federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Board's name. Custodial credit risk is the risk that in event of a bank failure, the School Board's deposits may not be returned to it.

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

All deposit accounts and investments of the School Board at June 30, 2018 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
Money Market/Sweep Account	\$ -	\$ -	\$ -
U.S. Treasury notes	-	-	-
Repurchase agreements	-	-	-
Certificates of deposit	2,450,000	2,450,000	2,450,000
Deposits with financial institutions - Individual schools	-	-	-
Deposits with financial institutions - Board of Education	118,515	118,515	118,515
Total cash and cash equivalents	\$ 2,568,515	\$ 2,568,515	\$ 2,568,515

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

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, 2017, 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.

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

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.

At June 30, 2017, the WV Government Money Market Pool investments had a total carrying value of \$201,994,000 of which the School Board's ownership represents 0% (*the percentage is calculated as the School Board's total investment in the WV Government Money Market Pool divided by the Pool's total carrying value of \$201,994,000*).

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

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

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

Security Type	2017 Carrying Value (In thousands)	WAM (Days)
Repurchase agreements	\$ 49,000	3
U.S. Treasury notes	35,972	65
U.S. Treasury bills	6,992	45
U.S. agency discount notes	99,921	41
U.S. agency bonds and notes	8,000	27
Money market funds	<u>2,109</u>	3
	<u>\$ 201,994</u>	35

(The information to complete the above table is found within the FY2017 BTI Financial statements)

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.

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

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

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 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the School Board.

G. Interfund receivables and payables:

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

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

H. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond June 30, 2018, are generally not recorded as prepaid items but are considered as expenditures at the time checks are issued.

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 extended assets' lives are not capitalized.

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

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

**UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018**

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

J. 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.

K. 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 and sick benefits can be accumulated up to unlimited days and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred and the liability for these amounts is reported in the general long-term debt account group. 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.

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.

L. 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.

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

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.

M. 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.

N. Net Position:

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

- **Invested in capital assets, net of related debt** - This represents the School Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested capital assets, net of related debt.
- **Restricted net position, expendable** - This includes resources in which the School Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **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.

O. Fund Equity:

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

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

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2018

- 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.

P. 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.

Q. 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.

R. 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.

S. 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

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financial support for OPEB that is provided by other entities. The School Board has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 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.

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. 81 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.

T. 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.

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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.

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	\$	23,806,214
Prior period adjustment - Implementation of GASB 75		
Removal of PY GASB 45 OPEB liability		1,602,426.00
Beginning net OPEB liability		(3,084,155.00)
Deferred outflows of resources - 2017 OPEB contributions		<u>149,442.00</u>

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Total prior period adjustment	(1,332,287)
Net position as restated, July 1, 2017	\$ 22,473,927

	Governmental Funds (General Current Expense Fund)
Beginning fund balance as previously reported at June 30, 2017	\$ (1,534,389)
Prior period adjustment - Implementation of GASB 75 Removal of PY GASB 45 OPEB liability	1,602,426
Fund balance as restated, July 1, 2017	\$ 68,037

Note 3 - Stewardship, Compliance and Accountability:

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

No funds had a deficiency in Net Change in Fund Balances for the year ending June 30, 2018.

The General and Special Revenue Funds have a positive fund balance at June 30, 2018.

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

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losses above that level. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

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

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

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

The Brickstreet Insurance 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.

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

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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>Permanent Improvement</u>	<u>Bond Purposes</u>
Class I	\$ _____	19.40¢	9.83¢	¢	¢
Class II	\$ 498,427,421	38.80¢	19.66¢	¢	¢
Class III	\$ 475,968,620	77.60¢	39.32¢	¢	¢
Class IV	\$ 134,320,491	77.60¢	39.32¢	¢	¢

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

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

Taxes Receivable

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

	<u>General Current Expense Fund</u>
Taxes receivable	\$ 519,473
Less: allowance for uncollectible	
	<u>238,865</u>
Taxes receivable, net	<u>\$ 280,608</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 February 8, 2014 for the fiscal years ended June 30, 2015 through June 30, 2019 to provide funds for the following purposes:

- Textbooks, library books and supplies and essential school materials and equipment

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- Technology access and improvement
- Capital improvements and preventive maintenance
- Substitute employees
- Extracurricular activities and extended employment agreements
- Contracted services including Prevention Resource Officers, tech services and athletic trainers
- Student related community services including admission to extracurricular events and student accident insurance

A total of \$ 3,466,575 was received by the School Board from the excess levy during the fiscal year ended June 30, 2018.

Note 7 - Capital Assets:

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

	Beginning Balance	Restatement	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:					
Land	\$ 1,723,950	\$ -	\$ -	\$ -	\$ 1,723,950
Construction in process	-	-	129,094	-	129,094
Total non-depreciable capital assets	1,723,950	-	129,094	-	1,853,043
Capital assets, depreciable:					
Land improvements	-	-	-	-	-
Buildings and improvements	44,123,748	-	385,904	-	44,509,652
Furniture and equipment	8,299,379	-	44,609	-	8,343,989
Vehicles	5,299,821	-	443,130	(399,707)	5,343,244
Total depreciable capital assets	57,722,949	-	873,643	(399,707)	58,196,885
Less accumulated depreciation for:					
Land improvements	-	-	-	-	-
Buildings and improvements	(21,021,867)	-	(737,429)	-	(21,759,296)
Furniture and equipment	(6,658,314)	-	(301,288)	-	(6,959,602)
Vehicles	(3,822,616)	-	(483,313)	399,707	(3,906,223)
Total accumulated depreciation	(31,502,797)	-	(1,522,030)	399,707	(32,625,121)
Total depreciable capital assets, net	26,220,151	-	(648,387)	-	25,571,764
Total capital assets, net	\$ 27,944,101	\$ -	(519,293)	\$ -	\$ 27,424,808

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

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Instruction	\$ 1,015,911
Supporting Services:	
Students	-
Instructional Staff	-
Central administration	-
School administration	-
Business	-
Operation and maintenance of facilities	12,965
Transportation	469,120
Other support services	-
Food services	24,034
Community Services	-
Total Depreciation expense - governmental activities	\$ 1,522,030

Note 8 - Long-term Debt and Leases:

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

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
Compensated Absences	\$ 20,253		\$ 17,740	\$2,513		\$ 2,513
QZAB Capital Lease Purchase	296,398	-	41,053	255,345	41,053	214,292
HVAC Capital Lease	1,011,781	-	145,340	866,441	148,057	718,384
Bleacher Capital Lease	87,817	-	12,979	74,838	13,902	60,936
Proportionate share of net pension liability	3,626,254	-	1,960,187	1,666,067	-	1,666,067
	5,042,503		2,177,299	2,865,204	203,012	2,662,192

The School Board has entered into various capital 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 non-cancelable for financial reporting purposes.

Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures during the life of the lease. Operating lease expenditures for the year ended June 30, 2018 were \$101,794.

HVAC Capital Lease - The Board has entered into a capital lease agreement pursuant to the provisions of West Virginia Code Section 18-5-9a, whereby energy conservation equipment has been installed in Union

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Elementary School, including heating and air conditioning systems. The equipment is leased from Country Roads Leasing LTD for a period of ten years beginning May 26, 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 retaining the equipment at the end of any fiscal year, if the funding for the lease payments for the next fiscal year is not available. The projects funded by the lease agreement total \$1,257,908 and were completed early in the FY 16 fiscal year.

Future minimum lease obligation for capital lease of energy conservation equipment is as follows for an initial total debt of \$1,257,908:

<u>Year</u>	
2019	\$ 176,705
2020	<u>176,705</u>
2021	<u>176,705</u>
2022	<u>176,705</u>
2023	<u>176,705</u>
2024	<u>65,865</u>
Total minimum lease payments	<u>949,390</u>
Less: Amount representing interest	<u>82,949</u>
Present value of minimum lease payments	<u>\$ 866,441</u>

QZAB Capital Lease - The Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding for renovation of Buckhannon Academy elementary school and those assets are leased from The First Central Bank (now Premier Bank) for a period of fifteen years beginning October 1, 2007. At the end of the contract period the Board will have ownership of the equipment. By Contract, the Board has the option of discontinuing the lease purchase and retaining the equipment at the end of any fiscal year, if the 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 payment as of June 30, 2018 for the Board's capital leases is as follows for initial total debt of \$600,000:

<u>Year</u>	
2019	\$ 44,796
2020	<u>44,796</u>
2021	<u>44,976</u>
2022	<u>44,796</u>
2023	<u>44,796</u>
2024	<u>45,072</u>
Total minimum lease payments	<u>269,052</u>
Less: Amount representing interest	<u>13,707</u>
Present value of minimum lease payments	<u>\$ 255,345</u>

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Bleacher Capital Lease - The Board has entered into a capital lease agreement pursuant to the provisions of West Virginia Code Section 18-5-9a, whereby bleachers have been installed in Buckhannon Upshur High School. The equipment is leased from Country Roads Leasing LTD for a period of seven years beginning June 14, 2016. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and retaining the equipment at the end of any fiscal year, if the funding for the lease payments for the next fiscal year is not available. The projects funded by the lease agreement total \$100,950 and were completed early in the FY 17 fiscal year.

Future minimum lease obligation for capital lease of bleachers is as follows for an initial total debt of \$100,950:

<u>Year</u>	
2019	\$ <u>16,295</u>
2020	<u>16,295</u>
2021	<u>16,295</u>
2022	<u>16,295</u>
2023	<u>16,141</u>
Total minimum lease payments	<u>81,321</u>
Less: Amount representing interest	<u>6,483</u>
Present value of minimum lease payments	<u>\$ 74,838</u>

Note 9 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDC). For the year ended June 30, 2018, the School Board's total payroll for all employees was \$20,561,477 and the payroll was \$18,402,226 for employees covered by the two retirement programs.

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

Conversion of leave for post-retirement: For employees hired for the first time and first becoming a member of the Teachers' Retirement System (TRS) before July 1, 2015, upon retirement, an employee's vacation and sick leave may be converted to a greater retirement benefit or payment of health insurance premiums. The cost of the increased retirement benefit or payment of health insurance premiums must be absorbed by the last agency employing the retiree. For employees hired for the first time and first becoming a member of the

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Teachers' Retirement System (TRS) on or after July 1, 2015, there is no provision to convert an employee's unused vacation and sick leave to a greater retirement benefit or payment of health insurance premiums.

A. Teachers' Retirement System (TRS):

Plan Description:

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

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

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

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

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

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

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

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

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

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

At June 30, 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	\$	1,666,067
State's proportionate share of the net pension liability associated with the School Board.		25,615,593
Total portion of net pension liability associated with the school board		\$27,281,660

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.

For the year ended June 30, 2018, the School Board recognized pension expense of \$2,505,147 and for support provided by the State, revenue of \$2,256,156. At June 30, 2018, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 52,369
Differences between expected and actual experience	14,485	29,679
Changes in proportion and differences between School Board contributions and proportionate share of contributions	825,788	869,077

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Changes in assumptions	62,588	-
District contributions subsequent to the measurement date	340,138	-
Total	\$ 1,269,999	\$ 951,125

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>Years ending June 30,</u>		
2019	\$	59,233
2020		109,356
2021		36,667
2022		(51,368)
2023		(175,151)
Thereafter		-
Total	\$	(21,363)

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

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return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	10.0%	4.7%
Total	100.0%	

Discount Rate:

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

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

	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.50%	7.50%	8.50%
School Board's proportionate share of			
the TRS net pension liability	\$ 2,193,449	\$ 1,666,066	\$ 1,215,453

Payables to the pension plan:

At June 30, 2018, the School Board reported a liability of \$1,666,066 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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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 Interm-Term Bond Index Fund, and VALIC Fixed Annuity Option.

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 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.

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%)	\$	46,698
Employer's contributions (7.5%)		77,829
 Total contributions	 \$	 <u>124,527</u>

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Note 10 - 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.

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

Benefits provided:

Upon retirement, the public employees who elected to participate in the PEIA insurance plan are eligible to

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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:

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

Contributions to the OPEB plan from the School Board were \$1,075,744 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-

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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	\$	2,188,764
State's proportionate share of the net OPEB liability associated with the School Board.		10,236,644
Total portion of net OPEB liability associated with the school board	\$	12,425,408

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 .089 percent.

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$1,075,742 and for support provided by the State, revenue of \$1,091,048. At June 30, 2018, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 34,934
Differences between expected and actual experience	-	7,329
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	688,383
School Board contributions subsequent to the measurement date	287,895	-
TOTAL	\$287,895	\$730,646

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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	\$	(196,055)
2020		(196,055)
2021		(196,055)
2022		(142,482)
2023		-
Thereafter		-
Total	\$	(730,647)

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.

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%

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International Equity	27.5%
Fixed Income	15.0%
Real Estate	10.0%
Private Equity	10.0%
Hedge Funds	10.0%
Total	100.0%

Asset Class	Long-Term Expected Real Rate of Return
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%

The discount rate used to measure the total OPEB liability was 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 pension liability calculated using the discount rate of percent and the impact of using a discount rate that is 1% higher or lower than the current rate.

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	1.0% Decrease	Current Discount Rate	1.0% Increase
	6.15%	7.15%	8.15%
School Board's proportionate share of			
the RHBT net OPEB liability	\$ 2,548,564	\$ 2,188,763	\$ 1,889,669

Healthcare Cost Trend Rate:

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

	1.0% Decrease	Current Healthcare Cost Trend Rate	1.0% Increase
School Board's proportionate			
share of the RHBT			
net OPEB liability	\$ 1,838,592	\$ 2,188,763	\$ 2,617,042

Payables to the OPEB Plan:

At June 30, 2018, the School Board reported a liability of \$2,188,763 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.

Note 11 - Pending Litigation:

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

Note 12 - Restatement of Beginning Fund Balance:

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

General Current
Expense Fund

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Fund balance at
June 30, 2017, as
previously stated \$ (1,534,389)

Total Adjustments
(See Below) 1,602,426

Fund balance at
June 30, 2017,
Restated \$ 68,037

The adjustments consisted of the following:

General Current Expense Fund:

 Prior period adjustment – Implementation of GASB 75, removal of prior year GASB 45 OPEB liability

Note 13 - Fund Balance

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

Fund Balances	General Current Expense	Special Revenue Fund	Total Governmental
Nonspendable:			
Inventory	\$ -	\$ -	\$ -
Prepaid Items	-	-	-
Restricted for:			
Special Projects		524,324	524,324
Capital Projects	-	-	-
Debt Service	-	-	-
Excess Levies	222,501	-	222,501
Unassigned	<u>161,838</u>	<u>(179,977)</u>	<u>(18,139)</u>
Total fund balances	<u>\$ 384,339</u>	<u>\$ 344,347</u>	<u>\$ 728,686</u>

**Note 14 -
Subsequent Events:**

Commitments, Contingencies and

The School Board had encumbrances totaling \$194,165 as of June 30, 2018 in the following funds:

General Current	Special Revenue
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UPSHUR COUNTY BOARD OF EDUCATION
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Expense	Fund
\$153,362	\$40,803

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

During the fiscal year ended June 30, 2018, the School Board was awarded a grant of \$546,164 from the School Building Authority (SBA) to finance the replacement of the roof, wall shoring and drainage improvements at Tennerton Elementary School in Buckhannon, West Virginia. The project was not completed as of 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.

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

Note 17 - Interfund Balances and Transfers

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

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<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<u>Due to/from other funds:</u>		
None		\$
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	\$
<u>Advances from/to other funds:</u>		
None		\$
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	\$

Interfund Transfers

During the year ended June 30, 2018, there were the following interfund transfers:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Purpose</u>	<u>Amount</u>
General Current Expense	Special Revenue	Child Nutrition	\$ 316,877
Special Revenue	Gen Current Exp	Indirect Costs	36,979
General Current Expense	Special Revenue	Student Activity	3,983
General Current Expense	Special Revenue	Staff Dvlpmnt	15,907

Note 18 - Major Sources of Revenue:

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

REQUIRED SUPPLEMENTARY INFORMATION

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL FUND
 FYE JUNE 30, 2018

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget
	Original	Final				
Revenues:						
Property taxes	\$ 9,456,713	\$ 10,144,632	\$ 10,166,538	\$ -	\$ 10,166,538	\$ 21,906
Other Local sources	194,562	243,509	190,647	-	190,647	(52,863)
State sources	23,768,793	24,556,521	24,248,922	-	24,248,922	(307,599)
Federal sources	135,200	466,200	530,773	-	530,773	64,573
Miscellaneous sources	10,000	10,000	11,825	-	11,825	1,825
Total revenues	33,565,268	35,420,862	35,148,703	-	35,148,703	(272,159)
Expenditures:						
Instruction	19,733,829	19,904,429	20,085,959	-	20,085,959	(181,530)
Supporting services:						
Students	2,110,364	2,148,020	2,132,690	-	2,132,690	15,331
Instructional staff	464,405	544,423	499,426	-	499,426	44,997
General administration	794,992	790,345	755,493	-	755,493	34,852
School administration	2,187,188	2,244,541	2,206,139	-	2,206,139	38,402
Central services	521,366	552,264	532,575	-	532,575	19,689
Operation and maintenance of facilities	3,630,648	4,045,726	3,978,327	-	3,978,327	67,399
Student transportation	3,052,079	3,301,761	3,295,437	-	3,295,437	6,323
Other	-	-	-	-	-	-
Food services	118,462	122,538	120,966	-	120,966	1,572
Community services	135,200	138,721	135,196	-	135,196	3,525
Capital outlay	9,050	967,691	550,621	-	550,621	417,070
Debt service:						
Principal retirement	199,371	199,371	199,371	-	199,371	(0)
Interest and fiscal charges	38,424	38,424	38,424	-	38,424	(0)
Total expenditures	32,995,378	34,998,255	34,530,624	-	34,530,624	467,631
Excess (deficiency) of revenues over expenditures	569,890	422,607	618,079	-	618,079	195,472
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	50,000	50,000	36,979	-	36,979	(13,021)
Transfers (out)	(519,890)	(539,890)	(338,757)	-	-	539,890
Total other financing sources (uses)	(469,890)	(489,890)	(301,778)	-	36,979	526,869
Change in fund balances	100,000	(67,283)	316,302	-	655,058	722,341
Fund balances - beginning	(100,000)	67,283	68,037	-	68,037	754
Fund balances - ending	\$ -	\$ 0	\$ 384,339	\$ -	\$ 723,096	\$ 723,095

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
 REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND
 FYE JUNE 30, 2018

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget
	Regulatory Basis					
	Original	Final				
Revenues:						
Local sources	\$ 77,636	\$ 290,997	\$ 259,089	\$ -	\$ 259,089	\$ (31,907)
State sources	1,454,213	1,683,889	1,704,102	-	1,704,102	20,213
Federal sources	3,867,249	4,686,247	4,271,336	-	4,271,336	(414,911)
Miscellaneous sources	-	-	-	-	-	-
Total revenues	5,399,098	6,661,133	6,234,528	-	6,234,528	(426,605)
Expenditures:						
Instruction	2,477,008	3,162,624	2,780,244	-	2,780,244	382,379
Supporting services:						
Students	94,153	239,080	143,137	-	143,137	95,943
Instructional staff	405,473	831,354	383,616	-	383,616	447,738
General administration	-	-	-	-	-	-
School administration	-	966	966	-	966	-
Central services	69,610	90,477	88,851	-	88,851	1,625
Operation and maintenance of facilities	17,269	41,858	37,649	-	37,649	4,209
Student transportation	79,240	77,027	77,190	-	77,190	(162)
Other	-	-	-	-	-	-
Food services	2,437,963	2,519,461	2,328,580	-	2,328,580	190,882
Community services	-	-	-	-	-	-
Capital outlay	288,272	452,116	452,116	-	452,116	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	5,868,988	7,414,964	6,292,349	-	6,292,349	1,122,614
Excess (deficiency) of revenues over expenditures	(469,890)	(753,831)	(57,822)	-	(57,822)	696,009
Other financing sources (uses):						
Proceeds from disposal of real or personal	-	-	-	-	-	-
Proceeds from the sale of bonds	-	-	-	-	-	-
Transfers in	519,890	519,890	338,757	-	338,757	(181,133)
Transfers (out)	(50,000)	(46,701)	(36,979)	-	(36,979)	9,722
Total other financing sources (uses)	469,890	473,189	301,778	-	301,778	(171,411)
Change in fund balances	(0)	(280,642)	243,956	-	243,956	524,598
Fund balances - beginning	-	280,642	100,392	-	100,392	(180,250)
Fund balances - ending	\$ (0)	\$ 0	\$ 344,348	\$ -	\$ 344,348	\$ 344,348

**UPSHUR COUNTY, WEST VIRGINIA, 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**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.048222%	0.077248%	0.050353%	0.037489%
District's proportionate share of the net pension liability (asset)	\$ 1,666,067	\$ 3,174,774	\$ 1,744,866	\$ 1,293,386
State's proportionate share of the net pension liability (asset) associated with the dist	25,615,593	44,048,954	30,322,945	24,540,920
Total	<u>27,281,660</u>	<u>47,223,728</u>	<u>32,067,811</u>	<u>25,834,306</u>
District's covered payroll	\$ 18,691,625	\$ 18,697,542	\$ 19,288,070	\$ 18,698,117
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8.913%	16.980%	9.046%	6.917%
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.

**UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FYE JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 1,592,304	\$ 1,632,675	\$ 1,657,715	\$ 1,766,585
Contributions in relation to the contractually required contributor	(1,592,304)	(1,632,675)	(1,657,715)	(1,766,585)
Contribution deficiency (excess)	-	-	-	-
District's covered payroll	\$ 18,402,226	\$ 18,691,625	\$ 18,697,542	\$ 19,288,070
Contributions as a percentage of covered payroll	8.653%	8.735%	8.866%	9.159%

Data prior to 2015 is unavailable.

**UPSHUR COUNTY, WEST VIRGINIA, 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**

	2017
District's proportion of the net OPEB liability (asset)	0.089011%
District's proportionate share of the net OPEB liability (asset)	\$ 2,188,764
State's proportionate share of the net OPEB liability (asset) associated with the district	10,236,644
Total	12,425,408
District's covered payroll	\$ 18,268,677
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	11.981%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%

Data prior to 2018 is unavailable.

UPSHUR COUNTY, WEST VIRGINIA, BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF DISTRICT CONTRIBUTIONS
RETIREE HEALTH BENEFIT TRUST FUND
FYE JUNE 30, 2018

	<u>2018</u>
Contractually required contribution	\$ 953,592
Contributions in relation to the contractually required contributor	<u>(953,592)</u>
Contribution deficiency (excess)	<u><u>-</u></u>
District's covered payroll	\$ 17,704,371
Contributions as a percentage of covered payroll	5.386%

Data prior to 2018 is unavailable.

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For The Fiscal 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). 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.

GENERAL FUND:

<u>Function</u>	<u>Amount</u>
Instruction	\$181,530

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>
Student Transportation	\$ 162

UPSHUR COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
For The Fiscal Year Ended June 30, 2018

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

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.
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,	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,	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.

**UPSHUR COUNTY BOARD OF EDUCATION
 NOTES TO REQUIRED SUPPLEMENTAL INFORMATION
 For The Fiscal Year Ended June 30, 2018**

<p>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.</p>	<p>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.</p>
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Discount Rate	7.5%	7.5%	7.5%	7.5%
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OTHER SUPPLEMENTARY INFORMATION

UPSHUR COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTARY INFORMATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
FYE JUNE 30, 2018

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 3,346,000	\$ 3,466,575	\$ 120,575	\$ 13,384,000	\$ 13,831,946	\$ 447,946
Expenditures (County Specific Levy Call):						
Excess Levy Expenditure Category						
Instructional Programs and Supplies	800,000	599,716	(200,284)	3,200,000	2,377,073	(822,927)
Excess Levy Expenditure Category						
Technology Access and Improvements	450,000	351,396	(98,604)	1,800,000	787,385	(1,012,615)
Excess Levy Expenditure Category						
Capital Improvements and Preventive Maintenance	1,000,000	1,154,865	154,865	4,000,000	5,525,850	1,525,850
Excess Levy Expenditure Category						
Substitute Employees	500,000	552,460	52,460	2,000,000	1,889,666	(110,334)
Excess Levy Expenditure Category						
Extracurricular activities and extended employment agreements	346,000	397,025	51,025	1,384,000	1,380,553	(3,447)
Excess Levy Expenditure Category						
Contracted Services Including Prevention Resource Officers, Technology Services and Athletic Trainers	200,000	188,488	(11,512)	800,000	827,075	27,075
Excess Levy Expenditure Category						
Student Related Community Services	50,000	87,561	37,561	200,000	328,608	128,608
Excess Levy Expenditure Category						
Amounts above base levy amount due to increases and additions to assessed values may be expended in substitution for or in addition to any of the above purposes. (All of the funds on this line have been expended for maintenance of facilities.)	-	71,584	71,584	-	493,234	493,234
Total Expenditures	3,346,000	3,403,096	57,096	13,384,000	13,609,445	225,445
Excess (Deficiency) of Collections over Expenditures	\$ -	\$ 63,479	\$ 63,479	\$ -	\$ 222,501	\$ 222,501

Upshur County Board of Education
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program	CFDA Number	Pass Through ID Number	Federal Expenditures
US Department of Agriculture			
Child Nutrition Cluster			
National School Lunch Program	10.555	N/A	\$2,293,391
Donated Food US Department of Agriculture	10.550	N/A	188,681
Team Nutrition	10.574	N/A	3,647
ARRA	10.579	N/A	7,474
Fresh Fruit and Vegetable	10.582	N/A	<u>44,870</u>
Total US Department of Agriculture			<u>2,538,063</u>
US Department of Education			
Passed-through West Virginia Department of Education			
Title I Grants to - Local Education Agencies (LEA)	84.010	GRTAWD04021600000496 GRTAWD04021700000563 GRTAWD04021800000962	1,103,525
Special Education Cluster			
Special Education - Grants to States	84.027	GRTAWD04021600005072 GRTAWD04021700005062 GRTAWD04021800001024 GRTAWD04021800001885	836,399
Special Education - Preschool Grants	84.173	GRTAWD04021800001190	<u>21,610</u>
Total Special Education Cluster			<u>858,009</u>
Title II	84.367	GRTAWD04021600000974 GRTAWD04021700000991 GRTAWD04021800001444	237,191
Career and Technical Education Grants to States	84.048A	GRTAWD04021700001631 GRTAWD04021800000571	30,024
Rural and Low Income School Grant	84.358B	GRTAWD04021700001631 GRTAWD04021800000571	<u>57,897</u>
Total US Department of Education			<u>2,228,749</u>
Total Expenditures of Federal Awards			<u><u>\$4,766,812</u></u>

UPSHUR COUNTY BOARD OF EDUCATION
Notes to Schedule of Expenditures of Federal
Awards Fiscal Year Ending June 30, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Upshur County Board of Education and is prepared based on accounting prescribed or permitted by the West Virginia Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting is described in detail in Note 1 to the financial statements of the Upshur County Board of Education, for the year ended June 30, 2018. The information in Schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

NOTE 2 NON-CASH ASSISTANCE

Upshur County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$188,681 is included in the Schedule of Federal Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and discloses the amount distributed for the year ended June 30, 2018.

NOTE 3 INDIRECT RATE

Upshur County Board of Education's federal expenditures includes an applied an indirect rate of 1.80% of total cost approved through an indirect cost rate proposal submitted and pre-approved indirect cost rate by West Virginia Department of Education the pass-through agency to Upshur County Board of Education for the applicable federal expenditures. All cost included the indirect rate proposal are:

(1) Allowable in accordance with the requirements of the Federal awards to which they apply and the OMB "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards," also known as 2 CFR Part 200. Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) Properly allocable to Federal awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Similar types of costs have been accounted for consistently and the State Department of Education will be notified of any accounting changes that would affect the predetermined rates.