

County: Mason

RFP: 17-105

MASON COUNTY BOARD OF EDUCATION

Financial Statements

June 30, 2018

MASON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	<u>Page</u>
School Board Officials	1
Independent Auditors' Report	2
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position	15
Statement of Activities	16
Balance Sheet – Governmental Funds	17
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	18
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	20
Statement of Fiduciary Net Position – Agency Funds	21
Notes to the Basic Financial Statements	22
Required Supplementary Information:	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – General Fund	57
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Special Revenue Fund	58
Schedule of the Board's Proportionate Share of the Net Pension Liability	59
Schedule of the Board's Pension Contributions	60
Schedule of the Board's Proportionate Share of the Net OPEB Liability	61
Schedule of the Board's OPEB Contributions	62
Notes to the Required Supplementary Information	63

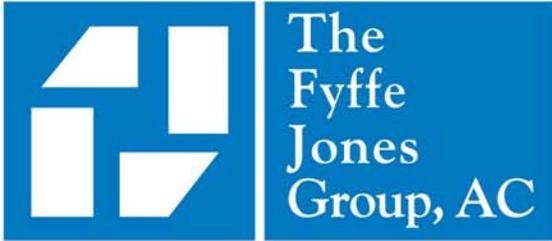
MASON COUNTY BOARD OF EDUCATION
TABLE OF CONTENTS (CONT.)
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Other Supplementary Information:

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Debt Service Fund	66
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Capital Projects Fund	67
Notes to the Budget and Actual Schedules	68
Schedule of Changes in School Activity Funds	69
Schedule of Excess Levy Revenues and Expenditures	70
Schedule of Expenditures of Federal Awards	71
Notes to the Schedule of Expenditures of Federal Awards	72
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	73
Independent Auditors' Report on Compliance with Requirements That Could Have A Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with the Uniform Guidance	75
Schedule of Findings and Questioned Costs	78
Schedule of Prior Audit Findings and Questioned Costs	81
Corrective Action Plan	82

MASON COUNTY BOARD OF EDUCATION
SCHOOL BOARD OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Office	Name	Term
	<u>Elective</u>	
School Board Members:	Rhonda Tennant	07/01/2016 – 06/30/2020
	Greg Fowler	07/01/2014 – 06/30/2018
	Jared Billings	07/01/2014 – 06/30/2018
	Meagan Bonecutter	07/01/2016 – 06/30/2020
	<u>Appointive</u>	
School Board President	Dale Shobe	07/01/2014 – 06/30/2018
Superintendent	Jack Cullen	07/01/2015 – 06/30/2018
Treasurer	Gary Hendricks	07/01/2017 – 06/30/2018



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mason County Board of Education
Point Pleasant, West Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As described in Note 2 to the financial statements, the Board adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, as amended by GASB Statement No. 85, *Omnibus 2017*, effective July 1, 2017. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 5 through 14 and 57 through 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Mason County Board of Education's basic financial statements. The budgetary comparison information for other major funds, the schedule of changes in school activity funds, and the schedule of excess levy revenues and expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

These statements and schedule are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements.

We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 21, 2019, on our consideration of the Board's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

The Fyffe Jones Group, AL

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 21, 2019

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

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

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately \$68.4 million at the close of the most recent fiscal year. Of this amount, approximately \$3.0 million (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position decreased by approximately \$43 thousand. This decrease is primarily the result of the restatement for the implementation of GASB 75.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of approximately \$8.6 million, an increase of approximately \$3.6 million in comparison with the prior year. The largest portion of this increase was due to a restatement from the implementation of GASB 75 in the amount of \$2.3 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$3.2 million.

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).

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

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

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 four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general current expense fund, the special revenue funds, the debt service fund, and the capital projects fund, all of which are considered major funds as found on pages 17 and 19.

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

The Board uses an agency fund to account for resources held for student activities and groups. The basic fiduciary fund financial statement can be found on page 21 of the basic financial statements.

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 through 55 following the basic financial statements.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately \$68.4 million at the close of the most recent fiscal year.

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

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

	2018	2017 (as restated)	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current and other assets	\$ 13,617,177	\$ 11,838,212	\$ 1,778,965
Capital assets	69,060,749	70,704,215	(1,643,466)
Deferred outflows of resources	1,344,648	1,541,017	(196,369)
Total assets and deferred outflows of resources	\$ 84,022,574	\$ 84,083,444	\$ (60,870)
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 4,209,114	\$ 6,066,409	\$ (1,857,295)
Long-term liabilities outstanding	5,327,010	5,953,530	(626,520)
Deferred inflows of resources	1,062,134	20,805	1,041,329
Net pension liability - Proportionate share	2,575,889	3,562,199	(986,310)
Net other post employment benefit (OPEB) liability - Proportionate share	2,410,469	-	2,410,469
Total liabilities and deferred inflows of resources	\$ 15,584,616	\$ 15,602,943	\$ (18,327)
Net position:			
Net investment in capital assets	\$ 63,107,219	\$ 64,140,898	\$ (1,033,679)
Restricted	2,346,175	2,177,757	168,418
Unrestricted	2,984,564	2,161,846	822,718
Total net position	\$ 68,437,958	\$ 68,480,501	\$ (42,543)
Total liabilities, deferred inflows of resources, and net position	\$ 84,022,574	\$ 84,083,444	\$ (60,870)

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

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

- Current and other assets increased by approximately \$1.8 million. This increase is a result of the overall increase in cash and cash equivalents and various receivables.
- Capital assets decreased by approximately \$1.6 million which represents the net amount of depreciation expense in excess of capital asset additions.
- GASB 68/71 requires the Board to record its proportionate share of the net pension liability, deferred outflows and deferred inflows. The net pension liability decreased by approximately \$986 thousand.
- The Board implemented GASB 75 during the year ended June 30, 2018. The Board was required to record its proportionate share of the Net OPEB liability, deferred outflows and deferred inflows. The Net OPEB liability was approximately \$2.4 million at June 30.
- Deferred outflows decreased by approximately \$196 thousand and deferred inflows increased by approximately \$1.0 million.
- Current and other liabilities decreased by approximately \$1.9 million primarily as a result of the restatement of the beginning fund balance which removed the OPEB liability from the fund statements with the implementation of GASB 75.
- Long term liabilities decreased by approximately \$627 thousand which was the result of the routine principal payments.
- The largest portion of the Board's net position (approximately 92%) 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 (approximately 3%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for restricted State and local projects and capital projects.
- The remaining balance of unrestricted net position, (approximately 4%) represents cash and other receivable balances and may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

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

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

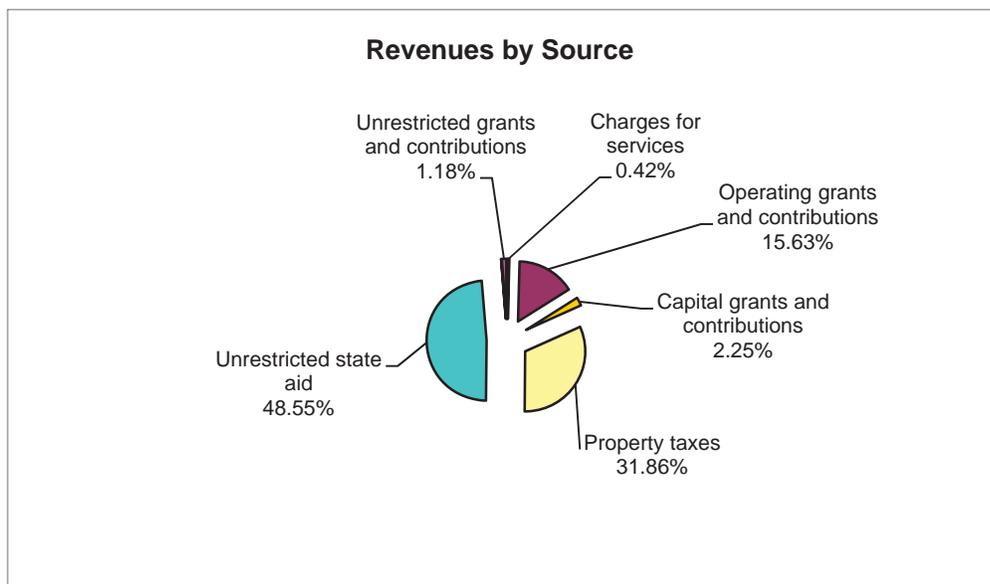
	2018	2017	
	Governmental	Governmental	Variance
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 201,588	\$ 373,616	\$ (172,028)
Operating grants and contributions	7,583,731	8,270,839	(687,108)
Capital grants and contributions	1,091,517	516,667	574,850
General revenues:			
Property taxes	15,455,957	15,116,436	339,521
Unrestricted state aid	23,556,864	25,257,864	(1,701,000)
Unrestricted investment earnings	-	2,732	(2,732)
Unrestricted grants and contributions	572,176	147,846	424,330
Gain on sale of capital assets	53,363	-	53,363
Total revenues	\$ 48,515,196	\$ 49,686,000	\$ (1,170,804)
Expenses:			
Instruction	\$ 27,705,503	\$ 26,981,191	\$ 724,312
Supporting services:			
Students	2,180,277	2,025,181	155,096
Instructional staff	1,635,483	1,871,323	(235,840)
General administration	660,689	602,713	57,976
School administration	2,754,152	2,950,491	(196,339)
Central services	520,314	530,427	(10,113)
Operation and maintenance of facilities	4,866,874	5,285,275	(418,401)
Student transportation	3,948,706	4,009,632	(60,926)
Total supporting services	16,566,495	17,275,042	(708,547)
Food services	3,293,590	3,349,746	(56,156)
Community services	60,000	60,000	-
Interest on long-term debt	276,147	174,774	101,373
Total Expenses	\$ 47,901,735	\$ 47,840,753	\$ 60,982
Change in net position	\$ 613,461	\$ 1,845,247	\$ (1,231,786)
Net position - Beginning	\$ 68,480,501	\$ 67,045,394	\$ 1,435,107
Prior period adjustment	\$ (656,004)	\$ (410,140)	\$ (245,864)
Net position - Ending	\$ 68,437,958	\$ 68,480,501	\$ (42,543)

MASON 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:

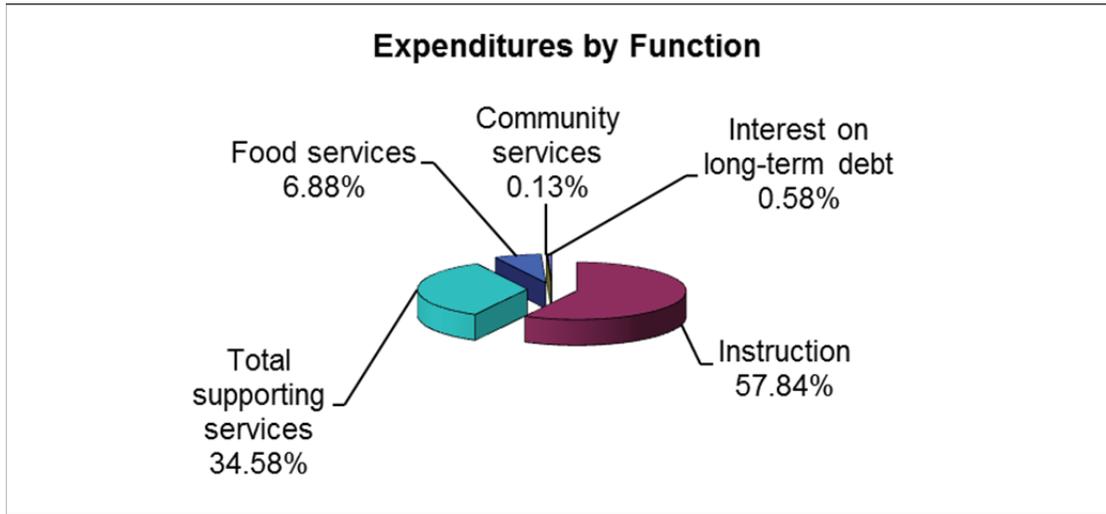
- Operating grants and contributions decreased by approximately \$687 thousand which was primarily the result of a decrease in certain federal and state grant awards.
- Capital grants and contributions increased by approximately \$575 thousand, which was primarily the result of the timing of certain construction projects through the West Virginia School Building Authority (SBA).
- Unrestricted state aid decreased by approximately \$1.7 million which was primarily a result of certain state allocations.
- Unrestricted grants and contributions increased by approximately \$424 thousand which was primarily a result of the timing of certain Medicaid cost report settlements received.
- Overall expenses increased by approximately \$61 thousand which was primarily a result of increased costs in the instruction function.

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



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

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



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 \$8.6 million. The net change in fund balance was an increase of approximately \$3.6 million.

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 Board had an unassigned fund balance of approximately \$3.2 million as of current year end.

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

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$2.9 million to \$6.3 million during the fiscal year ended June 30, 2018. As previously discussed, this increase of approximately \$3.4 million was due primarily to the Board's increase in revenue sources and the restatement due to the implementation of GASB 75.

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

Special Revenue Fund

This is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditures for specific purposes. The fund balance decreased from \$1.3 million to \$1.0 million during the fiscal year ended June 30, 2018. This decrease of approximately \$300 thousand was due primarily to the timing of receipt on certain State and Local grants received in advance of the disbursement in the prior year and expensed this year.

Debt Service Fund

This is a separate fund used to account for the accumulated resources, and the payment of, general long-term debt, principal, and interest. The Board transfers in annually the amount necessary for payment of the capital lease payables. The fund balance remained consistent with the prior year at \$0 for the debt service fund.

Capital Projects Fund

This is a separate fund used to account for all financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a debt service fund. The fund balance increased from \$924 thousand to \$1.3 million during the fiscal year ended June 30, 2018. This increase of approximately \$390 thousand was primarily due to the Board's transfer of funds from the general current expense fund for its share of capital projects.

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 \$21 thousand or less than 1% in total general fund expenditures. The most significant differences include the budget carryovers.

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

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 \$69.1 million (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 approximately \$1.6 million.

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 4,520,964	\$ 4,520,964	\$ -
Construction in process	976,359	553,288	423,071
Buildings and improvements	60,394,379	62,372,026	(1,977,647)
Furniture and equipment	484,782	470,394	14,388
Vehicles	2,684,265	2,787,543	(103,278)
Total capital assets	\$ 69,060,749	\$ 70,704,215	\$ (1,643,466)

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

- The Board purchased approximately \$79 thousand in furniture and equipment.
- The Board purchased approximately \$395 thousand in vehicles for transportation.
- The Board's construction in process increased by approximately \$423 thousand related to the construction of the wastewater treatment plants.

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

Long-term debt - At the end of the current fiscal year, the Board had no bonded debt. The Board's outstanding capital lease obligation was approximately \$6.0 million, a decrease of approximately \$610 thousand due to the routine principal payments on the capital leases. The Board's proportionate share of the net pension liability decreased approximately \$986 thousand to \$2.6 million. The Board's proportionate share of the net OPEB liability was approximately \$2.4 million at current year end. The Board has a liability for compensated absences of approximately \$126 thousand at current year end. The following summarizes the long-term debt:

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
Capital lease obligations	\$ 5,953,530	\$ 6,563,317	\$ (609,787)
Compensated absences	126,403	186,442	(60,039)
Net pension liability - proportionate share	2,575,889	3,562,199	(986,310)
Net OPEB liability - proportionate share	2,410,469	-	2,410,469
Total debt outstanding	\$ 11,066,291	\$ 10,311,958	\$ 754,333

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

Factors Bearing on the Board's Future

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

- Future shortfalls in state revenue collections could cause budget shortfalls that may result in decreases in state funding. Also decreases in County enrollment could impact the future revenue of the Board.
- As disclosed in the notes to the financial statements, these financials include the June 30, 2017 adjustments for the Medicaid Cost Report settlement. The financials do not reflect any adjustments for the June 30, 2018 adjustments for the Medicaid Cost Report settlement.

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 Mason County Board Office, 1 Education Lane, Point Pleasant, WV 25550.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,792,831
Taxes receivable, net of allowance for uncollectible taxes	1,764,344
Food service receivable	92,776
Other receivables	809
Due from other governments:	
State aid receivable	183,552
PEIA allocation receivable	595,641
Reimbursements receivable	2,187,224
Capital Assets:	
Land	4,520,964
Buildings and improvements	88,870,440
Furniture and equipment	4,503,057
Vehicles	6,602,025
Construction in process	976,359
Less accumulated depreciation	(36,412,096)
Total capital assets, net of depreciation	69,060,749
Total assets	82,677,926
 DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows from pension activity	1,014,782
Deferred outflows from other post employment benefit (OPEB) activity	329,866
Total deferred outflows of resources	1,344,648
 Total assets and deferred outflows of resources	\$ 84,022,574
 LIABILITIES	
Salaries payable and related payroll liabilities	\$ 3,030,349
PEIA premiums payable	240,316
Compensated absences	126,403
Accounts payable	131,933
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	626,520
Accrued interest	53,593
Due beyond one year:	
Bonds, capital leases, and contracts	5,327,010
Net pension liability - proportionate share	2,575,889
Net other post employment benefit (OPEB) liability - proportionate share	2,410,469
Total liabilities	14,522,482
 DEFERRED INFLOW OF RESOURCES	
Deferred inflows from pension activity	489,719
Deferred inflows from other post employment benefit (OPEB) activity	572,415
Total deferred inflows of resources	1,062,134
 Total liabilities and deferred inflows of resources	\$ 15,584,616
 NET POSITION	
Invested in capital assets, net of related debt	\$ 63,107,219
Restricted for:	
Special projects	1,032,273
Capital projects	1,313,902
Unrestricted	2,984,564
Total net position	\$ 68,437,958

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Position Governmental Activities
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Instruction	\$ 27,705,503	\$ -	\$ 2,808,395	\$ 686,892
Supporting services:				
Students	2,180,277	-	220,759	53,266
Instructional staff	1,635,483	-	165,569	39,950
General administration	660,689	-	66,856	16,154
School administration	2,754,152	-	279,090	67,237
Business services	520,314	-	52,946	12,662
Operation and maintenance of facilities	4,866,874	-	493,118	118,866
Student transportation	3,948,706	-	400,238	96,490
Food services	3,293,590	201,588	3,096,760	-
Community services	60,000	-	-	(60,000)
Interest on long-term debt	276,147	-	-	(276,147)
Total governmental activities	\$ 47,901,735	\$ 201,588	\$ 7,583,731	\$ 1,091,517

General revenues:

Property taxes	15,455,957
Unrestricted state aid	23,556,864
Unrestricted grants and contributions	572,176
Gain on sale of capital assets	53,363
Transfers in	1,814,336
Transfers (out)	(1,814,336)
Total general revenues and transfers	39,638,360
Change in net position	613,461
Net position - beginning	68,480,501
Prior period adjustment	(656,004)
Net position - beginning, as restated	67,824,497
Net position - ending	\$ 68,437,958

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 8,413,174	\$ 51,609	\$ 355	\$ 327,693	\$ 8,792,831
Taxes receivable, net	1,764,344	-	-	-	1,764,344
Food service receivable, net	-	92,776	-	-	92,776
Other receivables	809	-	-	-	809
Due from other governments:					
State aid receivable	183,552	-	-	-	183,552
PEIA allocation receivable	595,641	-	-	-	595,641
Reimbursements receivable	498,790	1,089,223	-	599,211	2,187,224
Due from other funds	-	-	-	438,152	438,152
Total assets	11,456,310	1,233,608	355	1,365,056	14,055,329
Deferred outflows of resources	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 11,456,310	\$ 1,233,608	\$ 355	\$ 1,365,056	\$ 14,055,329
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 3,030,349	\$ -	\$ -	\$ -	\$ 3,030,349
PEIA premiums payable	240,316	-	-	-	240,316
Accounts payable	28,148	52,631	-	51,154	131,933
Due to other funds	289,093	148,704	355	-	438,152
Total liabilities	3,587,906	201,335	355	51,154	3,840,750
Deferred inflows of resources	1,568,779	-	-	-	1,568,779
Total deferred inflows of resources	1,568,779	-	-	-	1,568,779
Fund Balances:					
Restricted	-	1,032,273	-	1,313,902	2,346,175
Committed	2,938,301	-	-	-	2,938,301
Assigned	165,364	-	-	-	165,364
Unassigned	3,195,960	-	-	-	3,195,960
Total fund balances	6,299,625	1,032,273	-	1,313,902	8,645,800
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 11,456,310	\$ 1,233,608	\$ 355	\$ 1,365,056	\$ 14,055,329

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balance on the governmental fund's balance sheet	\$	8,645,800
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet		69,060,749
Property taxes receivable and food service billings will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore in deferred funds		1,568,779
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources related to pensions		1,014,782
Deferred outflows of resources related to OPEB		329,866
Deferred inflows of resources related to pensions		(489,719)
Deferred inflows of resources related to OPEB		(572,415)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest on bonds		(53,593)
Compensated absences		(126,403)
Capital lease payable, due within one year		(626,520)
Capital lease payable, due beyond one year		(5,327,010)
Net pension liability - proportionate share		(2,575,889)
Net OPEB liability - proportionate share		(2,410,469)
Net position of governmental activities	\$	<u><u>68,437,958</u></u>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 15,341,776	\$ -	\$ -	\$ -	\$ 15,341,776
Other local sources	298,694	37,131	-	4,251	340,076
State sources	25,932,687	2,096,722	-	1,091,517	29,120,926
Federal sources	269,231	5,633,466	-	-	5,902,697
Miscellaneous sources	-	18,000	-	-	18,000
Total revenues	41,842,388	7,785,319	-	1,095,768	50,723,475
Expenditures:					
Instruction	23,825,697	3,606,288	-	-	27,431,985
Supporting services:					
Students	1,555,390	486,997	-	-	2,042,387
Instructional staff	655,606	920,022	-	-	1,575,628
General administration	626,543	-	-	-	626,543
School administration	2,869,803	-	-	-	2,869,803
Central services	560,652	390	-	-	561,042
Operation and maintenance of facilities	4,943,103	-	-	-	4,943,103
Student transportation	3,963,969	387,306	-	-	4,351,275
Food services	-	3,020,044	-	-	3,020,044
Community services	60,000	-	-	-	60,000
Capital outlay	-	-	-	1,202,622	1,202,622
Debt service:					
Principal retirement	-	-	609,813	-	609,813
Interest and fiscal charges	-	-	195,567	-	195,567
Total expenditures	39,060,763	8,421,047	805,380	1,202,622	49,489,812
Excess (deficiency) of revenues over expenditures	2,781,625	(635,728)	(805,380)	(106,854)	1,233,663
Other financing sources (uses):					
Proceeds from disposal of real or personal property	53,363	-	-	-	53,363
Transfers in	48,978	462,724	805,380	497,254	1,814,336
Transfers (out)	(1,765,358)	(48,978)	-	-	(1,814,336)
Total other financing sources (uses)	(1,663,017)	413,746	805,380	497,254	53,363
Net change in fund balances	1,118,608	(221,982)	-	390,400	1,287,026
Fund balances - beginning	2,908,690	1,254,255	-	923,502	5,086,447
Prior period adjustments - See (Note 2)	2,272,327	-	-	-	2,272,327
Fund balances - beginning, as restated	5,181,017	1,254,255	-	923,502	7,358,774
Fund balances - ending	\$ 6,299,625	\$ 1,032,273	\$ -	\$ 1,313,902	\$ 8,645,800

See Notes to the Basic Financial Statements.

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

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

Net change in fund balances - total governmental funds \$ 1,287,026

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 (2,540,360)
Capital outlays 896,894

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, rather they are reported as deferred revenues. 114,181

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. 609,787

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

Cost of assets disposed (464,396)
Accumulated depreciation of assets disposed 464,396

Compensated absences are reported as liabilities in the statement of net assets, but are only reported in government funds to the extent they have matured. This is the amount by which compensated absences (increased)/decreased. 60,039

Accrued interest is required to be reported as a liability in the statement of net position of the district wide financial statements. The following represents the change in accrued interest receivable for the year. (80,580)

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 329,866
Cost of benefits earned net of employee contributions (54,553)

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 pension expense.

District OPEB contributions 279,586
Cost of benefits earned net of employee contributions (288,425)

Change in net position of governmental activities \$ 613,461

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

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
<hr/>	
ASSETS	
Cash and cash equivalents	\$ 802,994
Total assets	<u>802,994</u>
LIABILITIES	
Due to other funds	802,994
Total liabilities	<u>\$ 802,994</u>

See Notes to the Basic Financial Statements.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE 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 Mason 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.

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

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

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

The funds maintained by the Board are:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting:

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

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

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

legislative appropriation is made; and grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Encumbrances:

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

E. Cash and Investments:

Cash on hand and deposits with banking institutions either in checking or savings accounts 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. All deposit accounts and investments of the School Board at June 30, 2018 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
Deposits with financial institutions -			
Individual schools	\$ 802,994	802,994	802,994
Deposits with financial institutions -			
Board of Education	8,792,831	8,792,831	9,865,762
 Total cash and cash equivalents	\$ 9,595,825	\$ 9,595,825	\$ 10,668,756

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

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

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

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

F. Food Service Receivables:

The accounts receivable for the Food Service Program has been reduced by \$0 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the School Board.

G. Interfund Receivables and Payables:

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

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

H. Inventories:

Inventories are valued at cost or, if donated, at fair value when received. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. The Board did not operate a centralized warehouse for inventories at June 30, 2018.

I. Prepaid Items:

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

J. Capital Assets:

Capital assets, which include land, buildings and improvements, furniture and equipment, and vehicles are reported in the district-wide financial statements. The 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.

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

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

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

Assets	Years
Buildings	50
Site improvements	20-35
Furniture and equipment	5-20
Vehicles	8-12

K. Deferred Outflow of Resources:

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period. Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The details of the aggregate amount of the deferred outflows in the statement of net position and OPEB are found in Notes 11 and 12. The board did not have deferred outflows of resources in the governmental fund balance sheet.

L. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teacher Retirement System (TRS) and additions to/deductions from the TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for further discussion.

M. Compensated Absences and Other Post Employment Benefit Liability:

Other Post Employment Benefit (OPEB) Liability:

It is the 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.

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

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

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 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 benefit terms. Investments are reported at fair value. See Note 12 for further discussion.

N. Long-term Obligations:

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

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

O. Deferred Inflow of Resources:

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. Deferred inflows on the governmental balance sheet are typically comprised of items that will not be recognized within 60 days of the year end, and will not be available to satisfy current encumbrances. The details of the aggregate amount of the deferred inflows in the statement of net position are found in Notes 11 and 12.

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

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

P. Net Position:

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

- **Invested in capital assets, net of related debt** - This represents the 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 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 Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

Q. Fund Equity:

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

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

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

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

- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 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 Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

R. Elimination and Reclassifications:

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

S. Accounting Estimates:

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

T. Restricted Resources:

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

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

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

U. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of Statement No. 75 has required a restatement of prior year's net position, as seen in Note 2. In addition, Statement No. 75 requires additional disclosures as shown in Note 12.

The Governmental Accounting Standards Board has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of GASB Statement No. 81 had no impact on the June 30, 2018 financial statements.

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.

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

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

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.

V. Recent Statements Issued by the GASB:

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

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

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

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.

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

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:

	Governmental Activities
Beginning net position as previously reported at June 30, 2017	\$ 68,480,501
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	2,272,327
Beginning net OPEB liability	(3,101,788)
Deferred outflows of resources - 2017 OPEB contributions	173,457
Total prior period adjustment	(656,004)
July 1, 2017 net position, as restated	\$ 67,824,497

	General Current Expense Fund
Beginning fund balance as previously reported at June 30, 2017	\$ 2,908,690
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	2,272,327
July 1, 2017 fund balance, as restated	\$ 5,181,017

Note 3 - Stewardship, Compliance, and Accountability:

Deficiencies in Net Changes in Fund Balances:

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

Fund	Amount
Special Revenue Fund	\$ 221,982

Funds sufficient to provide for the excess expenditures were made available from other sources, reserved for contingency, within each fund.

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

Note 4 - Risk Management:

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

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

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

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): The Travelers Insurance Company provides workers' compensation coverage to Mason County Board of Education. The cost of all coverage, as determined by Travelers Insurance Company, is paid by the Board.

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

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

Note 5 - Property Taxes:

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

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

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

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

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

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2018, were:

<u>Class of Property</u>	<u>Assessed Valuations for Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>
Class I	\$ -	19.40¢	22.95¢
Class II	426,809,367	38.80¢	45.90¢
Class III	586,785,067	77.60¢	91.80¢
Class IV	103,063,800	77.60¢	91.80¢

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

Note 5 - Property Taxes (Cont.):

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July each year. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distraint 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 Board’s funds is as follows:

	General Current Expense Fund
Taxes Receivable	\$ 1,764,344
Less: Allowance for Uncollectable	-
Taxes Receivable, net	\$ 1,764,344

Note 6 - Excess Levy:

The 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 November 6, 2012, for the fiscal years ended June 30, 2015, through June 30, 2019, to provide funds for the following purposes:

- To continue to provide instructional materials, free textbooks, instructional equipment, 21st century technology and accident insurance for all students at an approximately total annual cost of \$1,800,000.
- To continue to provide financial support of designated community organizations and agencies, including but not limited to Sheriff’s Department – Prevention Resource Officers at \$100,000; Mason County Library at \$30,000; WV Cooperative Extension at \$20,000; and the Mason County Fair at \$10,000, total annual cost approximately \$160,000.

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

Note 6 - Excess Levy (Cont.):

- To update computer technology including computer purchases, repairs, upgrades, software, and contracting at an approximately total annual cost of \$180,000.
- To continue to provide for the upkeep and maintenance of existing facilities and construction by providing the necessary supplies, services, or equipment at an approximate annual cost of \$2,750,000.
- The continuation of the local salary schedule with required social security, unemployment compensation, workers compensation and other employee benefits for school personnel at an approximate total annual cost of \$2,681,724. Such funding will allow Mason County to employ and retain highly qualified personnel to continue to provide the highest quality education for the children of Mason County.
- To provide transportation for students including maintenance of equipment, vehicle replacement, and fuel for vehicles at an approximate annual cost of \$600,000.
- To provide extra- and co-curricular activities for students including field trips, school competitions, and other extra and co-curricular activities at an approximate annual cost of \$290,000.

A total of \$7,771,722 was received by the School Board from the excess levy during the fiscal year ended June 30, 2018.

Note 7 – Tax Abatement:

The Board is not aware of any payment in lieu of taxes (PILOT) or property tax abatement agreements made between another government body and property owners and did not receive any payments under such agreements during the fiscal year ended June 30, 2018.

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

Note 8 - Capital Assets:

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

Governmental Activities	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Capital assets, non-depreciable:				
Land	\$ 4,520,964	\$ -	\$ -	\$ 4,520,964
Construction in process	553,288	423,071	-	976,359
Total non-depreciable capital assets	\$ 5,074,252	\$ 423,071	\$ -	\$ 5,497,323
Capital assets, depreciable:				
Buildings and improvements	\$ 88,870,440	\$ -	\$ -	\$ 88,870,440
Furniture and equipment	4,424,206	78,851	-	4,503,057
Vehicles	6,671,449	394,972	(464,396)	6,602,025
Total depreciable capital assets	\$ 99,966,095	\$ 473,823	\$ (464,396)	\$ 99,975,522
Less: accumulated depreciation:				
Buildings and improvements	\$ (26,498,414)	\$ (1,977,647)	\$ -	\$ (28,476,061)
Furniture and equipment	(3,953,812)	(64,463)	-	(4,018,275)
Vehicles	(3,883,906)	(498,250)	464,396	(3,917,760)
Total accumulated depreciation	\$ (34,336,132)	\$ (2,540,360)	\$ 464,396	\$ (36,412,096)
Total depreciable capital assets, net	\$ 65,629,963	\$ (2,066,537)	\$ -	\$ 63,563,426
Capital Assets - Net	\$ 70,704,215	\$ (1,643,466)	\$ -	\$ 69,060,749

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 1,391,882
Supporting services:	
Students	106,500
Instructional staff	88,800
Central administration	45,605
School administration	175,524
Operation and maintenance of facilities	226,560
Transportation	295,674
Food services	209,815
	<u>\$ 2,540,360</u>

Note 9 - Long-Term Debt:

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

	Balance, June 30, 2017	Additions	Retirement	Balance, June 30, 2018	Amounts due within one year	Amounts due past one year
Capital lease obligations	\$ 6,563,317	\$ -	\$ 609,787	\$ 5,953,530	\$ 626,520	\$ 5,327,010
Compensated absences	186,442	-	60,039	126,403	126,403	-
Net pension liability - proportionate share	3,562,199	-	986,310	2,575,889	-	2,575,889
Net OPEB liability - proportionate share	3,101,788	-	691,319	2,410,469	-	2,410,469
Total debt outstanding	<u>\$ 13,413,746</u>	<u>\$ -</u>	<u>\$ 2,347,455</u>	<u>\$ 11,066,291</u>	<u>\$ 752,923</u>	<u>\$ 10,313,368</u>

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

Note 10 - Leases:

Capital Leases

The Board has entered into various capital leases (lease-purchase agreements) with varying terms. A summary of the agreements are as follows:

Capital Lease 1 - Mason County Building Commission

Pursuant to Treasury Regulations Section 1.150-2, the Board declares official intent to be reimbursed from the proceeds of tax-exempt bonds issued by the Mason County Building Commission. On December 18, 2015, the Mason County Building Commission issued general obligation bonds of \$1,293,197 (par value) with an interest rate of 2.75% for the purpose of renovating, improving, furnishing and equipping a facility to be used by the Board as an administrative office complex. The bonds mature December 15, 2030. Principal and interest payments for this bond did not begin until July 2016. The amount of principal outstanding for this lease as of June 30, 2018 was \$1,143,912.

Capital Lease 2 - HVAC

The Board has entered into a capital lease-purchase agreement pursuant to the provisions of West Virginia Code Section 18-5-9a whereby HVAC equipment for Point Pleasant Junior/Senior High School is leased from Farmers Bank and Savings Company for a period of ten years beginning March 24, 2009. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The amount of principal outstanding for this lease as of June 30, 2018 was \$120,000.

Capital Lease 3 - HVAC

The Board has entered into a third capital lease-purchase agreement in the amount of \$1,000,000, pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for a HVAC/control system at New Haven Elementary School and those assets are leases from Ohio Valley Bank for a period of sixteen years beginning July 18, 2006, with annual payments of \$53,017. These payments will earn interest at a rate of 2.13%, for a total of \$151,734, in interest, which will be applied towards the capital lease payments. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The amount of principal outstanding for this lease as of June 30, 2018 was \$360,951.

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

Note 10 – Leases (Cont.):

Capital Lease 4 – Energy Conservation Equipment

The Board has entered into a fourth capital lease-purchase agreement in pursuant to the provisions of West Virginia Code 18-5-9a whereby energy conservation equipment has been installed in several of the schools. The equipment is leased from Ohio Valley Bank for a period of fifteen years beginning February 23, 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 returning the equipment at the end of any fiscal year, if funding for the lease payment for the next fiscal year is not available. The amount of principal outstanding for this lease as of June 30, 2018 was \$4,063,208.

Capital Lease 5 – HVAC/Control System

The Board has entered into a fifth capital lease-purchase agreement in the amount of \$926,000, pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for a HVAC/control system at Point Pleasant Junior/Senior High School and those assets are leases from Ohio Valley Bank for a period of fifteen years beginning April 15, 2004, with annual payments of \$53,391. These payments will earn interest at a rate of 2.03%, for a total of \$125,140, in interest, which will be applied towards the capital lease payments. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The amount of principal outstanding for this lease as of June 30, 2018 was \$53,391.

Capital Lease 6 – HVAC/Control System

The Board has entered into a sixth capital lease-purchase agreement in the amount of \$1,000,000, pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for HVAC equipment at Point Pleasant Junior/Senior High School and those assets are leased from Ohio Valley Bank for a period of fifteen years beginning September 18, 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 returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The amount of principal outstanding for this lease as of June 30, 2018 was \$212,068.

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

Note 10 – Leases (Cont.):

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

Fiscal Year	Capital Lease 1	Capital Lease 2	Capital Lease 3	Capital Lease 4	Capital Lease 5	Capital Lease 6	Total Payment of Principal for Capital Leases
	Mason County Building Commission	Pt. Pleasant Jr/Sr High HVAC	New Haven HVAC QZAB	Energy Conservation Equipment	Pt. Pleasant Jr/Sr High HVAC QZAB 2004	Pt. Pleasant Jr/Sr High HVAC QZAB 2007	
2019	\$ 77,776	\$ 120,000	\$ 69,847	\$ 252,489	\$ 53,391	\$ 53,017	\$ 626,520
2020	79,865	-	70,999	261,275	-	53,017	465,156
2021	82,166	-	72,171	270,367	-	53,017	477,721
2022	84,453	-	73,362	279,775	-	53,017	490,607
2023	86,805	-	74,572	289,511	-	-	450,888
2024	89,172	-	-	299,584	-	-	388,756
2025	91,706	-	-	310,009	-	-	401,715
2026	94,260	-	-	320,797	-	-	415,057
2027	96,886	-	-	331,960	-	-	428,846
2028	99,562	-	-	343,511	-	-	443,073
2029	102,356	-	-	355,464	-	-	457,820
2030	105,209	-	-	367,834	-	-	473,043
2031	53,696	-	-	380,632	-	-	434,328
Total Principal	\$ 1,143,912	\$ 120,000	\$ 360,951	\$ 4,063,208	\$ 53,391	\$ 212,068	\$ 5,953,530
Interest remaining in addition to principal	\$ 209,386	\$ 4,800	\$ -	\$ 1,013,421	\$ -	\$ -	Total interest \$ 1,227,607

Note 11 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers’ Retirement System (TRS) or the Teachers’ Defined Contribution Retirement System (TDCRC). For the year ended June 30, 2018, the Board’s total payroll for all employees was \$24,763,714, and the payroll was \$24,085,481 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.

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

Note 11 - Employee Retirement System (Cont.):

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

A. Teachers' Retirement System (TRS):

Plan Description:

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

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

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

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

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

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

Note 11 - Employee Retirement System (Cont.):

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

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

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

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

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

At June 30, 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 net pension liability	\$	2,575,889
State's proportionate share of the net pension liability associated with the School Board		39,603,626
Total portion of net pension liability associated with the School Board	\$	42,179,515

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

Note 11 - Employee Retirement System (Cont.):

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 \$4,007,022, and for support provided by the State, revenue of \$3,656,037. 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 Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 80,967
Differences between expected and actual experience	22,395	45,887
Changes in proportion and differences between School Board contributions and proportionate share of contributions	616,034	362,865
Changes in assumptions	96,767	-
School Board contributions subsequent to the measurement date	279,586	-
 Total	 \$ 1,014,782	 \$ 489,719

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, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2019	\$ 84,326
2020	164,427
2021	78,433
2022	(3,919)
2022	(77,791)
Thereafter	-
Total	\$ 245,476

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

Note 11 - Employee Retirement System (Cont.):

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the June 30, 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 3.00-6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00-6.50%.

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

Mortality – Active – 100% of RP2000 Non-Annuitant, Scale AA fully generational Retired males – 97% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired females – 94% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 101% of RP-2000 Disabled Annuitant, Scale AA fully generational.

Discount Rate – 7.5%

Investment Asset Allocation:

The long-term rate of return on pension plan investments was determined using the building block method in which estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as 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%
	<u>100%</u>	

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

Note 11 - Employee Retirement System (Cont.):

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 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
School Board's proportionate share of the TRS net pension liability	\$ 3,391,046	\$ 2,575,889	\$ 1,879,200

Payables to the pension plan:

At June 30, 2018, the School Board reported a liability of \$296,900 for its unpaid legally required contributions to the pension plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

B. Teachers' Defined Contribution Retirement System:

Plan Description:

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

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

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

Note 11 - Employee Retirement System (Cont.):

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

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 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 Board's financial statements to the defined contribution plan for 2018 were:

Employees' contributions (4.5%)	\$	45,655
Employer's contributions (7.5%)		76,090
Total contributions	\$	121,745

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

Note 12 - Post-Employment Benefits Other Than Pension:

General Information:

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

As a result, the West Virginia Legislature passed HB 4654 in 2006 adding a new article to the State Code, WVC §5-16D-1 et seq. The article, among other things: Created the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of administering retiree post-employment health care benefits, vested the responsibility for operation of the fund with the PEIA Board of Finance, and required the Board of Finance 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 Finance Board. The Finance Board has allowed retirees to obtain health insurance coverage at essentially the same premium rate as active employees with the difference between the retirees' premium contributions and the cost of providing health care to retirees subsidized by the State. It is this subsidy that has created the major portion of the OPEB actuarial liability.

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

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

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

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

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

Note 12 - Post-Employment Benefits Other Than Pension (Cont.):

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 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.

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

Note 12 - Post-Employment Benefits Other Than Pension (Cont.):

Contributions:

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

	2017	2017	2016
	July 2016 to December 2016	January 2017 to June 2017	
Paygo Premium	\$ 196	\$ 135	\$ 163

Contributions to the OPEB plan from the School Board were \$329,866 for the year end June 30, 2018. Employees are not required to contribute to the OPEB plan.

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 net OPEB liability	\$ 2,410,469
State's proportionate share of the net OPEB liability associated with the School Board	11,273,538
Total portion of net OPEB liability associated with the School Board	\$ 13,684,007

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 0.0980 percent, a decrease of 0.0269 percent from its proportion measured as of June 30, 2016 (0.1249 percent).

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

Note 12 - Post-Employment Benefits Other Than Pension (Cont.):

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$1,247,237 and for support provided by the State, revenue of \$1,165,276. 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 Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 38,473
Differences between expected and actual experience	-	8,071
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	525,871
School Board contributions subsequent to the measurement date	329,866	-
 Total	 \$ 329,866	 \$ 572,415

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:

Year ending June 30:	
2019	\$ (153,383)
2020	(153,383)
2021	(153,383)
2022	(112,266)
2022	-
Thereafter	-
Total	\$ (572,415)

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as 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 applied to all periods included in the measurement, unless otherwise specified. These assumptions are as follows:

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 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%

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

Note 12 - Post-Employment Benefits Other Than Pension (Cont.):

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

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

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

Note 12 - Post-Employment Benefits Other Than Pension (Cont.):

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

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

	1.0% Decrease 6.15%	Current Discount Rate 7.15%	1.0% Increase 8.15%
School Board's proportionate share of the RHBT net OPEB liability	\$ 2,806,715	\$ 2,410,469	\$ 2,081,078

Healthcare Cost Trend Rate:

The following table presents the School Board's proportionate share of its net OPEB liability and the impact of using the healthcare cost trend 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	\$ 2,024,828	\$ 2,410,469	\$ 2,882,129

Payables to the OPEB Plan:

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

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

Note 13 – Payments on Behalf:

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

Retirement allocation by the State	\$ 1,347,849
Retirement allocation by the State unfunded	5,114,177
PEIA allocation by the State	2,834,303
OPEB allocation by the State	708,579
Technology allocation by the State	25,949
Donated foods allocation by the State	130,118

Note 14 - Pending Litigation:

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

Note 15 - Fund Balance:

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

Fund Balances	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Restricted for:					
Special Projects	\$ -	\$ 1,032,273	\$ -	\$ -	\$ 1,032,273
Capital Projects	-	-	-	1,313,902	1,313,902
Committed to:					
2019 budget carry forward	2,938,301	-	-	-	2,938,301
Assigned to:					
Encumbrances	165,364	-	-	-	165,364
Unassigned	3,195,960	-	-	-	3,195,960
Total Fund Balances	\$ 6,299,625	\$ 1,032,273	\$ -	\$ 1,313,902	\$ 8,645,800

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

Note 16 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$1,106,995 as of June 30, 2018 in the following funds:

General Current Expense Fund	Special Revenue Fund	Capital Projects Fund
\$ 165,364	\$ 321,820	\$ 619,811

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

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

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.

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

Note 17 - Interfund Balances and Transfers:

Interfund Transfers

Interfund transfers from the General Current Expense Fund were as follows:

	<u>Amount</u>
To Special Revenue Fund	\$ 462,724
To Debt Service Fund	805,380
To Capital Projects Fund	497,254

Interfund transfers from the Special Revenue Fund to the General Current Expense Fund were \$48,978 for indirect costs applied to various federal restricted projects.

Note 18 - Major Sources of Revenue:

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

Note 19 - Subsequent Events:

All other commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through March 21, 2019, the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 15,384,449	\$ 15,384,449	\$ 15,341,776	\$ -	\$ 15,341,776	\$ (42,673)
Other local sources	287,926	301,342	298,694	-	298,694	(2,648)
State sources	25,589,112	25,932,687	25,932,687	-	25,932,687	343,575
Federal sources	215,000	215,000	269,231	-	269,231	54,231
Miscellaneous sources	-	7,100	-	-	-	(7,100)
Total revenues	41,476,487	41,497,003	41,842,388	-	41,842,388	345,385
Expenditures:						
Instruction	24,767,473	24,789,557	23,825,697	(37,277)	23,788,420	1,001,137
Supporting services:						
Students	1,797,513	1,813,613	1,555,390	(3,133)	1,552,257	261,356
Instructional staff	951,414	921,239	655,606	(1,566)	654,040	267,199
Central administration	791,083	788,433	626,543	(627)	625,916	162,517
School administration	2,950,485	2,955,100	2,869,803	(4,699)	2,865,104	89,996
Business	655,036	677,311	560,652	(313)	560,339	116,972
Operation and maintenance of facilities	5,588,113	5,588,113	4,943,103	(7,518)	4,935,585	652,528
Student transportation	4,056,524	4,044,791	3,963,969	(7,518)	3,956,451	88,340
Food services	-	-	-	-	-	-
Community services	60,000	60,000	60,000	-	60,000	-
Capital outlay	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Reserve for contingency	-	-	-	-	-	-
Total expenditures	570,000	570,000	39,060,763	(62,651)	38,998,112	570,000
Excess (deficiency) of revenues over expenditures	(711,154)	(711,154)	2,781,625	62,651	2,844,276	3,555,430
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	53,363	-	53,363	53,363
Transfers in	47,862	47,862	48,978	-	48,978	1,116
Transfers (out)/reserves	(1,703,050)	(1,703,050)	(1,765,358)	-	(1,765,358)	(62,308)
Total other financing sources (uses)	(1,655,188)	(1,655,188)	(1,663,017)	-	(1,663,017)	(7,829)
Change in fund balances	(2,366,342)	(2,366,342)	1,118,608	62,651	1,181,259	3,547,601
Fund balances - beginning, as restated	2,366,342	2,366,342	5,181,017	-	5,181,017	2,814,675
Fund balances - ending	-	-	6,299,625	62,651	6,362,276	6,362,276

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local sources	\$ 34,024	\$ 57,109	\$ 37,131	\$ -	\$ 37,131	\$ (19,978)
State sources	1,743,300	3,075,508	2,096,722	131,232	2,227,954	(847,554)
Federal sources	4,952,589	7,168,012	5,633,466	-	5,633,466	(1,534,546)
Miscellaneous sources	-	-	18,000	-	18,000	18,000
Total revenues	6,729,913	10,300,629	7,785,319	131,232	7,916,551	(2,384,078)
Expenditures:						
Instruction	583,691	5,033,686	3,606,288	(131,232)	3,475,056	1,558,630
Supporting services:						
Students	-	572,305	486,997	-	486,997	85,308
Instructional staff	221,796	1,046,692	920,022	-	920,022	126,670
School administration	-	1,245	-	-	-	1,245
Business	-	345	390	-	390	(45)
Student transportation	363,303	429,554	387,306	-	387,306	42,248
Food services	3,078,949	3,354,734	3,020,044	-	3,020,044	334,690
Reserved for special projects	3,331,982	31,493	-	-	-	31,493
Total expenditures	7,579,721	10,470,054	8,421,047	(131,232)	8,289,815	2,180,239
Excess (deficiency) of revenues over expenditures	(849,808)	(169,425)	(635,728)	262,464	(373,264)	(203,839)
Other financing sources (uses):						
Transfers in	897,670	897,670	462,724	-	462,724	(434,946)
Transfers (out)	(47,862)	(65,356)	(48,978)	-	(48,978)	16,378
Total other financing sources (uses)	849,808	832,314	413,746	-	413,746	(418,568)
Change in fund balances	-	662,889	(221,982)	262,464	40,482	(622,407)
Fund balances - beginning	-	(662,889)	1,254,255	-	1,254,255	1,917,144
Fund balances - ending	\$ -	\$ -	\$ 1,032,273	\$ 262,464	\$ 1,294,737	\$ 1,294,737

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF THE SCHOOL BOARD'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Reported Fiscal Year (Measurement Date)			
	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
School Board's proportion of the net pension liability (asset)	0.074556%	0.086675%	0.065799%	0.069396%
School Board's proportionate share of net pension liability (asset)	\$ 2,575,889	\$ 3,562,199	\$ 2,280,102	\$ 2,394,220
State's proportionate share of the net pension liability (asset) associated with the district	<u>39,603,626</u>	<u>49,424,321</u>	<u>39,625,223</u>	<u>45,428,319</u>
Total	<u><u>42,179,515</u></u>	<u><u>52,986,520</u></u>	<u><u>41,905,325</u></u>	<u><u>47,822,539</u></u>
School Board's covered-employee payroll	\$ 21,229,476	\$ 22,480,819	\$ 22,511,652	\$ 22,790,378
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.134%	15.846%	10.129%	10.505%
Plan fiduciary net position as a percentage of the total pension liability	67.85%	61.42%	66.25%	66.05%

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF THE SCHOOL BOARD'S PENSION CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
Contractually required contribution	\$ 1,743,934	\$ 1,814,042	\$ 308,229	\$ 244,697
Contributions in relation to the contractually required contribution	(1,743,934)	(1,814,042)	(308,229)	(244,697)
Contribution deficiency (excess)	-	-	-	-
School Board's covered-employee payroll	\$ 22,555,743	\$ 21,229,476	\$ 22,480,819	\$ 22,511,652
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.732%	8.545%	1.371%	1.087%

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF THE SCHOOL BOARD'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Reported Fiscal Year (Measurement Date)
	2018 (2017)
School Board's proportion of the net OPEB liability (asset)	0.098027%
School Board's proportionate share of net OPEB liability (asset)	\$ 2,410,469
State's proportionate share of the net OPEB liability (asset) associated with the district	11,273,538
Total	13,684,007
School Board's covered-employee payroll	\$ 19,096,153
School Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	12.623%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%

See Notes to the Required Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF THE SCHOOL BOARD'S OPEB CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018
Contractually required contribution	\$ 1,038,445
Contributions in relation to the contractually required contribution	(1,038,445)
Contribution deficiency (excess)	-
School Board's covered-employee payroll	\$ 18,368,364
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.653%

See Notes to the Required Supplementary Information.

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

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

B. Actuarial Changes:

Amounts reported during the year ended June 30, 2018 reflect an adjustment of expectation of life after disability to more closely reflect actual experience. For amounts reported in 2018, the expectation of retired life mortality was based on RP2000 Mortality Tables fully generational rather than on the RP2000 Mortality Tables, which were used to determine amounts reported in the prior year. Amounts reported in 2018 also reflect a change in salary increase assumptions to more closely reflect actual experience. Additionally, amounts reported during the year ended June 30, 2018 reflect an assumed inflation rate of 3.0% rather than an assumed rate of 1.9% that was used in the prior year.

There were no other factors that affected trends in the amounts reported. If necessary, additional information can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2017.

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

C. Changes in Assumptions

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

	2017	2016	2015	2014
Inflation	3.0%	3.0%	3.0%	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% to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40% to 6.50%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75% to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40% to 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; 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 a Scale AA on a fully generational basis; disabled females - 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males - 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; healthy females - 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males - 96% of RP-2000 Disabled Annuitant table, projected with a Scale AA on a fully generational basis; disabled females - 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active: RP-2000, non-annuitant monthly mortality table; Retired - RP2000 healthy annuitant, scale AA; Disabled - RP2000 disabled annuitant mortality table, scale AA	Active: RP-2000, non-annuitant monthly mortality table; Retired - RP2000 healthy annuitant, scale AA; Disabled - RP2000 disabled annuitant mortality table, scale AA
Discount Rate	7.5%	7.5%	7.5%	7.5%

OTHER SUPPLEMENTARY INFORMATION

MASON COUNTY BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Other local sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues						
Expenditures:						
Debt service:						
Principal retirement	609,813	609,813	609,813	-	-	609,813
Interest and fiscal charges	195,567	195,567	195,567	-	-	195,567
Total expenditures	805,380	805,380	805,380	-	-	805,380
Excess (deficiency) of revenues over expenditures	(805,380)	(805,380)	(805,380)	-	-	805,380
Other financing sources (uses):						
Transfers in	805,380	805,380	805,380	-	805,380	-
Total other financing sources (uses)	805,380	805,380	805,380	-	805,380	-
Change in fund balances	-	-	-	-	805,380	805,380
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	-	-	-	-	805,380	805,380

See Notes to the Other Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Other local sources	\$ -	\$ -	\$ 4,251	\$ -	\$ 4,251	\$ 4,251
State sources	-	1,490,786	1,091,517	-	-	(1,490,786)
Total revenues	-	1,490,786	1,095,768	-	4,251	(1,486,535)
Expenditures:						
Capital outlay	25,000	1,987,679	1,202,622	-	1,202,622	785,057
Total expenditures	25,000	1,987,679	1,202,622	-	1,202,622	785,057
Excess (deficiency) of revenues over expenditures	(25,000)	(496,893)	(106,854)	-	(1,198,371)	(701,478)
Other financing sources (uses):						
Transfers in	-	471,893	497,254	-	497,254	25,361
Total other financing sources (uses)	-	471,893	497,254	-	497,254	25,361
Change in fund balances	(25,000)	(25,000)	390,400	-	(701,117)	(676,117)
Fund balances - beginning	25,000	25,000	923,502	-	923,502	898,502
Fund balances - ending	\$ -	\$ -	\$ 1,313,902	\$ -	\$ 222,385	\$ 222,385

See Notes to the Other Supplementary Information.

MASON COUNTY BOARD OF EDUCATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULES
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). Certain other transactions such as donated foods from the West Virginia Department of Agriculture Food Distribution Program are also not included in the Board's regulatory basis budget. Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

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

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Cash Balance 7/1/17	Revenues Received	Expenditures Paid	Cash Balance 6/30/18
Hannan Junior/Senior High	\$ 52,476	\$ 164,733	\$ 129,560	\$ 87,649
Pt. Pleasant Junior/Senior High	184,219	557,034	491,759	249,494
Wahama Junior/Senior High	102,391	172,094	154,767	119,718
Mason County Career Center	62,935	53,683	59,821	56,797
Pt. Pleasant Intermediate	49,301	46,364	38,642	57,023
Beale Elementary	62,887	35,680	38,620	59,947
Leon Elementary	21,002	27,267	23,013	25,256
New Haven Elementary	36,551	75,662	65,325	46,888
Roosevelt Elementary	22,040	24,230	30,558	15,712
Ashton Elementary	63,462	36,868	32,078	68,252
Pt. Pleasant Primary	14,369	38,612	36,723	16,258
Total	<u>\$ 671,633</u>	<u>\$ 1,232,227</u>	<u>\$ 1,100,866</u>	<u>\$ 802,994</u>

MASON COUNTY BOARD OF EDUCATION
 SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 8,461,724	\$ 8,373,492	\$ (88,232)	\$ 33,846,896	\$ 31,704,731	\$ (2,142,165)
Expenditures Mason County Levy Call:						
Professional and Service Salary Supplements, Personnel Taxes, and Benefits						
Professional and Service Salary Supplements, Personnel Taxes and Benefits - Including, but not limited to, school nurse health services above state aid funding, supplemental salaries for dual credit courses, existing county supplements, salaries of personnel in excess of 200 days, supplemental co-curricular and extracurricular salaries (academic, arts & athletic), supplemental salaries for after-school activity runs, FICA taxes, unemployment taxes, workers' compensation taxes, retirement, dental, vision and long-term disability insurance.	2,681,724	4,290,456	1,608,732	10,726,896	15,819,944	5,093,048
Textbooks, Supplies, Equipment, and Insurance						
Including, but not limited to, free textbooks and textbook-related materials, duplicating paper, computer paper, writing paper, notebook paper, instructional supplies and equipment, including library, office operating expenses, and accident insurance for all county students during school and school-related activities.	1,800,000	649,293	(1,150,707)	7,200,000	3,477,740	(3,722,260)
Extra- and Co-curricular Activities						
Including, but not limited to, field trips, school competitions and other extra- and co-curricular expenses.	290,000	223,844	(66,156)	1,160,000	1,076,638	(83,362)
Construction, Repair, Maintenance, and Building Utilities						
Including, but not limited to, construction, building repairs, roof replacement, asbestos projects, structural repairs, fire code corrections, Americans with Disabilities Act compliance, equipment maintenance, paving, safety and security systems, lawn maintenance, lease purchase and QZAP payments, and all utilities and utility-related costs.	2,750,000	2,479,357	(270,643)	11,000,000	8,529,327	(2,470,673)
Computer Technology						
Including, but not limited to, technician salaries and related benefits, computer purchases, repair, upgrades, software and contracting.	180,000	115,925	(64,075)	720,000	532,799	(187,201)
Student Transportation						
Including, but not limited to, maintenance of equipment, vehicle replacement, gasoline tanks, transportation equipment, fuel and tools.	600,000	454,617	(145,383)	2,400,000	1,628,283	(771,717)
Supplemental Support of the Following County Agencies						
Sheriff's Dept. - Prevention Resource Officers - \$100,000						
Mason County Library - \$30,000						
WV Cooperative Extension - \$20,000						
Mason County Fair - \$10,000						
Total Expenditures	8,461,724	8,373,492	(88,232)	33,846,896	31,704,731	(2,142,165)
Excess of Collections over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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

Federal Grantor/ Pass-Through Grantor/ <u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Paid</u>
U.S. Department of Agriculture			
Passed Through West Virginia Department of Education			
Child Nutrition Cluster:			
National School Breakfast and Lunch Program	10.553/10.555	88	\$ 2,134,935
Donated Foods (Non-cash)	10.555	88	164,457
Total Child Nutrition Cluster			<u>2,299,392</u>
Child and Adult Care Program	10.558	88	192,750
Fresh Fruits and Vegetable Program	10.582	88	<u>42,306</u>
Total U.S. Department of Agriculture			<u>2,534,448</u>
U.S. Department of Education			
Passed Through West Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	41	1,381,461
Vocational Education	84.048A	50	111,429
Special Education Cluster:			
Special Education Grants to States	84.027	43	1,160,324
Special Education - Pre-School	84.173	43	66,559
Total Special Education Cluster			<u>1,226,883</u>
Rural and Low Income	84.358B	59	74,434
Title II Improving Teacher Quality	84.367	40	241,481
Title IV, Part A	84.424	42	8,177
Passed Through West Virginia Higher Education Policy Commission			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEARUP)	84.334S	74	<u>56,161</u>
Total U.S. Department of Education			<u>3,100,026</u>
Total Federal Financial Assistance Expended			<u>\$ 5,634,474</u>

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

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Mason County Board of Education and is presented on a basis of accounting principles generally accepted in the United States of America. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 – Food Distribution:

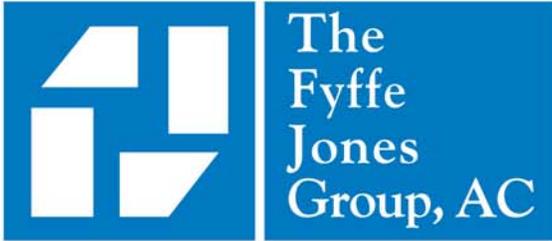
The Mason County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$164,457 is included in the Schedule of Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and reflects the amount distributed for the year ended June 30, 2018.

Note 3 – Indirect Cost:

The Mason County Board of Education did not elect to use the 10% de minimis indirect cost rate for its federal programs.

Note 4 – Subrecipients:

The Mason County Board of Education did not have subrecipients during the 2018 fiscal year.



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

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

To the Mason County Board of Education
Point Pleasant, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Mason County Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Mason County Board of Education's basic financial statements, and have issued our report thereon dated March 21, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: "Finding 2018-001 - Material Weakness: Insufficient Internal Controls"

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be significant deficiencies. However, significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mason County Board of Education's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items as items 2018-001 and 2018-002.

Mason County Board of Education's Response to Findings

Mason County Board of Education's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Mason County Board of Education's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 21, 2019



The Fyffe Jones Group, AC

2155 Carter Avenue
P.O. Box 2245
Ashland, KY 41105-2245
606-329-8604

806 Chillicothe Street
Portsmouth, OH 45662
740-353-0400

1033 Twentieth Street
P.O. Box 1148
Huntington, WV 25713-1148
304-525-8592

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Mason County Board of Education
Point Pleasant, West Virginia

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 21, 2019

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

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	Yes

Federal Awards

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

Programs tested:

<u>CFDA Number(s)</u>	<u>Name of the Federal Program/Cluster</u>
10.553/10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as a low-risk auditee:	Yes

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

Section II – Financial Statement Findings

Finding:	2018-001 – Material Weakness: Insufficient Internal Controls
Condition:	It was discovered during our audit numerous significant, material audit adjustments were required to be made to the Board’s accounting records to reflect accurate balances and activity in the Board’s basic financial statements.
Criteria:	An effective internal control system should provide Management with reasonable assurance that transactions are recorded properly on a timely basis.
Cause:	Although Management has engaged with and received assistance from both a reputable accounting firm and a school finance consultant, prior to the audit, the basic financial statements were materially misstated due to a lack of thorough review by Management. It was noted during our audit that regular oversight of financial records that is expected of Management was neither complete nor consistent throughout the fiscal year.
Effect:	The lack of effective review procedures results in an inaccurate and incomplete presentation of the basic financial statements. Therefore, Management is unable to determine the correct financial position at a given time or plan for future operations.
Recommendation:	Management, specifically the finance office, should outline a specific schedule of procedures to implement to assure that all components of timely and proper financial reporting are occurring.
Response:	We plan to continue to work with an external CPA firm and third party consultant to improve our financial reporting and record keeping process and believe these issues will be corrected in future years. Management will provide an additional review of the Financial Statements prior to the publication and audit field work.

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

Section II – Financial Statement Findings (Cont.)

- Finding:** 2018-002 – Publishing of Annual Financial Statement
- Condition:** It was determined during our audit that the Mason County Board of education did not publish its annual financial statements within the ninety days after the beginning of the subsequent fiscal year.
- Criteria:** West Virginia Code §18-9-3a states in part: "The county board of every county, within ninety days after the beginning of each fiscal year, shall prepare on a form to be prescribed by the state tax commissioner and the state superintendent of schools, and cause to be published a statement revealing (a) the receipts and expenditures of the board during the previous fiscal year arranged under descriptive headings, (b) the name of each firm, corporation, and person who received more than two hundred fifty dollars in the aggregate from all funds during the previous fiscal year, together with the aggregate amount received from all funds and the purpose for which paid ... "
- Effect:** As a result of the failure to publish the Board's annual financial statements in the required time limit, the Board was not in compliance with the West Virginia State Code.
- Recommendation:** It is recommended that the Mason County Board of Education take the necessary steps to ensure that the annual financial statements are published within ninety days after the beginning of each fiscal year for the previous fiscal year.
- Response:** We will work to implement this going forward.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MASON COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Finding: 2017-001 – Publishing of Annual Financial Statement

Current Year Status: Finding was repeated in current year as finding 2018-002; Annual Financial Statement was not published within 90 days in accordance with West Virginia State Code.

MASON COUNTY BOARD OF EDUCATION
CORRECTIVE ACTION PLAN
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Finding: 2018-001 – Material Weakness: Insufficient Internal Controls

Planned Corrective Action: The board plans to increase oversight of financial records immediately, including, but not limited to: Closer and more frequent monitoring of account activity, increased communication with advisory consultants, and review of control environment to identify areas for improvement.

Anticipated Completion Date: As soon as reasonably possible

Responsible Contact Person: Gary Hendricks, CSBO/Treasurer

Finding: 2018-002 – Publishing of Annual Financial Statement

Planned Corrective Action: For the 2019 audit, the Board plans on publishing the annual required information within 90 days in accordance with West Virginia State Code.

Anticipated Completion Date: September, 2019

Responsible Contact Person: Gary Hendricks, CSBO/Treasurer