

County: Cabell

RFP: 17-223

CABELL COUNTY BOARD OF EDUCATION

Financial Statements

June 30, 2018

CABELL 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 Current Expense Fund	60
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Special Revenue Fund	61
Schedule of the District's Proportionate Share of the Net Pension Liability	62
Schedule of the District's Pension Contributions	63
Schedule of the District's Proportionate Share of the Net OPEB Liability	64
Schedule of the District's OPEB Contributions	65
Notes to the Required Supplementary Information	66

CABELL 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	69
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Permanent Improvement Fund	70
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Regulatory Basis – Capital Projects Fund	71
Notes to the Budget and Actual Schedules	72
Schedule of Changes in School Activity Funds	73
Schedule of Expenditures of Federal Awards	74
Notes to the Schedule of Expenditures of Federal Awards	75
Schedule of Excess Levy Revenues and Expenditures	76
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	77
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	79
Schedule of Findings and Questioned Costs	81
Schedule of Prior Audit Findings and Questioned Costs	82

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

Office	Name	Term
	<u>Elective</u>	
School Board Members:	Garland B. Parsons	07/01/2016 – 06/30/2020
	Mary I. Neely	07/01/2014 – 06/30/2018
	Karen Nance	07/01/2014 – 01/31/2018
	Gordon Ramey	07/01/2016 – 06/30/2020
	Rhonda Smalley	07/01/2014 – 06/30/2018
	Alyssa Bond	03/06/2018 – 06/30/2018
	<u>Appointive</u>	
School Board President	Mary I. Neely	07/01/2017 – 06/30/2018
Superintendent	Ryan S. Saxe	07/01/2017 – 06/30/2018
Treasurer	Drew M. Rottgen	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
Cabell County Board of Education
Huntington, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Cabell 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 Cabell 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 District 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, pension, and OPEB information on pages 5 through 14 and 60 through 67 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 Cabell 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 December 10, 2018, 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, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
December 10, 2018

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

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

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$210.7 million (*net position*) at the close of the most recent fiscal year. Of this amount, \$27.3 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position increased by approximately \$8.7 million. Approximately \$1.4 million of this increase is attributable to a decrease in total expenses.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of approximately \$57.7 million, an increase of approximately \$10.4 million in comparison with the prior year. Approximately \$34.6 million of this total amount is available for spending at the board's discretion (*assigned and unassigned fund balance*).
- At the end of the current fiscal year, assigned and unassigned fund balance for the general fund was \$32.2 million, or 26.4 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

The Board maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the special revenue fund, the debt service fund, the permanent improvement 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 58 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 \$210.7 million at the close of the most recent fiscal year.

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

- The largest portion of the Board's net position (76.7%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that are 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 (10.3%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of *unrestricted net position* (13.0%) may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

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

	2018	2017 (as restated)	
	Governmental	Governmental	
	Activities	Activities	Variance
	<u> </u>	<u> </u>	<u> </u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current and other assets	\$ 71,985,780	\$ 66,395,404	\$ 5,590,376
Capital assets	177,787,662	179,789,529	(2,001,867)
Deferred outflows of resources	<u>4,308,936</u>	<u>4,595,677</u>	<u>(286,741)</u>
Total assets and deferred outflows of resources	<u>\$ 254,082,378</u>	<u>\$ 250,780,610</u>	<u>\$ 3,301,768</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 10,832,366	\$ 14,782,308	\$ (3,949,942)
Long-term liabilities outstanding	16,141,078	21,101,929	(4,960,851)
Deferred inflows of resources	1,816,656	59,379	1,757,277
Net pension liability - Proportionate share	8,950,327	10,167,043	(1,216,716)
Net other post employment benefit (OPEB) liability - Proportionate share	<u>5,663,071</u>	<u>2,699,895</u>	<u>2,963,176</u>
Total liabilities and deferred inflows of resources	<u>\$ 43,403,498</u>	<u>\$ 48,810,554</u>	<u>\$ (5,407,056)</u>
Net position:			
Net investment in capital assets	\$ 161,646,583	\$ 158,687,600	\$ 2,958,983
Restricted	21,718,255	10,404,030	11,314,225
Unrestricted	<u>27,314,042</u>	<u>32,878,426</u>	<u>(5,564,384)</u>
Total net position	<u>\$ 210,678,880</u>	<u>\$ 201,970,056</u>	<u>\$ 8,708,824</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 254,082,378</u>	<u>\$ 250,780,610</u>	<u>\$ 3,301,768</u>

CABELL 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 \$5.4 million, which primarily represents increased property taxes receivable, increased debt service collections, and an overall increase in cash balances.
- Capital Assets decreased by approximately \$2.0 million, which primarily represents a decrease due to the depreciation of capital assets.
- Deferred outflows of resources decreased by \$287 thousand, which was primarily the result of a change in the proportionate share of the district's net pension liability.
- Current and other liabilities decreased by approximately \$3.9 million, which was primarily the result of the removal of the OPEB liability from the fund statements.
- Long-term liabilities decreased by \$5.0 million, which was primarily the result of annual debt service.
- Deferred inflows of resources increased by approximately \$1.8 million, which was primarily the result of changes in the Board's proportionate share of the OPEB liability.
- At the end of the current fiscal year, the Board is able to report positive balances in all three categories of net position. The same situation held true for the prior fiscal year.
- Restricted net position increased by approximately \$11.3 million during the year ended June 30, 2018. This increase resulted primarily from commitments to upcoming construction projects.
- The Board's net position increased by approximately \$8.7 million during the current year. The following discussion and analysis on governmental activities focuses on this increase:
 - The Board's Operating Grants and Contributions grew during the fiscal year ended June 30, 2018.
 - The Board's total expenses decreased during the fiscal year ended June 30, 2018.

CABELL 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:

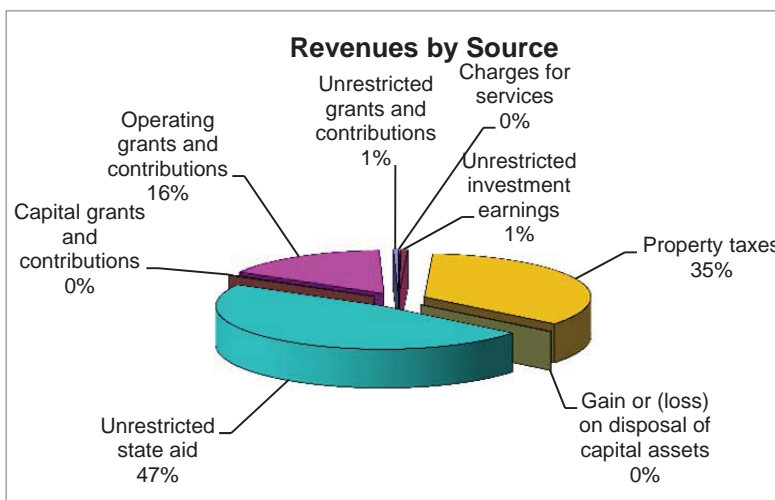
	2018	2017	
	Governmental	Governmental	Variance
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 230,179	\$ 221,972	\$ 8,207
Operating grants and contributions	25,245,235	24,533,271	711,964
Capital grants and contributions	356,888	311,969	44,919
General revenues:			
Property taxes	54,588,781	54,144,037	444,744
Unrestricted state aid	74,029,913	73,655,223	374,690
Investment earnings	1,033,239	867,991	165,248
Unrestricted grants and contributions	730,907	1,114,714	(383,807)
Gain/(loss) on disposal of capital assets	(103,720)	18,955	(122,675)
Total revenues	\$ 156,111,422	\$ 154,868,132	\$ 1,243,290
Expenses:			
Instruction	\$ 85,318,478	\$ 85,944,500	\$ (626,022)
Supporting services:			
Students	6,527,818	6,457,759	70,059
Instructional staff	5,550,856	6,481,476	(930,620)
General administration	1,487,532	1,445,089	42,443
School administration	6,693,126	6,688,386	4,740
Central services	1,592,092	1,615,609	(23,517)
Operation and maintenance of facilities	16,036,860	16,049,105	(12,245)
Student transportation	9,556,557	9,195,324	361,233
Total supporting services	47,444,841	47,932,748	(487,907)
Food services	12,149,209	12,170,562	(21,353)
Community services	2,126,371	2,166,493	(40,122)
Interest on long-term debt	363,699	633,436	(269,737)
Total Expenses	\$ 147,402,598	\$ 148,847,739	\$ (1,445,141)
Change in net position	\$ 8,708,824	\$ 6,020,393	\$ 2,688,431
Net position - Beginning	\$ 204,669,951	\$ 198,649,558	\$ 6,020,393
Restatement - GASB 75	\$ (2,699,895)	\$ -	\$ (2,699,895)
Net position - Ending	\$ 210,678,880	\$ 204,669,951	\$ 6,008,929

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

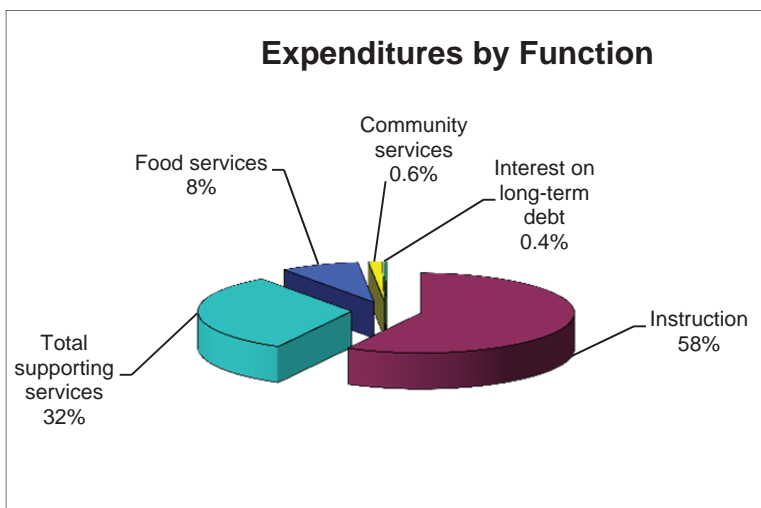
The key elements of the changes in the Board's statement of activities for the year ended June 30, 2018 are as follows:

- Operating grants and contributions increased by approximately \$712 thousand which was primarily the result of increased revenue from federal grants.
- General revenues from property taxes increased by approximately \$445 thousand which was primarily the result of increased property taxes receivable.
- General revenues from unrestricted state aid increased by approximately \$375 thousand which was primarily the result of increased state aid related to pensions and other post-employment benefits.
- General revenues from unrestricted grants and contributions decreased by approximately \$384 thousand which was primarily the result of a decrease in revenue from local unrestricted sources.
- Overall expenses decreased by approximately \$1.4 million which was primarily the result of decreased expenditures in supporting services for instructional staff, in food services, community services, and interest on long-term debt.

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



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



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

Financial Analysis of the Board's Funds

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

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of approximately \$57.7 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.

Of the \$33.6 million fund balance in the general fund, \$3,959,232 is assigned for the following purposes:

Purpose	Assigned
Encumbrances	\$ 2,129,222
Medicaid	915,736
Personnel costs	500,000
Pre-K Collaborative Contracts	150,372
Utilities	112,000
District communications	40,000
Summer feeding program	30,000
Board insurance policies	22,000
Board documents	15,000
District support / employee relations	15,000
Print shop	12,130
Health care coalition	9,859
Faculty senate hiring committee	7,913
Total assigned	<u>\$ 3,959,232</u>

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

- The General Current Expense Fund showed a decrease in fund balance due, in large part, to an increase in fund transfers-out for capital projects.
- The Special Revenue Fund showed an increase in fund balance mostly due to an increase in reimbursement collections that were deferred in the prior year.
- The Debt Service Fund showed an increase in fund balance mainly due to a decrease in principal retirement, interest and fiscal charges.

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

- The Permanent Improvement Fund showed an increase in fund balance due to an increase in fund transfers-in for capital projects.
- The Capital Projects Fund showed an increase in fund balance, mainly due to an increase in fund transfers-in for capital projects.

The Board had five major funds for the fiscal year ended June 30, 2018. Those funds are the General Current Expense Fund, Special Revenue Fund, Debt Service Fund, Permanent Improvement 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 decreased from \$35,317,320 to \$33,612,548 during the fiscal year ended June 30, 2018. As previously discussed, this decrease of \$5,930,767 was due primarily to fund transfers-out for upcoming construction projects

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 increased from \$684,281 to \$4,067,274 during the fiscal year ended June 30, 2018. This increase of \$3,383,003 was due primarily to revenue recognition of reimbursements receivable from the prior 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 fund balance increased from \$2,184,008 to \$2,786,715 during the fiscal year ended June 30, 2018. This increase of \$602,707 was due primarily to property tax revenue collections exceeding debt service expenditures for fiscal year ended June 30, 2018.

Permanent Improvement Fund

This is a separate fund established under the authority of West Virginia Code §18-9B-14 to account for the proceeds of resources and subsequent expenditures for capital improvement activities. The proceeds of the fund must be used only for the support of building and capital improvements and cannot be transferred out of the fund. The fund balance increased from \$3,359,743 to \$5,220,042 during the fiscal year ended June 30, 2018. This increase of \$1,860,299 was due primarily to fund transfers-in for upcoming construction projects.

Capital Projects Fund

This is a separate fund used to account for all financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a permanent improvement fund. The fund balance increased from \$5,749,509 to \$12,017,726 during the fiscal year ended June 30, 2018. This increase of \$6,268,217 was due primarily to fund transfers-in for upcoming construction projects.

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

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 approximately \$5.7 million or 4.5% percent of total general fund expenditures. The most significant variances between the actual amounts and the final budget amounts may be summarized as follows:

- Budget supplements to carryover earmarked, encumbered, and unspent allocations from the prior fiscal year.
- Additional budget supplements to include in the budget revenue received in excess of the original budget.

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 \$177,787,661 (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 \$2,001,869 or 1.1%.

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

- Renovation of Southside Elementary School
- Renovation of the Milton Pre-K building
- Renovation of Barboursville Middle School
- Sale of Surplus Properties, including the former Peyton Elementary, the former Geneva Kent Elementary, and a vacant lot in West Huntington

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 16,119,796	\$ 16,445,796	\$ (326,000)
Buildings and improvements	151,210,655	151,220,187	(9,532)
Furniture and equipment	4,229,361	4,669,855	(440,494)
Vehicles	5,777,848	5,817,590	(39,742)
Construction in progress	450,002	1,636,102	(1,186,100)
Total capital assets	\$ 177,787,662	\$ 179,789,530	\$ (2,001,868)

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 total bonded debt outstanding of \$15,215,000. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's

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

financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2018, the liability for such costs was \$5,663,071, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$528,626 at June 30, 2018.

	2018	2017	Variance
	Governmental	Governmental	
	Activities	Activities	
General obligation bonds	\$ 15,215,000	\$ 19,855,000	\$ (4,640,000)
Compensated absences	528,626	555,317	(26,691)
Bond premium amortization	801,023	1,083,737	(282,714)
Total debt outstanding	\$ 16,544,649	\$ 21,494,054	\$ (4,949,405)

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

Factors Bearing on the Board's Future

At the time these financial statements were prepared and audited, Management was concerned about a continued decline in student enrollment in the county which has already impacted state aid revenue for the district. The Public School Support Program provides state funding to West Virginia school districts based on total student enrollment for the county, so continued declines are expected to result in continued reductions in state revenue.

Within the county's borders, the decline in enrollment has not been consistent as some schools have seen an increase in student enrollment, while other schools have seen significant decreases. The school district may face challenges in the future regarding building occupancy which may greatly impact the district's capital planning for the years to come.

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:

Cabell County Board of Education
2850 Fifth Avenue
Huntington, WV 25702
(304)-528-5000

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 57,484,658
Investments	2,715,625
Prepaid insurance	387,304
Taxes receivable, net of allowance for uncollectible taxes	4,553,661
Food service receivable	77,417
Other receivables	55,321
Due from other governments:	
State aid receivable	567,907
PEIA allocation receivable	1,919,360
Reimbursements receivable	4,224,527
Capital Assets:	
Land	16,119,796
Buildings and improvements	232,377,613
Furniture and equipment	10,881,415
Vehicles	14,339,762
Construction in process	450,002
Less accumulated depreciation	(96,380,926)
Total capital assets, net of depreciation	177,787,662
Total assets	249,773,442
 DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows from pension activity	3,580,359
Deferred outflows from other post employment benefit (OPEB) activity	728,577
Total deferred outflows of resources	4,308,936
 Total assets and deferred outflows of resources	\$ 254,082,378
 LIABILITIES	
Salaries payable and related payroll liabilities	\$ 6,032,046
Insurance premiums payable	2,693,147
Compensated absences	528,626
Accounts payable	1,578,547
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	5,157,714
Accrued interest	125,055
Due beyond one year:	
Bonds, capital leases, and contracts	10,858,309
Net pension liability - proportionate share	8,950,327
Net other post employment benefit (OPEB) liability - proportionate share	5,663,071
Total liabilities	41,586,842
 DEFERRED INFLOW OF RESOURCES	
Deferred inflows from pension activity	440,774
Deferred inflows from other post employment benefit (OPEB) activity	1,375,882
Total deferred inflows of resources	1,816,656
 Total liabilities and deferred inflows of resources	\$ 43,403,498
 NET POSITION	
Invested in capital assets, net of related debt	\$ 161,646,583
Restricted	21,718,255
Unrestricted	27,314,042
Total net position	\$ 210,678,880

See Notes to the Basic Financial Statements.

**CABELL 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	\$ 85,318,478	\$ 230,179	\$ 10,324,302	\$ 192,809
Supporting services:				
Students	6,527,818	-	919,347	22,575
Instructional staff	5,550,856	-	781,756	19,197
General administration	1,487,532	-	209,497	5,144
School administration	6,693,126	-	942,628	23,147
Business services	1,592,092	-	224,223	5,506
Operation and maintenance of facilities	16,036,860	-	2,258,555	55,460
Student transportation	9,556,557	-	1,345,900	33,050
Food services	12,149,209	-	8,239,027	-
Community services	2,126,371	-	-	-
Interest on long-term debt	363,699	-	-	-
Total governmental activities	\$ 147,402,598	\$ 230,179	\$ 25,245,235	\$ 356,888
General revenues:				
Property taxes				54,588,781
Unrestricted state aid				74,029,913
Unrestricted investment earnings				1,033,239
Unrestricted grants and contributions				730,907
Loss on disposition of capital assets				(103,720)
Transfers in				14,005,611
Transfers (out)				(14,005,611)
Total general revenues and transfers				130,279,120
Change in net position				8,708,824
Net position - beginning				204,669,951
Prior period adjustments - (See Note 2)				(2,699,895)
Net position - beginning, as restated				201,970,056
Net position - ending				\$ 210,678,880

See Notes to the Basic Financial Statements.

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

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES						
Assets:						
Cash and cash equivalents	\$ 37,986,977	\$ 2,024,899	\$ 51	\$ 5,438,674	\$ 12,034,057	\$ 57,484,658
Investments	-	-	2,715,625	-	-	2,715,625
Taxes receivable, net	3,852,247	-	591,003	110,411	-	4,553,661
Prepaid insurance	387,304	-	-	-	-	387,304
Food service receivable, net	-	77,417	-	-	-	77,417
Other receivables	55,321	-	-	-	-	55,321
Due from other governments:						
State aid receivable	567,907	-	-	-	-	567,907
PEIA allocation receivable	1,919,360	-	-	-	-	1,919,360
Reimbursements receivable	761,887	3,449,798	-	-	12,842	4,224,527
Total assets	45,531,003	5,552,114	3,306,679	5,549,085	12,046,899	71,985,780
Deferred outflows of resources	-	-	-	-	-	-
Total deferred outflows of resources	-	-	-	-	-	-
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 45,531,003	\$ 5,552,114	\$ 3,306,679	\$ 5,549,085	\$ 12,046,899	\$ 71,985,780
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Salaries payable and related payroll liabilities	\$ 5,303,853	\$ 728,193	\$ -	\$ -	\$ -	\$ 6,032,046
Insurance premiums payable	2,208,515	484,631	-	-	-	2,693,146
Accounts payable	1,083,760	225,507	-	240,107	29,173	1,578,547
Total liabilities	8,596,128	1,438,331	-	240,107	29,173	10,303,739
Deferred inflows of resources	3,322,327	46,509	519,964	88,936	-	3,977,736
Total deferred inflows of resources	3,322,327	46,509	519,964	88,936	-	3,977,736
Fund Balances:						
Nonspendable	387,304	-	-	-	-	387,304
Restricted	991,716	4,067,274	2,786,715	5,220,042	9,644,224	22,709,971
Assigned	3,959,231	-	-	-	2,373,502	6,332,733
Unassigned	28,274,297	-	-	-	-	28,274,297
Total fund balances	33,612,548	4,067,274	2,786,715	5,220,042	12,017,726	57,704,305
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 45,531,003	\$ 5,552,114	\$ 3,306,679	\$ 5,549,085	\$ 12,046,899	\$ 71,985,780

See Notes to the Basic Financial Statements.

CABELL 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	\$ 57,704,305
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet	177,787,662
Deferred charges are not reported in the funds	101,829
Property taxes receivable, e-rate, 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	3,875,905
Deferred outflows and inflows of resources related to pension and OPEB are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	3,580,359
Deferred outflows of resources related to OPEB	728,577
Deferred inflows of resources related to pensions	(440,774)
Deferred inflows of resources related to OPEB	(1,375,882)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, due within one year	(4,875,000)
Bonds payable, due beyond one year	(10,340,000)
Bond premium, amortization	(801,022)
Accrued interest on bonds	(125,055)
Compensated absences	(528,626)
Net pension liability - proportionate share	(8,950,327)
Net OPEB liability - proportionate share	(5,663,071)
Net position of governmental activities	<u><u>\$ 210,678,880</u></u>

See Notes to the Basic Financial Statements.

CABELL 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	Permanent Improvement Fund	Capital Projects Fund	Total Governmental Funds
Revenues:						
Property taxes	\$ 46,205,799	\$ -	\$ 5,811,317	\$ 1,673,701	\$ -	\$ 53,690,817
Other local sources	1,629,221	704,956	115,940	18,986	-	2,469,103
State sources	80,167,775	6,481,383	-	-	459,137	87,108,295
Federal sources	1,043,147	18,873,912	-	-	-	19,917,059
Total revenues	129,045,942	26,060,251	5,927,257	1,692,687	459,137	163,185,274
Expenditures:						
Instruction	74,959,064	10,378,239	-	-	44,779	85,382,082
Supporting services:						
Students	6,037,193	914,614	-	-	-	6,951,807
Instructional staff	3,642,500	2,028,350	-	-	-	5,670,850
General administration	1,588,546	-	-	-	-	1,588,546
School administration	7,020,745	241,733	-	-	-	7,262,478
Central services	1,763,572	10,352	-	-	-	1,773,924
Operation and maintenance of facilities	15,883,508	3,824	-	-	3,519	15,890,851
Student transportation	8,952,653	933,383	-	-	-	9,886,036
Food services	3,345	11,554,523	-	-	-	11,557,868
Community services	2,126,533	-	-	-	-	2,126,533
Capital outlay	1,320	-	-	1,571,103	2,388,035	3,960,458
Debt service:						
Principal retirement	-	-	4,640,000	-	-	4,640,000
Interest and fiscal charges	-	-	684,550	-	-	684,550
Total expenditures	121,978,979	26,065,018	5,324,550	1,571,103	2,436,333	157,375,983
Excess (deficiency) of revenues over expenditures	7,066,963	(4,767)	602,707	121,584	(1,977,196)	5,809,291
Other financing sources (uses):						
Proceeds from disposal of real or personal property	310,610	-	-	63,558.00	-	374,168
Transfers in	124,293	3,512,063	-	1,675,157.00	8,694,098	14,005,611
Transfers (out)	(13,432,633)	(124,293)	-	-	(448,685.00)	(14,005,611)
Total other financing sources (uses)	(12,997,730)	3,387,770	-	1,738,715.00	8,245,413	374,168
Net change in fund balances	(5,930,767)	3,383,003	602,707	1,860,299	6,268,217	6,183,459
Fund balances - beginning	35,317,320	684,271	2,184,008	3,359,743	5,749,509	47,294,851
Prior period adjustments - (See Note 2)	4,225,995	-	-	-	-	4,225,995
Fund balances - beginning, as restated	39,543,315	684,271	2,184,008	3,359,743	5,749,509	51,520,846
Fund balances - ending	\$ 33,612,548	\$ 4,067,274	\$ 2,786,715	\$ 5,220,042	\$ 12,017,726	\$ 57,704,305

See Notes to the Basic Financial Statements.

CABELL 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 \$ 6,183,459

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 position is the amount by which capital outlays exceed depreciation in the current period.

Depreciation expense	(6,011,733)
Capital outlays	6,060,297

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

Property taxes receivable	897,964
Operating grants and contributions	(1,793,790)

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

282,714

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.

4,640,000

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

Cost of assets disposed	(3,675,741)
Accumulated depreciation of assets disposed	1,625,309

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

Accrued vacation payable	26,691
--------------------------	--------

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

38,136

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

District pension contributions	1,098,067
Cost of benefits earned net of employee contributions	(1,278,063)

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

District OPEB contributions	728,577
Cost of benefits earned net of employee contributions	(113,063)

Change in net position of governmental activities	\$ 8,708,824
---	--------------

See Notes to the Basic Financial Statements.

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

	Agency Funds	
	School Activity Funds	Regional Education Service Agency
ASSETS		
Cash and cash equivalents	\$ 1,965,357	\$ 1,700,604
Accounts receivable	-	93,358
Total assets	1,965,357	1,793,962
LIABILITIES		
Accounts payable and accrued liabilities	-	33,456
Due to other funds	1,965,357	1,760,506
Total liabilities	\$ 1,965,357	\$ 1,793,962

See Notes to the Basic Financial Statements.

CABELL 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 Cabell 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.

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

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

C. Measurement Focus and Basis of Accounting:

The *district-wide statements* (Statement of Net Position and the Statement of Activities) were prepared using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows are received. Revenues and expenses resulting from exchange and exchange-like transactions are recognized when the exchange takes place; revenues and expenses resulting from non-

CABELL 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.):

exchange transactions, such as property taxes, federal and state grants, state aid to schools, and donations, are recognized in accordance with the requirements of GASB Statement 33. Property taxes are recognized in the fiscal year for which the taxes are levied; state aid to schools is recognized in the year for which the legislative appropriation is made; and grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

D. Encumbrances:

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

E. Cash and Investments:

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2018, were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Board's name.

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

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

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

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

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

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
State Investment Pool	\$ 765,048	\$ 765,048	\$ 765,048
Municipal Bond Commission	2,715,625	2,715,625	2,715,625
Deposits with financial institutions- Individual Schools	1,965,357	1,965,357	1,965,357
Deposits with financial institutions- Board of Education	<u>52,388,168</u>	<u>52,388,168</u>	<u>61,223,758</u>
Total cash and cash equivalents	\$ 57,834,198	\$ 57,834,198	\$ 66,669,788

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

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

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

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

WV Government Money Market Pool - Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2016, the WV Government Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2017, the WV Government Money Market Pool investments had a total carrying value of \$201,994,000 of which the School Board's ownership represents 0.37%.

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

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

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

	2017	
Security Type	Carrying Value (in thousands)	WAM (days)
Repurchase agreements	\$ 49,000	3
U.S. Treasury notes	35,972	65
U.S. Treasury bills	6,999	45
U.S. agency discount notes	99,921	41
U.S. agency bonds and notes	8,000	27
Money market funds	2,109	3
	\$ 202,001	35

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

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

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

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

Deposits - Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. WV Government Money Market Pool does not contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

CABELL 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.):

F. Food Service Receivables:

The accounts receivable for the Food Service Program represents what was collected during July, 2018 and August, 2018.

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 has reported no material 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. On June 30, 2018, the Board had \$387,304 in prepaid items.

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.

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

CABELL 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.):

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.

Deferred Outflows of Resources as of June 30, 2018:

Deferred outflows of resources related to pensions	\$	3,580,359
Deferred outflows of resources related to OPEB		728,577
	\$	4,308,936

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 10 for further discussion.

M. Compensated Absences and Other Post Employment Benefit Liability:

Compensated Absences:

It is the School Board's policy to permit employees to accumulate earned but unused vacation pay benefits. Vacation benefits can be accumulated up to 40 days and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred and the liability for these amounts is reported in the general long-term debt account group. Upon termination employees may be compensated for vacation benefits accumulated. In lieu of a cash payment at retirement, employees hired prior to July 1, 2015 can elect to use accumulated annual leave toward their postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

Other Post Employment Benefit (OPEB) Liability:

It is the School Board's policy to permit employees to accumulate earned but unused sick pay benefits. Sick benefits can be accumulated for unlimited days and carried forward to the subsequent fiscal year. When separated from employment, employees' sick leave benefits are considered ended and no

CABELL 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.):

reimbursement is provided. However, upon retirement, an employee's accumulated annual sick leave may be converted to a greater retirement benefit or payment of the retired employee's health insurance premiums. The cost of the increased retirement option is the liability of the West Virginia Consolidated Public Retirement Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 11 for further discussion.

N. Long-term Obligations:

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

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

O. Deferred Inflow of Resources:

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. The Board's deferred inflows of the fund financial statements include property taxes, child nutrition, and other receivables. Deferred inflows for the government-wide financial statements include the proportionate share of the Board's net difference between projected and actual earnings and the differences between the employer contributions and proportionate share of contributions.

Deferred Inflows of Resources as of June 30, 2018:

Deferred inflows of resources related to pensions	\$ 440,774
Deferred inflows of resources related to OPEB	<u>1,375,882</u>
	<u>\$ 1,816,656</u>

CABELL 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.

CABELL 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.

CABELL 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 11.

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.

CABELL 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.

CABELL 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 11) 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	\$ 204,669,951
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	4,225,995
Beginning net OPEB liability	(7,326,667)
Deferred outflows of resources - 2017 OPEB contributions	400,777
Total prior period adjustment	(2,699,895)
July 1, 2017 net position, as restated	\$ 201,970,056

	Government Funds (General Current Expense Fund)
Beginning net position as previously reported at June 30, 2017	\$ 35,317,320
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	4,225,995
July 1, 2017 net position, as restated	\$ 39,543,315

Note 3 - Stewardship, Compliance and Accountability:

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

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

Fund	Amount
General Current Expense Fund	\$ (5,930,767)

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

The Board did not have any deficit fund balances at June 30, 2018.

CABELL 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 BrickStreet Insurance Company provides workers' compensation coverage to Cabell County Board of Education. The cost of all coverage, as determined by BrickStreet, is paid by the Board. The BrickStreet's risk pool retains the risk related to the compensation of injured employees under the program.

CABELL 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</u>			<u>Permanent</u>	
	<u>for Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Improvement</u>	<u>Bond Purposes</u>
Class I	\$ -	17.90¢	22.95¢	1.50¢	5.08¢
Class II	1,428,218,190	35.80¢	45.90¢	3.00¢	10.16¢
Class III	966,857,087	71.60¢	91.80¢	6.00¢	20.32¢
Class IV	1,202,881,221	71.60¢	91.80¢	6.00¢	20.32¢

CABELL 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	Debt Service Fund	Permanent Improvement Fund
Taxes Receivable	\$ 5,998,507	\$ 760,243	\$ 219,166
Less: Allowance for Uncollectable	2,146,260	169,240	108,755
Taxes Receivable, net	\$ 3,852,247	\$ 591,003	\$ 110,411

Note 6 - Excess Levy:

The School Board had an excess levy in effect during the fiscal year ended June 30, 2018. The levy was authorized by the voters of the county at an election held on May 13, 2014 for the fiscal years ended June 30, 2016 through June 30, 2020 to provide funds for the following purposes:

Restriction	Estimated Collection
Professional Salary	\$ 7,057,547
Service Salary	2,050,000
Substitute (Professional and Service)	1,101,000
Athletics	800,000
Personnel Taxes and Benefits	3,336,378
Textbooks, Supplies, Postage, Insurance, Travel	2,287,538
Contracted Services	1,700,000
Construction, Repair, and Maintenance	1,232,000
Equipment and Rentals	1,691,937
Cabell County Public Library	1,425,817
Greater Huntington Park and Recreation District	440,984
Contingency and Other Expenses	250,000
Total Estimated Collections	\$ 23,373,201

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

Note 6 - Excess Levy (Cont.):

Professional Salary – Including, but not limited to, professional salaries, salaries of personnel in excess of 200 days, salaries for professionals in excess of state funding limit, salaries of non-certified personnel, and minimum salaries fixed by law and supplemental salaries.

Service Salary – Including, but not limited to, service personnel salaries, salaries of service personnel in excess of 200 days, salaries for service personnel in excess of state funding limit, and minimum salaries fixed by law and supplemental salaries.

Substitute – Including, but not limited to, professional and service personnel substitute costs.

Athletics – Including, but not limited to, salaries for coaches, intramural activities, and other costs associated with athletic programs and facilities.

Personnel Taxes and Benefits – Including, but not limited to, FICA taxes, unemployment taxes, workers' compensation taxes, retirement and other insurance, including dental and optical.

Textbooks, Supplies, Postage, Insurance and Travel – Including, but not limited to, printing, copying, school, custodial, library, office, health supplies, postage, textbooks, insurance and travel.

Contracted Services – Including, but not limited to, staff development, legal services, special education, pest management, financial audit, transportation department employees' random drug and alcohol testing, student drug testing, and fire alarm inspections.

Construction, Repair, and Maintenance – Including, but not limited to, construction, building repair, roof replacement, asbestos projects, structural repairs, fire code corrections, Americans with Disabilities Act compliance, equipment maintenance, paving and bus maintenance.

Equipment and Rentals – Including, but not limited to, construction, building repair, roof replacement, asbestos projects, structural repairs, fire code corrections, Americans with Disabilities Act compliance, equipment maintenance, paving, and bus maintenance.

Cabell County Public Library – The operation of the Cabell County Public Library as required by Section 5, Chapter 207, of the 1967 Acts of the West Virginia Legislature.

Greater Huntington Park and Recreation District – The operation of the Greater Huntington Park and Recreation District as required by Section 7, Chapter 194, of the 1983 Acts of the West Virginia Legislature.

Contingency and Other Expenses – Including, but not limited to, unforeseen expenses, commercial drivers' licenses, and other miscellaneous expenses.

A total of \$26,715,908 was received by the School Board from the excess levy during the fiscal year ended June 30, 2018.

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

Note 7 - 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	\$ 16,445,796	\$ -	\$ (326,000)	\$ 16,119,796
Construction in process	1,636,102	450,002	(1,636,102)	450,002
Total non-depreciable capital assets	<u>\$ 18,081,898</u>	<u>\$ 450,002</u>	<u>\$ (1,962,102)</u>	<u>\$ 16,569,798</u>
Capital assets, depreciable:				
Buildings and improvements	\$ 228,816,858	\$ 4,509,410	\$ (948,655)	\$ 232,377,613
Furniture and equipment	10,826,820	110,620	(56,025)	10,881,415
Vehicles	14,058,457	990,264	(708,959)	14,339,762
Total depreciable capital assets	<u>\$ 253,702,135</u>	<u>\$ 5,610,294</u>	<u>\$ (1,713,639)</u>	<u>\$ 257,598,790</u>
Less: accumulated depreciation:				
Buildings and improvements	\$ (77,596,671)	\$ (4,433,090)	\$ (862,802)	\$ (81,166,959)
Furniture and equipment	(6,156,965)	(548,636)	(53,548)	(6,652,053)
Vehicles	(8,240,867)	(1,030,006)	(708,959)	(8,561,914)
Total accumulated depreciation	<u>\$ (91,994,503)</u>	<u>\$ (6,011,732)</u>	<u>\$ (1,625,309)</u>	<u>\$ (96,380,926)</u>
Total depreciable capital assets, net	<u>\$ 161,707,632</u>	<u>\$ (401,438)</u>	<u>\$ (88,330)</u>	<u>\$ 161,217,864</u>
Capital Assets - Net	<u>\$ 179,789,530</u>	<u>\$ 48,564</u>	<u>\$ (2,050,432)</u>	<u>\$ 177,787,662</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 4,496,064
Supporting services:	
Students	620
Instructional staff	11,280
Central administration	12,564
Business	7,428
Operation and maintenance of facilities	121,076
Transportation	1,107,555
Food services	255,145
	<u>\$ 6,011,732</u>

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

Note 8 - Long-Term Debt:

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

	Balance June 30, 2017	New Issues	Retirement	Balance June 30, 2018	Amounts due within one year	Amounts due past one year
General obligation debt	\$ 19,855,000	\$ -	\$ 4,640,000	\$ 15,215,000	\$ 4,875,000	\$ 10,340,000
Premium on sale of bonds	1,083,737	-	282,714	801,023	282,714	518,309
Compensated absences	555,317	-	26,691	528,626	528,626	-
Total long-term liabilities	<u>\$ 21,494,054</u>	<u>\$ -</u>	<u>\$ 4,949,405</u>	<u>\$ 16,544,649</u>	<u>\$ 5,686,340</u>	<u>\$ 10,858,309</u>

Bond Refunding of 2015:

On October 6, 2015, the Board issued general obligation bonds of \$29,120,000 with interest rates varying between 2.0% - 5.0% to advance refund bonds with interest rates varying between 3.0% - 5.0% and a par value of \$60,455,000. The refunded bonds mature on May 1, 2021. The general obligation bonds were issued at a premium of \$1,578,488 and after paying issuance costs of \$108,246, the net proceeds were \$30,590,212.

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

Total amount of Refunding Bond Issue of 2015 outstanding at June 30, 2018 is:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2019	5.00%	\$ 4,875,000	\$ 450,550	\$ 5,325,550
2020	2.00%	5,120,000	206,800	5,326,800
2021	2.00%	5,220,000	104,400	5,324,400
		<u>\$ 15,215,000</u>	<u>\$ 761,750</u>	<u>\$ 15,976,750</u>

Note 9 - Leases:

The Board has not entered into any lease/purchase agreements with the private sector, primarily for equipment.

Note 10 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDC). For the year ended June 30, 2018, the Board's total payroll for all employees was \$77,857,684, and the payroll was \$71,494,467, for employees covered by the two retirement programs.

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

Note 10 - Employee Retirement System (Cont.):

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

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

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:

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

Note 10 - Employee Retirement System (Cont.):

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

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

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

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

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

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

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

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

Note 10 - Employee Retirement System (Cont.):

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	\$	8,950,327
State's proportionate share of the net pension liability associated with the School Board		137,609,252
Total portion of net pension liability associated with the School Board	\$	146,559,579

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 \$14,116,909, and for support provided by the State, revenue of \$12,703,497. At June 30, 2017, 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	\$ -	\$ 281,333
Differences between expected and actual experience	77,816	159,441
Changes in proportion and differences between School Board contributions and proportionate share of contributions	2,068,245	-
Changes in assumptions	336,231	-
District contributions subsequent to the measurement date	1,098,067	-
Total	\$ 3,580,359	\$ 440,774

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

Note 10 - Employee Retirement System (Cont.):

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

Year ending June 30:	
2019	\$ 486,866
2020	780,942
2021	641,347
2022	85,774
2022	46,588
Thereafter	-
Total	\$ 2,041,517

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the July 1, 2015 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: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.

Discount Rate – 7.5%

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

Note 10 - Employee Retirement System (Cont.):

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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%
	100%	

Discount Rate:

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

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

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
School Board's proportionate share of the TRS net pension liability	\$ 11,783,495	\$ 8,950,327	\$ 6,529,574

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

Note 10 - Employee Retirement System (Cont.):

Payables to the pension plan:

At June 30, 2018, the School Board reported no liability for its unpaid legally required contributions to the pension plan. If the Board would have any unpaid legally required contributions, the liability would be included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

A. 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.

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, 2016, this plan had approximately \$422.8 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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

Note 10 - Employee Retirement System (Cont.):

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%)	\$	291,305
Employer's contributions (7.5%)		<u>485,509</u>
Total contributions	\$	<u><u>776,814</u></u>

Note 11 - 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.

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

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

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

combination of PEIA and RHBT staff. The Plan administers and provides medical and prescription drug benefits to certain retired members receiving pension benefits under the PERS, TRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A or Troopers Plan B pension systems, as administered by the CPRB.

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

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

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

Benefits provided:

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

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

Note 11 - 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 \$2,951,634 for the year end June 30, 2018. Employees are not required to contribute to the OPEB plan. The State of West Virginia (the State) is a nonemployer contributing entity that provides funding through Senate Bill 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. This special funding under the school aid formula subsidizes employer contributions of the county boards of education and contributes to the overall unfunded OPEB liability.

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

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

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

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

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	\$	5,663,071
State's proportionate share of the net OPEB liability associated with the School Board		26,485,583
Total portion of net OPEB liability associated with the School Board	\$	32,148,654

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 0.230 percent, which was an increase of 0.065% from its proportion measured as of June 30, 2016 (0.295 percent).

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$2,921,843 and for support provided by the State, revenue of \$2,737,651. 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	\$ -	\$ 90,386
Differences between expected and actual experience	-	18,963
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	1,266,533
School Board contributions subsequent to the measurement date	728,577	-
Total	\$ 728,577	\$ 1,375,882

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

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

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	\$ (368,718)
2020	(368,718)
2021	(368,718)
2022	(269,728)
2022	-
Thereafter	-
Total	\$ (1,375,882)

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the July 1, 2015 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 – 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%

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.

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

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

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	50.0%
Total Return Fixed Income	6.7%
Core Fixed Income	10.0%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

The discount rate used to measure the total OPEB liability was 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.

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

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

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	\$ 6,593,996	\$ 5,663,071	\$ 4,889,122

Healthcare Cost Trend Rate:

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

	1.0% Decrease	Current Healthcare Cost Trend Rate	1.0% Increase
School Board's proportionate share of the RHBT net OPEB liability	\$ 4,757,060	\$ 5,663,071	\$ 6,771,173

Payables to the OPEB Plan:

At June 30, 2018, the School Board reported a liability of \$504,223 for its unpaid legally required contributions to the OPEB plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

Note 12 – 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 payments 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 (03911)	\$ 4,848,467
Tools for Schools allocation by the State (03914)	\$ 401,679
Unfunded retirement by the State (03917)	\$ 13,562,687
PEIA allocation by the State (03918)	\$ 11,458,345
Value of donated commodities from the USDA (04911)	\$ 660,695

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

Note 13 - 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 14 – Restatement of Beginning Fund Balance:

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

	Governmental Funds (General Current Expense)
Beginning fund balance as previously reported at June 30, 2017	\$ 35,317,320
Prior period adjustment - Implementation of GASB 75	-
Removal of prior year GASB 45 OPEB liability	4,225,995
	\$ 39,543,315

General Current Expense Fund:

The General Current Expense Fund was restated as a result of implementing GASB 75 related to other post employment benefits. The General Current Expense Fund reported a \$4,225,995 OPEB liability as of June 30, 2017, and is no longer reported as a liability in the fund statements

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

Note 15 - Fund Balance:

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

<u>Fund Balances</u>	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental Funds
Nonspendable:						
Prepaid Items	\$ 227,361	\$ -	\$ -	\$ -	\$ -	\$ 227,361
Prepaid Liability Insurance	159,943	-	-	-	-	159,943
Restricted for:						
Special Projects	-	4,067,274	-	-	-	4,067,274
Debt Service	-	-	2,786,715	-	-	2,786,715
Capital Projects	-	-	-	5,220,042	-	5,220,042
Bond Refunding Projects	-	-	-	-	1,029,514	1,029,514
Local Match to SBA Grant	-	-	-	-	7,639,065	7,639,065
Excess Levy	991,716	-	-	-	975,645	1,967,361
Assigned to:						
Encumbrances	2,129,222	-	-	-	-	2,129,222
Medicaid	915,735	-	-	-	-	915,735
Personnel Costs	500,000	-	-	-	-	500,000
Pre-K Collaborative Contracts	150,372	-	-	-	-	150,372
Utilities	112,000	-	-	-	-	112,000
District Communications	40,000	-	-	-	-	40,000
Summer Feeding Program	30,000	-	-	-	-	30,000
Board Insurance Policies	22,000	-	-	-	-	22,000
BoardDocs	15,000	-	-	-	-	15,000
District Support / Employee Relations	15,000	-	-	-	-	15,000
Print Shop	12,130	-	-	-	-	12,130
Health Care Coalition	9,859	-	-	-	-	9,859
Faculty Senate Hiring Committee	7,913	-	-	-	-	7,913
Capital Projects	-	-	-	-	2,373,502	2,373,502
Unassigned	<u>28,274,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,274,297</u>
Total Fund Balances	<u>\$ 33,612,548</u>	<u>\$ 4,067,274</u>	<u>\$2,786,715</u>	<u>\$ 5,220,042</u>	<u>\$ 12,017,726</u>	<u>\$ 57,704,305</u>

CABELL 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 \$6,856,549 as of June 30, 2018 in the following funds:

General Revenue Fund	\$	2,129,222
Permanent Improvements Fund	\$	1,440,338
Capital Projects Fund	\$	1,293,438
Special Revenue Fund	\$	1,993,615

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

As of June 30, 2018 the following amounts will be used for construction and other capital improvements, which are included in the restricted fund balance reflected in the accompanying financial statements:

Permanent Improvements Fund	\$	5,220,042
Capital Projects Fund	\$	9,644,224

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, 2017 will not be available until spring or summer of 2018. 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.

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

Note 16 - Commitments, Contingencies and Subsequent Events (Cont.):

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

Note 17 - Interfund Balances and Transfers:

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

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Current Expense	Special Revenue Fund	\$ 3,512,063
General Current Expense	Capital Projects Fund	\$ 8,245,413
General Current Expense	Permanent Improvement	\$ 1,675,157
Special Revenue Fund	General Current Expense	\$ 124,243

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 December 10, 2018, the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

CABELL 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	\$ 44,717,043	\$ 44,717,043	\$ 46,205,799	\$ -	\$ 46,205,799	\$ 1,488,756
Other local sources	776,000	1,177,752	1,629,221	-	1,629,221	451,469
State sources	78,578,061	80,021,125	80,167,775	-	80,167,775	146,650
Federal sources	716,971	716,971	1,043,147	-	1,043,147	326,176
Total revenues	124,788,075	126,632,891	129,045,942	-	129,045,942	2,413,051
Expenditures:						
Instruction	78,419,881	80,592,754	74,959,064	-	74,959,064	5,633,690
Supporting services:						
Students	6,091,540	6,266,699	6,037,193	-	6,037,193	229,506
Instructional staff	3,433,800	3,795,591	3,642,500	-	3,642,500	153,092
General administration	1,550,908	1,764,533	1,588,546	-	1,588,546	175,988
School administration	7,041,857	7,152,450	7,020,745	-	7,020,745	131,705
Central services	1,978,399	2,047,145	1,763,572	-	1,763,572	283,573
Operation and maintenance of facilities	16,790,158	18,649,546	15,883,508	-	15,883,508	2,766,038
Student transportation	9,282,518	9,741,200	8,952,653	-	8,952,653	788,547
Food services	-	6,420	3,345	-	3,345	3,075
Community services	1,946,098	2,216,098	2,126,533	-	2,126,533	89,564
Capital outlay	-	1,320	1,320	-	1,320	-
Total expenditures	126,535,159	132,233,756	121,978,979	-	121,978,979	10,254,777
Excess (deficiency) of revenues over expenditures	(1,747,084)	(5,600,865)	7,066,963	-	7,066,963	12,667,828
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	310,610	-	310,610	310,610
Transfers in	-	-	124,293	-	124,293	124,293
Transfers (out)/reserves	(3,932,633)	(13,432,633)	(13,432,633)	-	(13,432,633)	-
Total other financing sources (uses)	(3,932,633)	(13,432,633)	(12,997,730)	-	(12,997,730)	434,903
Change in fund balances	(5,679,717)	(19,033,497)	(5,930,767)	-	(5,930,767)	13,102,731
Fund balances - beginning	7,679,717	32,169,095	39,543,315	-	39,543,315	7,374,220
Fund balances - ending	\$ 2,000,000	\$ 13,135,598	\$ 33,612,548	\$ -	\$ 33,612,548	\$ 20,476,951

See Notes to the Required Supplementary Information.

CABELL 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	\$ 355,118	\$ 581,620	\$ 704,956	\$ -	\$ 704,956	\$ 123,336
State sources	5,263,053	6,497,973	6,481,383	-	6,481,383	(16,590)
Federal sources	16,340,436	25,047,967	18,873,912	-	18,873,912	(6,174,055)
Total revenues	21,958,606	32,127,560	26,060,251	-	26,060,251	(6,067,309)
Expenditures:						
Instruction	7,253,454	17,082,550	10,378,239	-	10,378,239	6,704,311
Supporting services:						
Students	519,093	1,413,820	914,614	-	914,614	499,206
Instructional staff	955,935	4,521,193	2,028,350	-	2,028,350	2,492,843
General administration	-	299	-	-	-	299
School administration	244,634	253,640	241,733	-	241,733	11,907
Central services	13,469	25,245	10,352	-	10,352	14,893
Operation and maintenance of facilities	-	5,943	3,824	-	3,824	2,119
Student transportation	831,642	1,111,044	933,383	-	933,383	177,661
Food services	10,855,444	11,911,890	11,554,523	-	11,554,523	357,367
Capital outlay	-	50,000	-	-	-	50,000
Total expenditures	20,673,670	36,375,625	26,065,018	-	26,065,018	10,310,607
Excess (deficiency) of revenues over expenditures	1,284,936	(4,248,065)	(4,767)	-	(4,767)	4,243,298
Other financing sources (uses):						
Transfers in	3,932,633	3,957,633	3,512,063	-	3,512,063	(445,570)
Transfers (out)	(5,217,569)	(229,041)	(124,293)	-	(124,293)	104,748
Total other financing sources (uses)	(1,284,936)	3,728,592	3,387,770	-	3,387,770	(340,822)
Change in fund balances	-	(519,473)	3,383,003	-	3,383,003	3,902,476
Fund balances - beginning	-	681,981	684,270	-	684,270	2,289
Fund balances - ending	\$ -	\$ 162,508	\$ 4,067,273	\$ -	\$ 4,067,273	\$ 3,904,765

See Notes to the Required Supplementary Information.

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

	Reported Fiscal Year (Measurement Date) 2018 (2017)	Reported Fiscal Year (Measurement Date) 2017 (2016)	Reported Fiscal Year (Measurement Date) 2016 (2015)	Reported Fiscal Year (Measurement Date) 2015 (2014)
District's proportion of the net pension liability (asset)	0.259056%	0.247384%	0.213032%	0.168962%
District's proportionate share of net pension liability (asset)	\$ 8,950,327	\$ 10,167,043	\$ 7,382,101	\$ 5,829,345
State's proportionate share of the net pension liability (asset) associated with the district	<u>137,609,252</u>	<u>141,064,337</u>	<u>128,290,801</u>	<u>117,293,754</u>
Total	<u>146,559,579</u>	<u>151,231,380</u>	<u>135,672,902</u>	<u>123,123,099</u>
District's covered-employee payroll	\$ 64,906,533	\$ 64,804,053	\$ 64,709,775	\$ 62,655,630
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	13.790%	15.689%	11.408%	9.304%
Plan fiduciary net position as a percentage of the total pension liability	67.85%	61.42%	66.25%	65.95%

See Notes to the Required Supplementary Information.

CABELL COUNTY BOARD OF EDUCATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018	2017	2016	2015
Contractually required contribution	\$ 5,425,733	\$ 5,545,249	\$ 5,682,889	\$ 5,873,101
Contributions in relation to the contractually required contribution	<u>(5,425,733)</u>	<u>(5,545,249)</u>	<u>(5,682,889)</u>	<u>(5,873,101)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered-employee payroll	\$ 65,021,019	\$ 64,906,533	\$ 64,804,053	\$ 64,709,775
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.345%	8.543%	8.769%	9.076%

See Notes to the Required Supplementary Information.

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

		Reported Fiscal Year (Measurement Date)
		2018 (2017)
District's proportion of the net pension liability (asset)		0.230301%
District's proportionate share of net pension liability (asset)	\$	5,663,071
State's proportionate share of the net pension liability (asset) associated with the district		<u>26,485,583</u>
Total		<u><u>32,148,654</u></u>
District's covered-employee payroll	\$	62,254,190
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		9.097%
Plan fiduciary net position as a percentage of the total pension liability		25.10%

Data prior to 2018 is unavailable

CABELL COUNTY BOARD OF EDUCATION
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 RETIREE HEALTH BENEFIT TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	2018
Contractually required contribution	\$ 3,159,288
Contributions in relation to the contractually required contribution	(3,159,288)
Contribution deficiency (excess)	-
District's covered-employee payroll	\$ 61,807,504
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	5.111%

Data prior to 2018 is unavailable

CABELL 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). 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.

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2018, the Board did not have any expenditures that exceeded appropriations at the function level within the General Current Expense Fund or the Special Revenue Fund, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

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.

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
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

CABELL 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:						
Property taxes	\$ 5,322,550	\$ 5,322,550	\$ 5,811,317	\$ -	\$ 5,811,317	\$ 488,767
Other local sources	-	-	115,940	-	115,940	115,940
Total revenues	5,322,550	5,322,550	5,927,257	-	5,927,257	604,707
Expenditures:						
Debt service:						
Principal retirement	4,640,000	4,640,000	4,640,000	-	4,640,000	-
Interest and fiscal charges	682,550	2,866,558	684,550	-	684,550	2,182,008
Total expenditures	5,322,550	7,506,558	5,324,550	-	5,324,550	2,182,008
Excess (deficiency) of revenues over expenditures	-	(2,184,008)	602,707	-	602,707	2,786,715
Other financing sources (uses):						
Transfers (out)/reserves	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Change in fund balances	-	(2,184,008)	602,707	-	602,707	2,786,715
Fund balances - beginning	-	-	2,184,008	-	2,184,008	2,184,008
Fund balances - ending	\$ -	(2,184,008)	\$ 2,786,715	\$ -	\$ 2,786,715	\$ 4,970,723

See Notes to the Required Supplementary Information.

CABELL COUNTY BOARD OF EDUCATION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - PERMANENT IMPROVEMENT 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	\$ 1,527,058	\$ 1,527,058	\$ 1,673,701	\$ -	\$ 1,673,701	\$ 146,643
Other local sources	-	-	18,986	-	18,986	18,986
Total revenues	1,527,058	1,527,058	1,692,687	-	1,692,687	165,629
Expenditures:						
Supporting services:						
Operation and maintenance of facilities	-	59,875	-	-	-	59,875
Capital outlay	1,527,058	4,886,802	1,571,103	-	1,571,103	3,315,699
Total expenditures	1,527,058	4,946,677	1,571,103	-	1,571,103	3,375,574
Excess (deficiency) of revenues over expenditures	-	(3,419,619)	121,584	-	121,584	3,541,203
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	59,875.00	63,558	-	63,558	3,683
Transfers in	-	-	1,675,157	-	1,675,157	1,675,157
Total other financing sources (uses)	-	59,875	1,738,715	-	1,738,715	1,678,840
Change in fund balances	-	(3,359,744)	1,860,299	-	1,860,299	5,220,043
Fund balances - beginning	-	-	3,359,743	-	-	-
Fund balances - ending	\$ -	\$ (3,359,744)	\$ 5,220,042	\$ -	\$ 1,860,299	\$ 5,220,043

See Notes to the Required Supplementary Information.

CABELL 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:						
State Sources	\$ -	\$ 7,612,794	\$ 459,137	\$ -	\$ 459,137	\$ (7,153,657)
Total revenues	-	7,612,794	459,137	-	459,137	(7,153,657)
Expenditures:						
Instruction	-	776,120	44,779	-	44,779	731,341
Supporting services:						
Operation and maintenance of facilities	-	3,519	3,519	-	3,519	-
Capital outlay	-	16,680,298	2,388,035	-	2,388,035	14,292,263
Total expenditures	-	17,459,936	2,436,333	-	2,436,333	15,023,603
Excess (deficiency) of revenues over expenditures	-	(9,847,143)	(1,977,196)	-	(1,977,196)	7,869,946
Other financing sources (uses):						
Transfers in	-	6,808,926	8,694,098	-	8,694,098	1,885,172
Transfers (out)/reserves	-	(2,711,294)	(448,685)	-	(448,685)	2,262,609
Total other financing sources (uses)	-	4,097,632	8,245,413	-	8,245,413	4,147,781
Change in fund balances	-	(5,749,511)	6,268,217	-	6,268,217	12,017,727
Fund balances - beginning	-	-	5,749,509	-	5,749,509	5,749,509
Fund balances - ending	-	(5,749,511)	12,017,726	-	12,017,726	17,767,236

See Notes to the Required Supplementary Information.

CABELL 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.

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2018, the Board did not have any expenditures that exceeded appropriations at the function level within the Debt Service Fund, Permanent Improvement Fund or the Capital Projects Fund, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

CABELL 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
Altizer Elementary	\$ 38,003	\$ 23,215	\$ 23,767	\$ 37,451
Central City Elementary	141,161	16,598	20,404	137,355
Cox Landing Elementary	7,961	15,014	17,602	5,373
Culloden Elementary	27,384	27,336	28,116	26,604
Davis Creek Elementary	66,374	37,643	43,092	60,925
Explorer Academy	15,137	38,378	37,251	16,264
Guyandotte Elementary	7,395	6,217	5,683	7,929
Highlawn Elementary	24,924	18,814	19,313	24,426
Hite Saunders Elementary	27,123	31,423	31,778	26,767
Martha Elementary	16,803	28,417	33,054	12,165
Meadows Elementary	23,578	20,848	17,635	26,791
Milton Elementary	121,795	96,412	87,120	131,087
Nichols Elementary	24,397	62,246	48,623	38,020
Ona Elementary	43,918	36,048	36,654	43,312
Salt Rock Elementary	19,601	27,375	23,385	23,591
Southside Elementary	32,830	65,374	63,028	35,176
Spring Hill Elementary	13,570	26,495	23,306	16,759
Village of Barboursville Elementary	75,894	132,641	139,890	68,645
Barboursville Middle	55,640	236,273	248,212	43,701
Huntington East Middle School	47,483	67,823	73,794	41,512
Huntington Middle School	73,235	131,589	137,956	66,868
Milton Middle School	60,965	267,306	268,372	59,899
Cabell County Career and Technical Center	423,738	611,223	635,616	399,345
Cabell Midland High School	328,010	484,750	470,858	341,902
Huntington High School	263,568	667,851	657,931	273,488
Total	\$ 1,980,487	\$ 3,177,309	\$ 3,192,438	\$ 1,965,357

CABELL 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	\$ 6,972,792
Donated Foods (Non-cash)	10.555	88	753,124
Summer Food Service	10.559	88	102,898
Total Child Nutrition Cluster			<u>7,828,814</u>
Child and Adult Care Food Program	10.558	88	159,195
State Administrative Expenses	10.560	88	650
Fresh Fruits and Vegetable Program	10.582	88	<u>88,610</u>
Total U.S. Department of Agriculture			<u>8,077,269</u>
U.S. Department of Education			
Passed Through West Virginia Department of Education			
Adult Education	84.002	61	54,172
Title I Grants to Local Educational Agencies	84.010	41	4,653,726
Special Education Cluster:			
Special Education Grants to States	84.027	43	3,144,344
Special Education - Pre-School	84.173	43	88,549
Total Special Education Cluster			<u>3,232,893</u>
Vocational Education	84.048	50	295,762
Education for Homeless Children and Youth	84.196	54	52,667
21st Century Community Learning Centers	84.287	45	108,566
English Language Acquisition Grants	84.365	45	56,393
Title II Improving Teacher Quality	84.367	40	561,861
Student Support and Academic Enrichment	84.424	40	<u>12,817</u>
Total U.S. Department of Education			<u>9,028,857</u>
Total Federal Financial Assistance Expended			<u>\$ 17,106,126</u>

See Notes to the Schedule of Expenditures of Federal Awards

CABELL 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 Cabell 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).

Note 2 – Food Distribution:

The Cabell County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$753,124 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 Cabell County Board of Education did not elect to use the 10% de minimis indirect cost rate for its federal programs.

Note 4 – Subrecipients:

The Cabell County Board of Education did not pass through any federal funds to subrecipients during the year ended June 30, 2018.

CABELL 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	\$ 23,373,201	\$ 26,370,071	\$ 2,996,870	\$ 70,119,603	\$ 79,142,039	\$ 9,022,436
Expenditures Cabell County Levy Call:						
Professional Salary – Including, but not limited to, professional salaries, salaries of personnel in excess of 200 days, salaries for professionals in excess of state funding limit, salaries of non-certified personnel, and minimum salaries fixed by law and supplemental salaries.	7,057,547	7,057,547	-	21,172,641	24,546,837	3,374,196
Service Salary – Including, but not limited to, service personnel salaries, salaries of service personnel in excess of 200 days, salaries for service personnel in excess of state funding limit, and minimum salaries fixed by law and supplemental salaries.	2,050,000	2,050,000	-	6,150,000	7,101,696	951,696
Substitute – Including, but not limited to, professional and service personnel substitute costs.	1,101,000	1,101,000	-	3,303,000	3,303,000	-
Athletics – Including, but not limited to, salaries for coaches, intramural activities, and other costs associated with athletic programs and facilities.	800,000	661,555	(138,445)	2,400,000	3,103,253	703,253
Personnel Taxes and Benefits – including, but not limited to, FICA taxes, unemployment taxes, workers' compensation taxes, retirement and other insurance, including dental and optical.	3,336,378	3,336,378	-	10,009,134	10,009,134	-
Textbooks, Supplies, Postage, Insurance and Travel – Including, but not limited to, printing, copying, school, custodial, library, office, health supplies, postage, textbooks, insurance and travel.	2,287,538	2,077,620	(209,918)	6,862,614	6,838,155	(24,459)
Contracted Services – Including, but not limited to, staff development, legal services, special education, pest management, financial audit, transportation department employees' random drug and alcohol testing, student drug testing, and fire alarm inspections.	1,700,000	1,253,581	(446,419)	5,100,000	4,972,748	(127,252)
Construction, Repair, and Maintenance – Including, but not limited to, construction, building repair, roof replacement, asbestos projects, structural repairs, fire code corrections, Americans with Disabilities Act compliance, equipment maintenance, paving and bus maintenance.	1,232,000	4,958,313	3,726,313	3,696,000	7,913,772	4,217,772
Equipment and Rentals – including, but not limited to, maintenance equipment, vehicle replacement, lab equipment, administrative equipment, school equipment, vacuums, copiers, transportation equipment, school copier rentals, computer leases, data communications, Drivers Education car rentals, and communication equipment.	1,691,937	1,517,402	(174,535)	5,075,811	4,235,806	(840,005)
Cabell County Public Library – The operation of the Cabell County Public Library as required by Section 5, Chapter 207, of the 1967 Acts of the West Virginia Legislature.	1,425,817	1,608,632	182,815	4,277,451	4,862,250	584,799
Greater Huntington Park and Recreation District – The operation of the Greater Huntington Park and Recreation District as required by Section 7, Chapter 194, of the 1983 Acts of the West Virginia Legislature.	440,984	498,044	57,060	1,322,952	1,505,387	182,435
Contingency and Other Expenses – Including, but not limited to, unforeseen expenses, commercial drivers' licenses, and other miscellaneous expenses.	250,000	250,000	-	750,000	750,000	-
Total Expenditures	23,373,201	26,370,072	2,996,871	70,119,603	79,142,038	9,022,435
Excess of Collections over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



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 Cabell County Board of Education
Huntington, 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 Cabell 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 Cabell County Board of Education's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Cabell 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 Cabell County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cabell County Board of Education's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
December 10, 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 ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Cabell County Board of Education
Huntington, West Virginia

Report on Compliance for Each Major Federal Program

We have audited the Cabell 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 Cabell County Board of Education's major federal programs for the year ended June 30, 2018. Cabell 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 Cabell 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 Cabell 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 Cabell County Board of Education's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cabell 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 Cabell 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 Cabell 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 Cabell 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

Huntington, West Virginia
December 10, 2018

CABELL 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?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

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

Programs tested:

CFDA	
<u>Number(s)</u>	<u>Name of Federal Program/Cluster</u>
84.010	Title I Grants to Local Education Agencies

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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

There were no findings in the prior audit.