



Certified Public Accountants, A.C.

**KANAWHA COUNTY BOARD OF EDUCATION
Single Audit
For the Year Ended June 30, 2019**

**RFP #17-074
Kanawha County**

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Marietta, OH 45750
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304 422 2203

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**KANAWHA COUNTY BOARD OF EDUCATION
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INDEPENDENT AUDITOR'S REPORT

March 20, 2020

Kanawha County Board of Education
Kanawha County
200 Elizabeth Street
Charleston, WV 25311

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Kanawha County Board of Education**, Kanawha County, West Virginia (the Board), as of and for the year ended June 30, 2019, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Board's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Kanawha County Board of Education, Kanawha County, West Virginia, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, schedules of net pension and other post-employment liabilities and pension and other post-employment liabilities contributions and required budgetary comparisons for the General Current Expense and Special Revenue Funds, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the Board's basic financial statements taken as a whole.

The budgetary comparison information for the Debt Service Fund, Permanent Improvement Fund, the Schedule of Changes in School Activity Funds, and Schedule of Excess Levy Revenues and Expenditures provide additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules 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 the schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the 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 schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2020, on our consideration of the Board's internal control over financial reporting and our tests 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019
Unaudited**

Our discussion and analysis of the Kanawha County Board of Education's (Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2019. Please read this discussion and analysis in conjunction with the Board's basic financial statements, which are presented immediately following this Management's Discussion and Analysis.

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately \$245 million (*net position*) at the close of the most recent fiscal year. Of this amount, approximately \$13 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 \$10 million. This increase is primarily attributable to the overall decrease in expenses.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of approximately \$70 million, an increase of approximately \$5.1 million in comparison with the prior year. The largest portion of this increase was related to the increase in the general current expense fund before transfers out to the capital projects fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund represented a fund balance of approximately \$0.

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 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).

The district-wide financial statements can be found on the pages following this report.

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

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

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

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

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

The Board 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 8 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 the pages following the basic financial statements.

**KANAWHA COUNTY BOARD OF EDUCATION
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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 exceeded liabilities by approximately \$245 million at the close of the most recent fiscal year.

	2019 Governmental Activities	2018 Governmental Activities	Variance
ASSETS AND DEFERRED OUTFLOWS			
Current and other assets	\$ 110,169,374	\$ 102,221,023	\$ 7,948,351
Capital assets	205,799,273	206,249,609	(450,336)
Deferred outflows of resources	20,130,738	11,972,501	8,158,237
Total assets and deferred outflows	\$ 336,099,385	\$ 320,443,133	\$ 15,656,252
LIABILITIES, DEFERRED INFLOWS AND NET POSITION			
Liabilities and deferred inflows:			
Current and other liabilities	\$ 33,661,687	\$ 35,035,591	\$(1,373,904)
Long-term liabilities outstanding	10,784,836	14,644,784	(3,859,948)
Net pension liability - proportionate share	10,069,457	18,271,757	(8,202,300)
Net other post employment benefit (OPEB) liability - proportionate share	23,559,234	12,576,645	10,982,589
Deferred inflows of resources	13,410,651	5,320,983	8,089,668
Total liabilities and deferred inflows	91,485,865	85,849,760	5,636,105
Net position:			
Invested in capital assets'	190,632,371	183,246,187	7,386,184
Restricted	40,937,512	29,784,425	11,153,087
Unrestricted	13,043,637	21,562,761	(8,519,124)
Total net position	244,613,520	234,593,373	10,020,147
Total liabilities, deferred inflows and net position	\$ 336,099,385	\$ 320,443,133	\$ 15,656,252

The key elements of the increase of the Board's net position for the year ended June 30, 2019 are as follows:

- Current and other assets increased by approximately \$7.9 million, which primarily represents an increase in cash and cash equivalents.
- Capital assets decreased by approximately \$450 thousand which represents the net amount of depreciation expense and capital asset disposals in excess of capital asset additions.
- GASB 68/71 requires the Board to record its proportionate share of the net pension liability, deferred outflows and deferred inflows. The net pension liability decreased by approximately \$8 million to approximately \$10 million at June 30.
- GASB 75 requires the Board to record its proportionate share of the net OPEB liability, deferred outflows and deferred inflows. The Net OPEB liability increased by approximately \$11 million to approximately \$23.5 million at June 30.
- Deferred outflows increased by approximately \$8.2 million and deferred inflows increased by approximately \$8.1 million.
- The largest portion of the Board's net position (78%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future

**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019
Unaudited**

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 (17%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects and special projects.
- The remaining balance of unrestricted net position, (5%) represents cash and other receivable balances and may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

The Board's net position increased by approximately \$10 million during the current year. This increase is primarily attributable to an overall decrease in expenses.

	2019 Governmental Activities	2018 Governmental Activities	Variance
Revenues:			
Program revenues:			
Charges for services	\$ 4,812,604	\$ 5,353,214	\$ (540,610)
Operating grants and contributions	54,595,410	49,663,940	4,931,470
Capital grants and contributions	7,194,863	3,633,914	3,560,949
General revenues:			
Property taxes	107,786,023	109,463,310	(1,677,287)
Unrestricted state aid	126,342,104	139,456,802	(13,114,698)
Unrestricted investment earnings	1,747,199	447,141	1,300,058
Unrestricted grants and contributions	2,867,381	451,515	2,415,866
Gain (loss) on sale of assets	41,712	(243,612)	285,324
Total revenues	<u>305,387,296</u>	<u>308,226,224</u>	<u>(2,838,928)</u>
Expenses:			
Instruction	173,000,219	179,592,643	(6,592,424)
Supporting services:			
Students	14,959,260	15,631,548	(672,288)
Instructional staff	8,172,738	8,095,457	77,281
District admin.	2,363,184	2,463,280	(100,096)
School admin.	14,713,934	15,478,066	(764,132)
Business services	8,008,392	8,125,195	(116,803)
Operation and maintenance	34,371,183	34,694,157	(322,974)
Transportation	15,478,239	14,749,855	728,384
Total supporting services	98,066,930	99,237,558	(1,170,628)
Food services	19,644,422	19,808,152	(163,730)
Community services	4,381,761	4,428,243	(46,482)
Interest on long-term debt	273,817	327,258	(53,441)
Total expenses	<u>295,367,149</u>	<u>303,393,854</u>	<u>(8,026,705)</u>
Change in net position before transfers	10,020,147	4,832,370	5,187,777
Extraordinary item: Capital asset impairment	-	-	-
Change in net position	10,020,147	4,832,370	5,187,777
Net position - July 1	234,593,373	232,321,344	2,272,029
Restatement	-	(2,560,341)	2,560,341
Net position - June 30	<u>\$ 244,613,520</u>	<u>\$ 234,593,373</u>	<u>\$ 10,020,147</u>

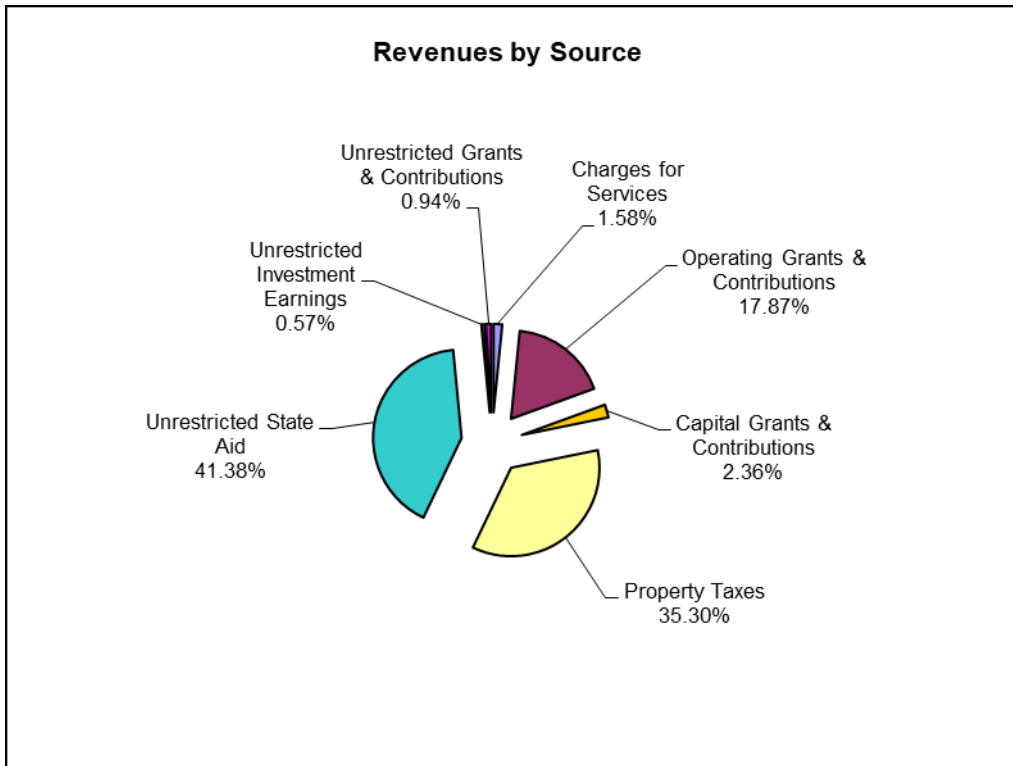
The key elements of the increase of the Board's revenues and expenses for the year ended June 30, 2019 are as follows:

- Operating grants and contributions increased by approximately \$4.9 million with the increase in various federal and state grants.

**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019
Unaudited**

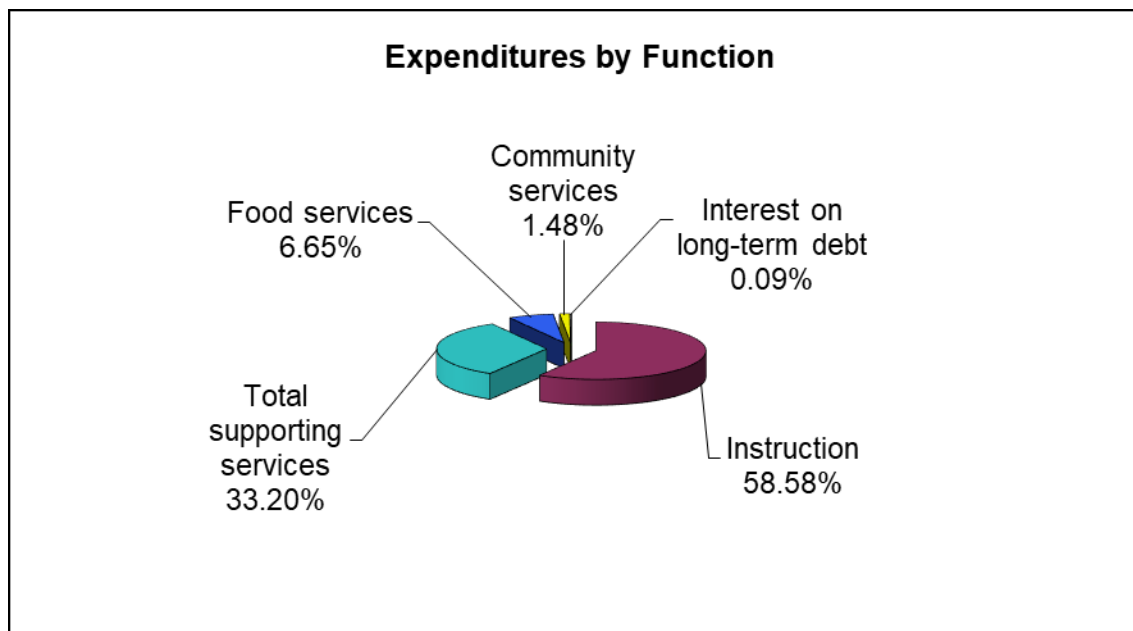
- Capital grants and contributions increased by approximately \$3.6 million which was primarily the result of an increase in West Virginia School Building Authority and FEMA funding for school construction.
- Property taxes decreased by approximately \$1.7 million which was primarily the result of the assessed values.
- Unrestricted state aid decreased by approximately \$13.1 million as a result of a decrease in student enrollment and other allocations.
- Overall expenses decreased by approximately \$8 million as a result of various reductions in operating grants and other reductions of cost.

The following chart shows the Board's revenues for fiscal year ended June 30, 2019 by source:



**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019
Unaudited**

The following chart shows the Board's expenditures for fiscal year ended June 30, 2019 by function:



Financial Analysis of the Board's Funds

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

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of approximately \$70 million. The net change in fund balance was an increase of approximately \$5.1 million which was primarily the result of decreases in various expenses.

In addition, the general current expense fund had an assigned fund balance of approximately \$29 million. The special revenue fund had a restricted fund balance of approximately \$18.6 million for special projects. In addition, the permanent improvement fund had approximately \$22.3 million restricted for capital projects.

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 expendable financial resources in governmental funds. The Board had an unassigned fund balance of approximately \$0 at June 30, 2019.

**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019
Unaudited**

The Board had four major funds for the fiscal year ended June 30, 2019. Those funds are the General Current Expense Fund, Special Revenue Fund, Debt Service Fund, and the Permanent Improvement 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 approximately \$35.1 million (prior year fund balance) to \$29.1 million (current year fund balance) during the fiscal year ended June 30, 2019. As previously discussed, this decrease of approximately \$6.0 million was a result of the \$11.5 million transfer to the permanent improvement fund for the Boards share of capital outlays offset by the current year increase in revenues over expenditures.

Special Revenue Fund

This is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditures for specific purposes. The fund balance increased from approximately \$16.6 million (prior year fund balance) to \$18.6 million (current year fund balance) during the fiscal year ended June 30, 2019. This increase of approximately \$2.0 million was due primarily to the timing of disbursement of certain state and local grants received in the current year that will be disbursed in future years.

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 remained consistent from approximately \$95 dollars (prior year fund balance) to \$133 dollars (current year fund balance) during the fiscal year ended June 30, 2019.

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 increase from approximately \$13.1 million (prior year fund balance) to \$22.3 million (current year fund balance) during the fiscal year ended June 30, 2019. This increase of approximately \$9.2 million was due primarily to the Boards transfer from the general fund of future capital asset improvement dollars.

General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was an increase of approximately \$58.9 million or twenty-two percent in total general fund expenditures. The most significant difference included the budget carryovers.

**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2019
Unaudited**

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2019, amounts to approximately \$205.8 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was approximately \$450 thousand.

	2019	2018	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 3,344,456	\$ 3,344,456	\$ -
Buildings and improvements	168,707,843	173,121,116	(4,413,273)
Land improvements	3,999,549	4,592,757	(593,208)
Furniture and equipment	18,272,810	19,456,754	(1,183,944)
Construction in process	11,474,615	5,734,526	5,740,089
	<u>\$ 205,799,273</u>	<u>\$ 206,249,609</u>	<u>\$ (450,336)</u>

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

- Capital assets decreased by approximately \$450 thousand, which represents the net amount of depreciation expense and disposals in excess of capital asset additions.
- The Board has approximately \$11.5 million in construction in process for work at Andrews Heights Elementary, Ben Franklin Career Center and for preliminary work related to the replacement of Clendenin Elementary and Herbert Hoover High School that were destroyed in the 2016 floods.
- The Board purchased approximately \$3.5 million in vehicles, furniture and equipment which was primarily \$1.6 million of school buses and other transportation vehicles.

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

Long-term debt and other liabilities. At the end of the current fiscal year, the Board had the following long-term debt:

	2019	2018	
	Governmental	Governmental	
	Activities	Activities	Variance
General obligation bonds	\$ -	\$ -	\$ -
Capital lease obligations	15,166,902	23,003,422	(7,836,520)
Compensated absences	1,255,281	1,166,586	88,695
Net pension liability - proportionate share	10,069,457	18,271,757	(8,202,300)
Net OPEB liability - proportionate share	23,559,234	12,576,645	10,982,589
Total debt outstanding	<u>\$ 50,050,874</u>	<u>\$ 55,018,410</u>	<u>\$ (4,967,536)</u>

**KANAWHA COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Capital lease obligations decreased by approximately \$7.8 million which was the result the principal payments on the capital leases offset by one new capital lease. The obligation for compensated absences for vacations increased by approximately \$88 thousand at June 30, 2019. The Board's proportionate share of the net pension liability decreased approximately \$8.2 million to \$10.1 million at June 30. The Board's proportionate share of the net OPEB liability increased approximately \$10.9 million to \$23.6 million at June 30.

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

Factors Bearing on the Board's Future

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

- The Board has committed a significant amount of resources to the construction of various projects throughout the County. Cost overruns on these projects, if they were to occur, could have a substantial impact on the Board.
- The Board sustained significant damage at four schools as a result of the June 2016 flooding. Two of the schools will not reopen and two schools reopened after significant repairs. Management is working with insurance companies and FEMA to determine the amount of reimbursement available for the costs and construction of new schools.
- Subsequent to year end the Board entered into a capital lease agreement in the amount of \$9.0 million for the purchase of equipment (turf and various other improvements to athletic facilities) in the County. The capital lease will have an interest rate of 2.44% and will require monthly payments beginning August 19, 2019 and ending October 19, 2023 in the monthly amount of approximately \$185 thousand.

Contacting the Board's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Board Office at 200 Elizabeth Street, Charleston, West Virginia 25311.

KANAWHA COUNTY BOARD OF EDUCATION

STATEMENT OF NET POSITION

JUNE 30, 2019

Governmental
Activities

ASSETS AND DEFERRED OUTFLOWS

Assets:

Cash and cash equivalents	\$ 61,709,848
Investments	24,230,612
Deposit	-
Taxes receivable, net of allowance for uncollectible taxes	14,124,297
Food services receivable	205,493
Other receivables	-
Deferred Charges - issuance costs	-
Due from other governments:	
State aid receivable	2,099,950
PEIA allocation receivable	3,727,138
Reimbursements receivable	4,072,036
Capital Assets:	
Land	3,344,456
Buildings and improvements	297,051,122
Land improvements	18,842,571
Furniture and equipment	79,159,606
Vehicles	-
Construction in process	11,474,615
Less accumulated depreciation	(204,073,097)
Total capital assets, net of depreciation	<u>205,799,273</u>
Total assets	<u>315,968,647</u>

Deferred outflows:

Pension	8,941,789
Other post employment benefit (OPEB)	11,188,949
Total deferred outflows	<u>20,130,738</u>

Total assets and deferred outflows 336,099,385

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Liabilities:

Salaries payable and related payroll liabilities	20,701,687
PEIA premiums payable	4,288,714
Compensated absences	1,255,281
Accounts payable	2,810,360
OPEB liability	-
Unearned revenue	-
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	4,382,066
Accrued interest	223,579
Due beyond one year:	
Bonds, capital leases, and contracts	10,784,836
Net pension liability - Proportionate Share	10,069,457
Net other post employment benefit (OPEB) liability - Proportionate Share	23,559,234
Total liabilities	<u>78,075,214</u>

Deferred inflows:

Pension	8,370,064
Other post employment benefit (OPEB)	5,040,587
Total deferred inflows	<u>13,410,651</u>

Total liabilities and deferred inflows 91,485,865

Net Position:

Invested in capital assets	190,632,371
Restricted for:	
Debt service	133
Special projects	18,584,041
Excess levy	63,952
Capital projects	22,289,386
Unrestricted	13,043,637
Total net position	<u>\$ 244,613,520</u>

The accompanying notes are an integral part of these financial statements

KANAWHA COUNTY BOARD OF EDUCATION

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019

Functions	Expenses	Program Revenues		Net (Expense), Revenue & Changes in Net Position Governmental Activities	
		Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Governmental activities:					
Instruction	\$ 173,000,219	\$ 3,693,698	\$ 26,268,559	\$ 7,194,863	\$ (135,843,099)
Supporting services:					
Students	14,959,260	140,507	5,084,216	-	(9,734,537)
Instructional staff	8,172,738	76,871	1,152,403	-	(6,943,464)
District administration	2,363,184	22,145	275,808	-	(2,065,231)
School administration	14,713,934	138,216	1,721,422	-	(12,854,296)
Business services	8,008,392	75,090	935,211	-	(6,998,091)
Operation and maintenance of facilities	34,371,183	322,758	4,019,822	-	(30,028,603)
Student transportation	15,478,239	145,343	1,810,188	-	(13,522,708)
Other supporting services					
Food services	19,644,422	197,976	13,327,781	-	(6,118,665)
Community services	4,381,761	-	-	-	(4,381,761)
Interest on long-term debt	273,817	-	-	-	(273,817)
Total governmental activities	\$ 295,367,149	\$ 4,812,604	\$ 54,595,410	\$ 7,194,863	(228,764,272)
General revenues:					
Property taxes					107,786,023
Unrestricted state aid					126,342,104
Unrestricted investment earnings					1,747,199
Unrestricted grants and contributions					2,867,381
Gain (loss) on sale of assets					41,712
Transfers in					(18,090,655)
Transfers (out)					18,090,655
Total general revenues, other items, and transfers					238,784,419
Change in net position					10,020,147
Net position - beginning					234,593,373
Net position - ending					\$ 244,613,520

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY BOARD OF EDUCATION

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2019

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Permanent Improvement Fund	Total Governmental
ASSETS AND DEFERRED OUTFLOWS					
Assets:					
Cash and cash equivalents	\$ 35,233,759	\$ 14,377,783	\$ -	\$ 12,098,306	\$ 61,709,848
Investments	14,257,092	-	123	9,973,397	24,230,612
Deposits	-	-	-	-	-
Taxes receivable, net	14,124,287	-	10	-	14,124,297
Food service receivable, net	-	205,493	-	-	205,493
Other receivables	-	-	-	-	-
Due from other governments:					
Due from other governments	124,887	6,527	-	1,968,536	2,099,950
PEIA allocation receivable	3,727,138	-	-	-	3,727,138
Reimbursements receivable	140,640	3,931,396	-	-	4,072,036
Due from other funds	-	3,533,008	-	-	3,533,008
Deferred outflows:					
Deferred outflows	-	-	-	-	-
Total assets and deferred outflows	\$ 67,607,803	\$ 22,054,207	\$ 133	\$ 24,040,239	\$ 113,702,382
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 17,805,772	\$ 2,895,915	\$ -	\$ -	\$ 20,701,687
PEIA premiums payable	4,288,714	-	-	-	4,288,714
Accounts payable	742,982	374,170	-	1,693,208	2,810,360
OPEB liability	-	-	-	-	-
Due to other funds	3,533,008	-	-	-	3,533,008
Unearned revenue	-	-	-	-	-
Deferred inflows:					
Deferred inflows	12,092,976	200,081	-	57,645	12,350,702
Total liabilities and deferred inflows	38,463,452	3,470,166	-	1,750,853	43,684,471
Fund Balances:					
Nonspendable	-	-	-	-	-
Restricted	63,952	18,584,041	133	22,289,386	40,937,512
Committed	-	-	-	-	-
Assigned	29,080,399	-	-	-	29,080,399
Unassigned	-	-	-	-	-
Total fund balances	29,144,351	18,584,041	133	22,289,386	70,017,911
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 67,607,803	\$ 22,054,207	\$ 133	\$ 24,040,239	\$ 113,702,382

The accompanying notes are an integral part of these financial statements

KANAWHA COUNTY BOARD OF EDUCATION

**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

JUNE 30, 2019

Total governmental fund balance \$ 70,017,911

Amounts reported for governmental activities in the statement of net position differ due to:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet 205,799,273

Deferred charges are not reported in the funds -

Property taxes receivable, food service billings receivable, Medicaid receivables and other receivables will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore deferred in the fund balance sheet. 12,350,702

Certain bond costs are deferred and amortized over the life of the bond. -

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources related to pensions 8,941,789
Deferred inflows of resources related to pensions (8,370,064)
Deferred outflows of resources related to OPEB 11,188,949
Deferred inflows of resources related to OPEB (5,040,587)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable -
Accrued interest on bonds (223,579)
Capital lease payable (15,166,902)
Compensated absences (1,255,281)
Net pension liability - proportionate share (10,069,457)
Net OPEB liability - proportionate share (23,559,234)

Net position of governmental activities \$ 244,613,520

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY BOARD OF EDUCATION

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

YEAR ENDED JUNE 30, 2019

	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Permanent Improvement Fund	Total Governmental
Revenues:					
Property taxes	\$ 106,868,902	\$ -	\$ 144	\$ -	\$ 106,869,046
Other Local sources	6,056,339	2,842,495	-	246,914	9,145,748
State sources	160,610,223	13,201,701	-	3,910,612	177,722,536
Federal sources	2,553,583	39,603,962	-	3,284,258	45,441,803
Miscellaneous sources	236,006	-	-	-	236,006
Total revenues	276,325,053	55,648,158	144	7,441,784	339,415,139
Expenditures:					
Instruction	157,144,326	31,261,819	-	-	188,406,145
Supporting services:					
Students	14,405,988	2,322,395	-	-	16,728,383
Instructional staff	3,471,701	4,529,481	-	-	8,001,182
Central administration	2,598,416	80,741	-	-	2,679,157
School administration	16,425,619	-	-	-	16,425,619
Business	9,258,876	93,372	-	25,428	9,377,676
Operation and maintenance of facilities	35,851,053	25,730	-	-	35,876,783
Student transportation	16,495,237	1,516,110	-	-	18,011,347
Other support services	29,942	-	-	-	29,942
Food services	-	19,322,995	-	-	19,322,995
Community services	4,452,819	24,462	-	-	4,477,281
Capital outlay	94,108	1,000	-	9,767,972	9,863,080
Debt service:					-
Principal retirement	5,474,070	-	-	-	5,474,070
Interest and fiscal charges	278,697	-	-	-	278,697
Total expenditures	265,980,852	59,178,105	-	9,793,400	334,952,357
Excess (deficiency) of revenues over expenditures	10,344,201	(3,529,947)	144	(2,351,616)	4,462,782
Other financing sources (uses):					
Transfers in	542,779	6,024,635	-	11,523,241	18,090,655
Proceeds from disposal of equipment	-	-	-	-	-
Capital lease proceeds	699,300	-	-	-	699,300
Transfers (out)	(17,547,770)	(542,779)	(106)	-	(18,090,655)
Total other financing sources (uses)	(16,305,691)	5,481,856	(106)	11,523,241	699,300
Net change in fund balances	(5,961,490)	1,951,909	38	9,171,625	5,162,082
Fund balances - beginning	35,105,841	16,632,132	95	13,117,761	64,855,829
Restatement of fund balance	-	-	-	-	-
Fund balances - beginning, as restated	35,105,841	16,632,132	95	13,117,761	64,855,829
Fund balances - ending	\$ 29,144,351	\$18,584,041	\$ 133	\$22,289,386	\$ 70,017,911

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY BOARD OF EDUCATION

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

YEAR ENDED JUNE 30, 2019

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

Net change in fund balances - total governmental funds \$ 5,162,082

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

Depreciation expense	(11,437,862)
Capital outlays	11,060,174

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds, rather they are reported as deferred revenues. 267,416

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. 8,535,820

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	(2,422,782)
Accumulated depreciation of assets disposed	2,350,134

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

Accrued vacation payable	(88,695)
Accrued sick leave payable	-

Capital lease proceeds are reported as liabilities in the statement of net assets instead of as financing transfers in the governmental activities. (699,300)

Accrued interest is required to be reported as a liability in the statement of net position of the district wide financial statements. The following represents the change in accrued interest receivable for the year. 4,880

Governmental funds report district OPEB contributions as

District OPEB contributions	1,552,472
Cost of benefits earned net of employee contributions	(4,764,472)

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	2,685,262
Cost of benefits earned net of employee contributions	<u>(2,184,982)</u>

Change in net position of governmental activities \$ 10,020,147

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY BOARD OF EDUCATION

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

JUNE 30, 2019

	Agency Funds		
	School Activity Funds	KCPL General Fund	KCPL Construction Fund
ASSETS			
Cash and investments	\$ 9,574,113	\$ 14,110,238	\$ 586,198
Reimbursements receivable	-	-	-
Due from other governments	-	58,583	-
Due from other funds	-	-	-
Total assets	\$ 9,574,113	\$ 14,168,821	\$ 586,198
LIABILITIES			
Salaries payable and related payroll liabilities	\$ -	\$ -	\$ -
Unearned revenue	-	55,407	319
Accounts payable	-	-	-
Surplus fund balance	-	-	-
Due to other governments	-	-	-
Due to other funds	9,574,113	14,113,414	565,879
Total liabilities	\$ 9,574,113	\$ 14,168,821	\$ 566,198

The accompanying notes are an integral part of these financial statements.

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019

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 Kanawha 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 School Board is responsible for the supervision and control of the county school district and has the authority, subject to State statutes and the rules and regulations of the State Board, to control and manage all of the public schools and school interests in the county.

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

B. District-wide and fund financial statements:

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

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

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

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

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

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019

The funds maintained by the School Board are:

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

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019

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

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

D. Encumbrances:

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

E. Cash and Investments:

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

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

**KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

All deposit accounts and investments of the School Board at June 30, 2019 consisted of the following:

	Carrying Amount	Estimated Fair Value	Bank Balance
Municipal Bond Commission	\$ 123	\$ 123	\$ 123
Money Market/Sweep Account	61,709,848	61,709,848	64,956,478
Bank public funds savings accounts	21,715,037	21,715,037	21,715,037
Certificates of Deposit	2,515,452	2,515,452	2,515,452
Deposits with financial institutions - Individual Schools	9,574,113	9,574,113	9,930,771
Total Cash and Investments	\$ 95,514,573	\$ 95,514,573	\$ 99,117,861

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.

F. Food Service receivables:

The accounts receivable for the Food Service Program has been reduced by \$1,976,597 for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon historical data maintained by the School Board.

G. Interfund receivables and payables:

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

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

H. Inventories:

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

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.

**KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

J. Capital Assets:

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

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

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

<u>Assets</u>	<u>Years</u>
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. The School Board's deferred outflows for the district-wide financial statements include the School Board's current year retirement contributions for pension and OPEB expense that will impact future reporting periods, differences between the expected and actual experience, changes in proportion and differences between School Board contributions and proportionate share of contributions, and changes in assumptions.

L. Pension:

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

M. Compensated Absences and Other Post Employment Benefit Liability:

Compensated Absences:

It is the School Board's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation and sick benefits can be accumulated up to 30 and unlimited days, respectively, and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred. In lieu of a cash payment at retirement, employees hired prior to July 1, 2019 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.

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019

Other Post Employment Benefit (OPEB) Liability:

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

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State OPEB Plan and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by West Virginia Retiree Health Benefit Trust Fund (RHBT). For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further discussion.

N. Long-term Obligations:

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Capital lease payments are reported in the general current expense or special revenue fund.

O. Deferred Inflow of Resources

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. Balances of deferred inflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts. The aggregate amount included for the General Current Expense Fund consists of taxes receivable, Medicaid receivable, and child nutrition receivable. Deferred inflows for the district-wide financial statements include the proportionate share of the School Board's net difference between projected and actual investment earnings, the differences between expected and actual experience, the differences between the employer contributions and proportionate share of contributions, and changes in assumptions.

P. Net Position:

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

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

Q. Fund Equity:

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

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

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- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

R. Elimination and Reclassifications:

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

S. Accounting Estimates:

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

T. Restricted Resources:

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

U. Newly Adopted Statements Issued by the GASB: -

The Governmental Accounting Standards Board has also issued Statement No. 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 adoption of GASB Statement No. 83 had no impact on the June 30, 2019 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 adoption of GASB Statement No. 88 had no impact on the June 30, 2019 financial statements.

V. Recent Statements Issued by the GASB:

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.

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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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The School Board has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 90, *Majority Equity Interests*, effective for fiscal years beginning after December 15, 2018. The primary objectives of the I Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The School Board has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

Note 2 - Stewardship, Compliance And Accountability:

Deficiencies in Net Changes in Fund Balances and Deficit Fund Balances

The following funds had deficiencies in net changes in fund balances for the year ended June 30, 2019:

<u>Fund</u>	<u>Amount</u>
General Current Expense Fund	<u>\$6,000,879</u>

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

Note 3 - Risk Management:

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

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

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

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

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

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

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

Note 4 - Property Taxes:

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

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

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

Pursuant to West Virginia Code §11-8-6f, however, the rates of levy for county boards are to be reduced uniformly statewide and proportionately for all classes of property so that the total statewide property tax revenues to be realized from the regular levy tax collections for the forthcoming year will not increase by more than one percent of the current year's projected property tax revenues, exclusive of increases due to new

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construction, improvements to existing real property, or newly acquired personal property, unless the State Legislature holds a public hearing. The amounts to be paid to the Assessors Valuation Fund are also to be excluded from the calculation.

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

The assessed valuations and levy rates levied by the School Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2019 were:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Public Library Excess Levy</u>	<u>Bond Purposes</u>
Class I	\$ -	19.40¢	14.92¢	1.04¢	¢
Class II	\$ 3,784,736,888	38.80¢	29.84¢	2.08¢	¢
Class III	\$ 2,766,089,147	77.60¢	59.68¢	4.16¢	¢
Class IV	\$ 3,288,341,947	77.60¢	59.68¢	4.16¢	¢

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

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

Taxes Receivable

Taxes receivable as of June 30, 2019 for the School Board's funds are as follows:

	<u>General Current Expense Fund</u>	<u>Debt Service Fund</u>
Taxes receivable	\$ 19,744,264	\$ 10
Less: allowance for uncollectible	5,619,977	-
Taxes receivable, net	<u>\$ 14,124,287</u>	<u>\$ 10</u>

Note 5 - Excess Levy:

The School Board had an excess levy in effect during the fiscal year ended June 30, 2019. The levy was authorized by the voters of the county at an election held on May 8, 2014 for the fiscal years ended June 30, 2016 through June 30, 2019 to provide funds for the following purposes: fringe benefits, textbooks, instructional

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supplies, insurance, contracted services, building construction and improvements, repairs and maintenance, equipment, rentals, additional art teachers, additional counselors, additional custodians, 21st Century Technology, and other necessary expenses.

A total of \$44,581,162 was received by the School Board from the excess levy during the fiscal year ended June 30, 2019.

Note 6 - Capital Assets:

Capital asset balances and activity for the year ended June 30, 2019, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, non-depreciable:				
Land	\$ 3,344,456	\$ -	\$ -	\$ 3,344,456
Construction in process	5,734,526	7,785,391	(2,045,302)	11,474,615
Total non-depreciable capital assets	<u>9,078,982</u>	<u>7,785,391</u>	<u>(2,045,302)</u>	<u>14,819,071</u>
Capital assets, depreciable:				
Buildings and improvements	295,763,258	1,788,916	(501,052)	297,051,122
Land improvements	18,842,571	-	-	18,842,571
Furniture and equipment	77,550,167	3,531,169	(1,921,730)	79,159,606
Vehicles	-	-	-	-
Total depreciable capital assets	<u>392,155,996</u>	<u>5,320,085</u>	<u>(2,422,782)</u>	<u>395,053,299</u>
Less accumulated depreciation for:				
Buildings and improvements	(122,642,142)	(6,202,189)	501,052	(128,343,279)
Land improvements	(14,249,814)	(593,208)	-	(14,843,022)
Furniture and equipment	(58,093,413)	(4,642,465)	1,849,082	(60,886,796)
Vehicles	-	-	-	-
Total accumulated depreciation	<u>(194,985,369)</u>	<u>(11,437,862)</u>	<u>2,350,134</u>	<u>(204,073,097)</u>
Total depreciable capital assets, net	<u>197,170,627</u>	<u>(6,117,777)</u>	<u>(72,648)</u>	<u>190,980,202</u>
Total capital assets, net	<u>\$ 206,249,609</u>	<u>\$ 1,667,614</u>	<u>\$ (2,117,950)</u>	<u>\$ 205,799,273</u>

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

Instruction	\$ 6,844,559
Supporting Services:	
Student Instruction	290,673
Student Support Service	607,721
Central administration	97,330
School administration	596,722
Business	341,188
Operation and maintenance of facilities	1,303,359
Transportation	654,330
Food services	701,980
Total Depreciation expense - governmental activities	<u>\$ 11,437,862</u>

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Note 7 - Long-term Debt:

Long-term liability activity for the year ended June 30, 2019 is as follows:

	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year	Amounts due within one year	Amounts due past one year
General obligation debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Compensated absences	1,166,586	88,695	-	1,255,281	1,255,281	-
Capital lease payable	23,003,422	699,300	8,535,820	15,166,902	4,382,066	10,784,836
Net pension liability - proportionate share	18,271,757	-	8,202,300	10,069,457	-	10,069,457
Net OPEB liability - proportionate share	12,576,645	10,982,589	-	23,559,234	-	23,559,234
	<u>\$ 55,018,410</u>	<u>\$ 11,770,584</u>	<u>\$ 16,738,120</u>	<u>\$ 50,050,874</u>	<u>\$ 5,637,347</u>	<u>\$ 44,413,527</u>

Note 8 - Leases:

The School Board has entered into a capital lease-purchase agreement pursuant to the provisions of West Virginia Code §18-5-9a whereby energy conservation HVAC equipment has been installed in several of the schools. The equipment is leased from Banc of America Leasing for a period of seven years beginning August 1, 2012. At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The future minimum lease obligations as of June 30, 2019, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	<u>\$ 632,895</u>
Total minimum lease payments	632,895
Less amount representing interest	16,321
Present value of minimum lease payments	<u>\$ 616,574</u>

The School Board has entered into a capital lease-purchase agreement pursuant to the provisions of West Virginia Code §18-5-9a whereby energy conservation lighting equipment has been installed in several of the schools. The equipment is leased from Banc of America Public Capital Corporation for a period of twelve years beginning March 31, 2016. At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available.

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The future minimum lease obligations as of June 30, 2019, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 705,000
2021	705,000
2022	705,000
2023	705,000
2024	705,000
2025	705,000
2026	<u>372,761</u>
Total minimum lease payments	4,602,761
Less amount representing interest	<u>505,200</u>
Present value of minimum lease payments	<u>\$ 4,097,561</u>

The School Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation which authorizes the issuance of qualified zone academy bonds (QZABs). The funding was used for the construction of Edgewood Elementary School. The equipment is leased from Banc of America Public Capital Corporation for a period of fifteen years beginning July 26, 2012. At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The future minimum lease obligations as of June 30, 2019, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 184,333
2021	178,666
2022	173,000
2023	167,333
2024	161,667
2025	156,001
2026	150,334
2027	144,667
2028	<u>139,001</u>
Total minimum lease payments	1,455,002
Less amount representing interest	<u>255,000</u>
Present value of minimum lease payments	<u>\$ 1,200,002</u>

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The School Board entered into a new capital lease-purchase agreement pursuant to the provisions of West Virginia Code §18-5-9a whereby instructional technology equipment has been implemented in several of the schools. This equipment lease refinanced the previous two capital leases and terminated those agreements and included the new equipment. The equipment is leased from CSI Leasing Inc. for a period of five years beginning June 15, 2017. At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The future minimum lease obligations as of June 30, 2019, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 2,962,756
2021	2,910,138
2022	<u>2,936,329</u>
Total minimum lease payments	8,888,268
Less amount representing interest	<u>157,621</u>
Present value of minimum lease payments	<u>\$ 8,730,647</u>

The School Board entered into a new capital lease-purchase agreement pursuant to the provisions of West Virginia Code §18-5-9a whereby instructional technology equipment has been implemented in several of the schools. The equipment is leased from Apple Financial Services for a period of four years beginning May, 2019. At the end of the contract period, the School Board will have ownership of the equipment. By contract, the School Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The future minimum lease obligations as of June 30, 2019, are as follows:

<u>Year Ending</u>	<u>Amount</u>
2020	\$ 177,181
2021	177,182
2022	<u>177,181</u>
Total minimum lease payments	531,544
Less amount representing interest	<u>9,426</u>
Present value of minimum lease payments	<u>\$ 522,118</u>

Note 9 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDCRC). For the year ended June 30, 2019, the School Board's total payroll for all employees was \$173,259,348 and the payroll was \$159,034,695 for employees covered by the two retirement programs.

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

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

A. Teachers' Retirement System (TRS):

Plan Description:

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

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

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

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

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

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

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

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

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

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

At June 30, 2019, the School Board reported a liability for its proportionate share of the TRS net pension liability that reflected a reduction for State pension support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Board were as follows:

School Board's proportionate share of the net pension liability	\$	10,069,457
State's proportionate share of the net pension liability associated with the School Board.		179,887,604
Total portion of net pension liability associated with the school board	\$	189,957,061

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The TRS net pension liability was measured as of June 30, 2018, 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's proportion was 0.322506 percent, which was a decrease of (0.256525) from its proportion measured as of June 30, 2017 (0.579031 percent).

For the year ended June 30, 2019, the School Board recognized pension expense of \$14,623,251 and for support provided by the State, revenue of \$12,438,269. At June 30, 2019, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 524,243
Differences between expected and actual experience	72,409	203,011
Changes in proportion and differences between School Board contributions and proportionate share of contributions	5,871,239	7,642,810
Changes in assumptions	312,879	-
District contributions subsequent to the measurement date	2,685,262	-
Total	\$ 8,941,789	\$ 8,370,064

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:

Years ending June 30,

2020	\$	319,420
2021		471,838
2022		(541,026)
2023		(1,250,595)
2024		(1,113,173)
Thereafter		-
Total	\$	(2,113,536)

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Actuarial Assumptions:

For TRS, the actuarial assumptions used in the June 30, 2016 valuation, with update procedures used to roll forward the total pension liability to June 30, 2018, were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015. These assumptions are as follows:

Inflation – 3.0%

Salary increases – For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%.

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

Mortality – Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.

Discount Rate – 7.5%

Investment Asset Allocation:

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

Asset Class	Target Allocation	Long-term Expected Rate of Return	Weighted Average Expected Real Rate of Return
US Equity	27.5%	4.5%	1.24%
International Equity	27.5%	8.6%	2.37%
Core Fixed Income	15.0%	3.3%	0.50%
Real Estate	10.0%	6.0%	0.60%
Private Equity	10.0%	6.4%	0.64%
Hedge Funds	10.0%	4.0%	0.40%
Total	100.0%		5.75%
Inflation (CPI)			2.10%
			<u>7.85%</u>

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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	<u>\$ 13,591,922</u>	<u>\$ 10,069,457</u>	<u>\$ 7,058,005</u>

Total payments reflected in the School Board's financial statements to the defined benefit plan for fiscal year 2019 were:

Employees' contributions (6%)	\$	6,956,322
Employer's contributions (15% or 7.5%)		<u>12,442,357</u>
Total contributions	\$	<u><u>19,398,679</u></u>

Payables to the pension plan:

At June 30, 2019, the School Board reported a liability of \$4,096,131 for its unpaid legally required contributions to the pension plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

B. Teachers' Defined Contribution Retirement System:

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

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

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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 2016 Trust II, Great-West Lifetime 2025 Trust II, Great-West Lifetime 2035 Trust II, Great-West Lifetime 2045 Trust II, Great-West Lifetime 2055 Trust II, American Funds EuroPacific R5, Franklin Mutual Global Discovery Fund – Z, DFA US Targeted Value R1, T. Rowe Price Diversified Small Cap Growth, Vanguard Small-Cap Index Fund – Inv, American Century Heritage Inv, Scout Mid Cap, Fidelity New Millennium, Putnam Equity Income Y, Vanguard Large Cap Index Inv, Western Asset Core Plus Bond A, TIAA-CREF High-Yield Inst, Vanguard Interm-Term Bond Index Fund, and VALIC Fixed Annuity Option.

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2018, this plan had approximately \$470.9 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

Funding Status: There is no unfunded liability for a defined contribution plan since a member's total maximum lifetime benefit is limited to that which has accumulated in the member's account from employee and employer contributions and all investment earnings thereon. Any forfeited, unvested employer contributions are, by statute, to be transferred to the Teachers' Defined Benefit Retirement System.

Contribution Requirements and Payments Made: This is a fully-qualified plan by the Internal Revenue Service. Therefore, all employee contributions are tax deferred. Participants contribute 4.5% of their gross salary and the board of education contributes 7.5% of covered members' gross compensation to the retirement plan, for a total of 12% annually.

Total payments reflected in the School Board's financial statements to the defined contribution plan for the fiscal year ended June 30, 2019 were:

Employees' contributions (4.5%)	\$	711,399
Employer's contributions (7.5%)		1,237,010
Total contributions	\$	1,948,409

In 2017, W. Va. Code § 18-2-26 was amended and reenacted by the State legislature, leading to the ultimate abolishment and dissolution of all regional education service agencies (RESAs) by no later than July 1, 2018.

The School Board is a formal fiscal agent of RESA III. For financial statement purposes up through the fiscal year ended June 30, 2018, the amounts presented on the audited CPRB allocation schedules for the fiscal agent county board of education were split proportionately between the School Board and the RESA by estimating the RESA amount of the net pension liability, pension expense, deferred inflows, and deferred outflows. This estimate was based on the breakdown of payroll data available to the School Board. Specifically, each entities' contributions for the fiscal year pertaining to the measurement date to the plan were used to estimate their proportionate share of the net pension liability, pension expense, deferred inflows, and deferred outflows.

For the year-ended June 30, 2019, the audited allocation schedules from CPRB will be based on a measurement date of June 30, 2018; therefore, the amounts for the School Board will continue to include the

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final year of RESA-related amounts, but the dissolved RESAs are no longer preparing financial statements to report these amounts. For the net pension liability, pension expense, deferred inflows, and deferred outflows required by GASB 68 to be properly reported on the 2019 financial statements, the School Board will no longer estimate the RESA portion of the net pension liability, pension expense, deferred inflows, and deferred outflows. Instead, the School Board will include the total amount of the net pension liability, pension expense, deferred inflows, and outflows reported on the audited allocation schedules on their June 30, 2019 financial statements.

The fiscal year 2018 RESA financial statements reported the following amounts related to pensions:

Net Pension Liability:	\$ 1,733,612
Deferred Outflows of Resources:	\$ 481,744
Deferred Inflows of Resources:	\$ 130,827

The estimated result of including these amounts and the changes to these amounts during fiscal year 2019, was a decrease of \$1,284,781 in General Revenue/Unrestricted State Aid.

Certain deferred inflows/outflows related to pension amounts are amortized over the average service life reported on the respective years' actuarial report. Due to the dissolution of the RESAs, the School Board will report the deferred inflows/outflows that would have been amortized by the RESA. The prior year RESA proportionate share amounts and average service lives used to calculate the deferred inflows/outflows amortization amounts are as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
RESA Proportionate Share	.050177%	.051421%	.044866%	.040183%
Average Service Life	5.98	5.96	6.00	5.91

Note 10 - Post-Employment Benefits Other Than Pension:

General Information:

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

As a result, the West Virginia Legislature passed HB 4654 in 2006 adding a new article to the State Code, WVC §5-16D-1 et seq. The article, among other things, created the West Virginia Retiree Health Benefit Trust Fund (RHBT) for the purpose of administering retiree post-employment health care benefits, vested the responsibility for operation of the fund with the PEIA Finance Board, and required the board to have an actuarial valuation conducted at least biannually.

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

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Plan Description:

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

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

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

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

Benefits provided:

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

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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, 2018 and 2016, respectively, were:

	<u>2018</u>	<u>2017</u> July 2016 to December 2016	<u>2017</u> January 2018-June 2018
Paygo premium	\$177	\$196	\$135

Contributions to the OPEB plan from the School Board were \$6,554,033 for the year end June 30, 2019. Employees are not required to contribute to the OPEB plan.

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

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

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

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

At June 30, 2019, the School Board reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the School Board were as follows:

School Board's proportionate share of the net OPEB liability	\$	23,559,234
State's proportionate share of the net OPEB liability associated with the School Board.		60,892,083
Total portion of net OPEB liability associated with the school board	\$	84,451,317

The net OPEB liability was measured as of June 30, 2018 and the total OPEB liability was determined by an actuarial valuation as of June 30, 2017 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.

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For the year ended June 30, 2018, the School Board's proportion was 1.098109415 percent, which was an increase of 0.49017317 from its proportion measured as of June 30, 2017 (0.607936245 percent).

For the year ended June 30, 2019, the School Board recognized OPEB expense of \$6,154,283 and for support provided by the State, revenue of \$1,389,811. At June 30, 2019, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 436,078
Differences between expected and actual experience	-	348,488
Changes in proportion and differences between School Board contributions and proportionate share of contributions	9,636,477	1,903,668
Changes in assumptions	-	2,352,353
School Board contributions subsequent to the measurement date	1,552,472	-
Total	\$ 11,188,949	\$ 5,040,587

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:

Years ending June 30,			
2020	\$	1,063,407	
2021		1,063,407	
2022		1,270,976	
2023		1,198,100	
2024		-	
Thereafter		-	
Total	\$	4,595,890	

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions. These assumptions were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 and apply to all periods included in the measurement, unless otherwise specified.

Inflation – 2.75%

Salary increases – Dependent upon pension system. Ranging from 3.0% to 6.5% including inflation

Investment rate of return – 7.15%, net of OPEB plan investment expense, including inflation

Mortality – Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis; Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis.

Discount rate – 7.15%

Healthcare cost trend rates – For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.

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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:

Asset Class	Target Allocation
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%

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

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

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

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	1.0% Decrease 6.15%	Current Discount Rate 7.15%	1.0% Increase 8.15%
School Board's proportionate share of the WV-RHBT net OPEB liability	\$ 27,689,190	\$ 23,559,234	\$ 20,116,473

Healthcare Cost Trend Rate:

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

	1.0% Decrease	Healthcare Cost Trend Rates	1.0% Increase
School Board's proportionate share of the WV-RHBT net OPEB liability	\$ 19,493,998	\$ 23,559,234	\$ 28,512,586

Payables to the OPEB Plan:

At June 30, 2019, the School Board reported a liability of \$0 for its unpaid legally required contributions to the OPEB plan.

In 2017, W. Va. Code § 18-2-26 was amended and reenacted by the State legislature, leading to the ultimate abolishment and dissolution of all regional education service agencies (RESAs) by no later than July 1, 2018.

The School Board is a formal fiscal agent of RESA III. For financial statement purposes up through the fiscal year ended June 30, 2018, the amounts presented on the audited WV RHBT allocation schedules for the fiscal agent county board of education were split proportionately between the School Board and the RESA by estimating the RESA amount of the net OPEB liability, OPEB expense, deferred inflows, and deferred outflows. This estimate was based on the breakdown of payroll data available to the School Board. Specifically, each entities' contributions for the fiscal year pertaining to the measurement date to the plan were used to estimate their proportionate share of the net OPEB liability, OPEB expense, deferred inflows, and deferred outflows.

For the year-ended June 30, 2019, the audited allocation schedules from WV RHBT will be based on a measurement date of June 30, 2018; therefore, the amounts for the School Board will continue to include the final year of RESA-related amounts, but the dissolved RESAs are no longer preparing financial statements to report these amounts. For the net OPEB liability, OPEB expense, deferred inflows, and deferred outflows required by GASB 75 to be properly reported on the 2019 financial statements, the School Board will no longer estimate the RESA portion of the net OPEB liability, OPEB expense, deferred inflows, and deferred outflows. Instead, the School Board will include the total amount of the net OPEB liability, OPEB expense, deferred inflows, and outflows reported on the audited allocation schedules on their June 30, 2019 financial statements.

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The fiscal year 2018 RESA financial statements reported the following amounts related to OPEB:

Net OPEB Liability:	\$ 2,372,441
Deferred Outflows of Resources:	\$ 1,003,306
Deferred Inflows of Resources:	\$ 45,810

The estimated result of including these amounts and the changes to these amounts during fiscal year 2019, was a decrease of \$1,451,050 in General Revenue/Unrestricted State Aid.

Certain deferred inflows/outflows related to OPEB amounts are amortized over the average service life reported on the respective years' actuarial report. Due to the dissolution of the RESAs, the School Board will report the deferred inflows/outflows that would have been amortized by the RESA. The prior year RESA proportionate share amounts and average service lives used to calculate the deferred inflows/outflows amortization amounts are as follows:

<u>2017</u>	
RESA Proportionate Share	.096480%
Average Service Life	4.71

Note 11 - Pending Litigation:

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

Note 12 - Payments On Behalf:

The School Board may receive commitments or payments made by the State or an intermediate governmental jurisdiction for the benefit of the School Board or contributions of equipment or supplies. Such revenue includes the payment to a pension fund by the State or an intermediate unit on behalf of the Board's employees for services rendered to the School Board. The revenues recorded as payments on behalf of the School Board for fiscal year 2019 are as follows:

Retirement allocation by the State	10,808,409
Unfunded retirement liability allocation by the State	33,292,039
PEIA allocations from the State	17,321,438
RHBT allocations from the State	5,348,781
Special Education – Out of State Placement by the State	143,128

**KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

Note 13 - Fund Balance

The detailed components of the various fund balance categories as of June 30, 2019 are as follows:

Fund Balances	General Current Expense Fund	Special Revenue Fund	Debt Service Fund	Permanent Improvement Fund	Total Governmental
Nonspendable:					
Inventory	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits	-	-	-	-	-
Restricted for:					
Special Projects	-	18,584,041	-	-	18,584,041
Capital Projects	-	-	-	22,289,386	22,289,386
Debt Service	-	-	133	-	133
Arbitrage	-	-	-	-	-
Payments	-	-	-	-	-
Excess Levies	63,952	-	-	-	63,952
Assigned to:					
Purchase orders	4,058,610	-	-	-	4,058,610
Various	25,021,789	-	-	-	25,021,789
Unassigned	-	-	-	-	-
Total fund balances	\$ 29,144,351	\$ 18,584,041	\$ 133	\$ 22,289,386	\$ 70,017,911

The Assigned Fund Balance of the General Current Expense Fund is classified as follows:

<u>Program</u>	<u>Amount</u>
Regular Education Programs	\$ 23,438,462
Special Education Programs	652,362
Other Instructional Programs	287,705
Transfers & Reserves	4,701,870
TOTAL	\$ 29,080,399

Note 14 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$14,941,274 as of June 30, 2019 in the following funds:

General Current Expense Fund	Special Revenue Fund	Permanent Improvement Fund
<u>\$ 4,058,610</u>	<u>\$ 3,513,939</u>	<u>\$ 7,368,725</u>

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

**KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

As of June 30, 2019 the following commitments for construction and other capital improvements existed, which are included in the restricted fund balance reflected in the accompanying financial statements:

<u>Construction Project</u>	<u>Amount</u>
Piedmont Elementary School – building renovations	\$ 14,312
Various school locations – new roofing	70,491
Elkview Middle School – flood recovery work	225,101
DuPont Middle School – building renovations	20,000
Andrews Heights Elementary School – building renovations	16,210
Clendenin Elementary School – flood recovery work	169,620
Herbert Hoover High School – flood recovery work	1,436,129
Ben Franklin Career & Tech. Ctr. – building renovations	5,085,986
Cedar Grove Middle School – building renovations	311,589

Subsequent to June 30, 2019 the Board committed \$2,489,307 for high school field turf work.

A devastating flood on June 23-25, 2016 in the Elk River area of Kanawha County caused damage to four schools: Herbert Hoover High School, Elkview Middle School, Clendenin Elementary School, and Bridge Elementary School. As a result of the severe damage to the building structures of Herbert Hoover High School and Clendenin Elementary School, those two school buildings will be demolished and new school facilities will be rebuilt at other locations above the flood plain. FEMA considered both school buildings to be destroyed by its standards. The exact locations in the Elk River community for the construction of these new school buildings have not been determined at this time. It is estimated that FEMA will reimburse 75% of the costs to construct the new school buildings; however, a total cost to construct and any insurance or FEMA reimbursement has not been finalized. Should the Board not receive this FEMA reimbursement, this could result in a significant issue for the Board. These new school buildings will not be ready for students to attend for another 2-3 years.

During the fiscal year ended June 30, 2018, the school system was awarded four SBA grants for flood recovery work: \$484,141 for the demolition of Clendenin Elementary School, \$2,900,304 for the demolition of Herbert Hoover High School, \$1,106,373 for architectural and engineering fees relating to the new construction of Clendenin Elementary School, and \$3,654,218 for architectural and engineering fees relating to the new construction of Herbert Hoover High School. The School Board anticipates receiving additional grants from the SBA to be used for the actual construction of Clendenin Elementary School and Herbert Hoover High School. The award amount for each of these grants had not been determined as of June 30, 2019 because of the uncertainty of the total cost of each flood recovery project.

Subsequent to year end the Board entered into a capital lease agreement in the amount of \$9.0 million for the purchase of equipment (turf and various other improvements to athletic facilities) in the County. The capital lease will have an interest rate of 2.44% and will require monthly payments beginning August 19, 2019 and ending October 19, 2023 in the monthly amount of approximately \$185 thousand.

Contingencies

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 Board's financial statements. Management of the Board believes that the Board is in compliance with applicable laws and regulations, in all material respects. Based on prior experience, the Board believes such disallowances, if any, would be immaterial.

**KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019**

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, 2019 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, 2018 was received by the School Board during June 2019. As such, Medicaid revenue has been adjusted accordingly within the accompanying financial statements. The interim cost settlement for the fiscal year ended June 30, 2019 will not be available until spring or summer of 2019. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management of the School Board believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Accordingly, such reviews could lead to disallowances and/or significant regulatory action, including fines, penalties and exclusion from the Medicaid program resulting in reimbursement of previously reported revenue, which could be material to the School Board's financial statements.

The Board owns various buildings which are known to contain asbestos and/or other environmental issues. The Board is not required by federal, state or local law to remove the asbestos from its buildings. The 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 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 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 15 - Interfund Balances and Transfers

The composition of interfund balances as of June 30, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue	General Current Expense	\$ 3,533,008

Interfund Transfers

During the year ended June 30, 2019, interfund transfers were made as follows:

- The General Current Expense Fund transferred \$6,024,635 to the Special Revenue Fund for state unfunded mandates relating to staff development and for state funded support of the food service program.
- The General Current Expense Fund transferred \$11,523,135 to the Permanent Improvement Fund for new school building construction and for improvements to existing school buildings in accordance with provisions of the excess levy ballot.
- The Debt Service Fund transferred \$106 to the Permanent Improvement Fund from paid out accounts at the West Virginia Municipal Bond Commission as a result of the retirement of long-term debt related to Series 2000 General Obligation Bonds.

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
For The Fiscal Year Ended June 30, 2019

- In addition, the Special Revenue Fund transferred \$542,779 to the General Current Expense Fund for indirect cost expenditures.

Note 16 - Major Sources of Revenue:

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

**KANAWHA COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL CURRENT EXPENSE FUND**

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual GAAP Amounts	Adjustments for Regulatory Basis	Actual GAAP Regulatory Basis Amounts	Variance With Final Budget
	Original	Final				
Revenues:						
Property taxes	\$ 103,280,251	\$ 103,017,070	\$ 106,868,902	\$ -	\$ 106,868,902	\$ 3,851,832
Other local sources	1,313,000	5,880,393	6,056,339	-	6,056,339	175,946
State sources	127,037,444	160,522,463	160,610,223	-	160,610,223	87,760
Federal sources	750,000	1,267,345	2,553,583	-	2,553,583	1,286,238
Miscellaneous sources	-	258,216	236,006	-	236,006	(22,210)
Total revenues	232,380,695	270,945,487	276,325,053	-	276,325,053	5,379,566
Expenditures:						
Instruction	136,425,788	169,371,466	157,144,326	-	157,144,326	12,227,140
Supporting services:						
Students	12,070,933	14,534,809	14,405,988	-	14,405,988	128,821
Instructional staff	3,270,168	3,889,070	3,471,701	-	3,471,701	417,369
Central administration	2,242,944	3,187,204	2,598,416	-	2,598,416	588,788
School administration	14,006,780	16,613,258	16,425,619	-	16,425,619	187,639
Business	8,516,184	10,765,665	9,258,876	-	9,258,876	1,506,789
Operation and maintenance of facilities	29,927,930	39,134,818	35,851,053	-	35,851,053	3,283,765
Student transportation	12,771,071	15,258,478	16,495,237	-	16,495,237	(1,236,759)
Other support services	-	1,134,952	29,942	-	29,942	1,105,010
Food services	350,000	1,586,206	-	-	-	1,586,206
Community services	3,077,764	4,456,244	4,452,819	-	4,452,819	3,425
Capital outlay	-	373,994	94,108	-	94,108	279,886
Debt service:						
Principal retirement	5,755,694	5,755,694	5,474,070	-	5,474,070	281,624
Interest and fiscal charges	-	-	278,697	-	278,697	(278,697)
Reserved for contingencies	-	1,313,895	-	-	-	1,313,895
Total expenditures	228,415,256	287,375,753	265,980,852	-	265,980,852	21,394,901
Excess (deficiency) of revenues over expenditures	3,965,439	(16,430,266)	10,344,201	-	10,344,201	26,774,467
Other financing sources (uses):						
Transfers in	-	-	542,779	-	542,779	542,779
Proceeds from disposal of equipment	-	-	-	-	-	-
Capital lease proceeds	-	-	699,300	-	699,300	699,300
Transfers (out)	(6,865,439)	(18,675,575)	(17,547,770)	-	(17,547,770)	1,127,805
Total other financing sources (uses)	(6,865,439)	(18,675,575)	(16,305,691)	-	(16,305,691)	2,369,884
Change in fund balances	(2,900,000)	(35,105,841)	(5,961,490)	-	(5,961,490)	29,144,351
Fund balances - beginning	2,900,000	35,105,841	35,105,841	-	35,105,841	-
Restatement of fund balance	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 29,144,351	\$ -	\$ 29,144,351	\$ 29,144,351

See notes to the required supplementary information

KANAWHA COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual GAAP Amounts	Adjustments for Regulatory Basis	Actual GAAP Regulatory Basis Amounts	Variance With Final Budget
	Original	Final				
Revenues:						
Local sources	\$ 115,828	\$ 2,846,548	\$ 2,842,495	\$ -	\$ 2,842,495	\$ (4,053)
State sources	10,975,476	14,289,531	13,201,701	-	13,201,701	(1,087,830)
Federal sources	31,390,967	47,944,500	39,603,962	-	39,603,962	(8,340,538)
Miscellaneous sources	-	-	-	-	-	-
Total revenues	42,482,271	65,080,579	55,648,158	-	55,648,158	(9,432,421)
Expenditures:						
Instruction	12,593,747	44,754,902	31,261,819	-	31,261,819	13,493,083
Supporting services:						
Students	1,578,340	2,815,691	2,322,395	-	2,322,395	493,296
Instructional staff	2,674,520	5,683,052	4,529,481	-	4,529,481	1,153,571
Central administration	25,600	160,177	80,741	-	80,741	79,436
School administration	-	-	-	-	-	-
Business	-	216,381	93,372	-	93,372	123,009
Operation and maintenance of facilities	-	63,606	25,730	-	25,730	37,876
Student transportation	1,393,033	1,596,426	1,516,110	-	1,516,110	80,316
Food services	19,240,962	26,186,846	19,322,995	-	19,322,995	6,863,851
Community services	-	76,025	24,462	-	24,462	51,563
Capital outlay	-	1,000	1,000	-	1,000	-
Reserved for Special Projects	11,842,508	721,107	-	-	-	721,107
Total expenditures	49,348,710	82,275,213	59,178,105	-	59,178,105	23,097,108
Excess (deficiency) of revenues over expenditures	(6,866,439)	(17,194,634)	(3,529,947)	-	(3,529,947)	13,664,687
Other financing sources (uses):						
Transfers in	-	-	6,024,635	-	6,024,635	(6,024,635)
Transfers (out)	-	(1,012,017)	(542,779)	-	(542,779)	469,238
Total other financing sources (uses)	-	(1,012,017)	5,481,856	-	5,481,856	6,493,873
Change in fund balances	(6,866,439)	(18,206,651)	1,951,909	-	1,951,909	20,158,560
Fund balances - beginning	6,866,439	18,206,651	16,632,132	-	16,632,132	(1,574,519)
Restatement of fund balance	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 18,584,041	\$ -	\$ 18,584,041	\$ 18,584,041

See notes to the required supplementary information

**KANAWHA COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE MEASUREMENT PERIOD ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportion of the net pension liability (asset)	0.322506%	0.528854%	0.453215%	0.305900%	0.210236%
Board's proportionate share of the net pension liability (asset)	\$ 10,069,457	\$ 18,271,757	\$ 18,626,367	\$ 10,600,199	\$ 7,253,350
State's proportionate share of the net pension liability (asset) associated with the Board	179,887,604	280,924,623	258,434,675	184,217,148	145,946,842
Total	<u>189,957,061</u>	<u>299,196,380</u>	<u>277,061,042</u>	<u>194,817,347</u>	<u>153,200,192</u>
Board's covered payroll	\$140,349,992	\$140,340,796	\$143,878,425	\$144,108,883	\$136,262,571
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	7.175%	13.020%	12.946%	7.356%	5.323%
Plan fiduciary net position as a percentage of the total pension liability	71.20%	67.85%	61.42%	66.25%	65.95%

Data prior to 2014 is unavailable.

**KANAWHA COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF BOARD CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM
FOR THE YEAR ENDED JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 11,504,950	\$ 11,323,666	\$ 12,220,452	\$ 12,391,873	\$ 12,732,682
Contributions in relation to the contractually required contribution	<u>(11,504,950)</u>	<u>(11,323,666)</u>	<u>(12,220,452)</u>	<u>(12,391,873)</u>	<u>(12,732,682)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Board's covered payroll	\$ 142,762,892	\$ 140,349,992	\$ 140,340,796	\$ 143,878,425	\$ 144,108,883
Contributions as a percentage of covered payroll	8.059%	8.068%	8.708%	8.613%	8.835%

Data prior to 2015 is unavailable.

**KANAWHA COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
FOR THE MEASUREMENT PERIOD ENDED JUNE 30, 2018**

	<u>2018</u>	<u>2017</u>
Board's proportion of the net OPEB liability (asset)	1.098109%	0.511456%
Board's proportionate share of the net OPEB liability (asset)	\$ 23,559,234	\$ 12,576,645
State's proportionate share of the net OPEB liability (asset) associated with the Board	<u>60,892,083</u>	<u>58,819,639</u>
Total	<u>84,451,317</u>	<u>71,396,284</u>
Board's covered payroll	\$136,965,150	\$135,679,069
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	17.201%	9.269%
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%

Data prior to 2017 is unavailable.

**KANAWHA COUNTY BOARD OF EDUCATION
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF BOARD CONTRIBUTIONS
RETIREE HEALTH BENEFIT TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	2019	2018
Contractually required contribution	\$ 6,554,033	\$ 6,630,029
Contributions in relation to the contractually required contributor	(6,554,033)	(6,630,029)
Contribution deficiency (excess)	-	-
Board's covered payroll	\$ 139,199,657	\$ 136,965,150
Contributions as a percentage of covered payroll	4.708%	4.841%

Data prior to 2018 is unavailable.

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Fiscal Year Ended June 30, 2019

A. Budgets and Budgetary Accounting:

All county 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 not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

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

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2019, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

GENERAL CURRENT EXPENSE FUND:

<u>Function</u>	<u>Amount</u>
Student Transportation	\$ 1,236,759
Interest and fiscal charges	278,697

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

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Fiscal Year Ended June 30, 2019

C. Changes in Assumptions

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Inflation	3%	3%	3%	3%	2.2%
Salary Increases	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.50%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00 to 6.00%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75-5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40-6.50%.	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75-5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40-6.50%.
Investment Rate of Return	7.5 %, net of pension plan investment expense, including inflation	7.5 %, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation.	7.5%, net of pension plan investment expense, including inflation.	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.	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males – 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis, healthy females – 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males – 96 % of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis, disabled females – 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis.	Active – RP2000, non-annuitant monthly mortality table, retired – RP2000 healthy annuitant, scale AA; disabled – RP2000 disabled annuitant mortality table, scale AA.	Active – RP2000, non-annuitant monthly mortality table, retired – RP2000 healthy annuitant, scale AA; disabled – RP2000 disabled annuitant mortality table, scale AA.
Discount Rate	7.5%	7.5%	7.5%	7.5%	7.5%

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For The Fiscal Year Ended June 30, 2019

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

	<u>2018</u>	<u>2017</u>
Inflation	2.75%	2.75%
Salary Increases	Dependent upon pension system. Ranging from 3.0% to 6.5%	Dependent upon pension system. Ranging from 3.0% to 6.5%
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation	7.15%, net of OPEB plan investment expense, including inflation
Mortality	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis	Post-Retirement: RP – 2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis
Discount Rate	7.15%	7.15%
Healthcare Cost Trend Rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post- Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.	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.

KANAWHA COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual GAAP Amounts	Adjustments for Regulatory Basis	Actual GAAP Regulatory Basis Amounts	Variance With Final Budget
	Original	Final				
Revenues:						
Local sources	\$ -	\$ -	\$ 144	\$ -	\$ 144	\$ 144
Other local sources	-	-	-	-	-	-
Miscellaneous sources	-	-	-	-	-	-
Total revenues	-	-	144	-	144	144
Expenditures:						
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	144	-	144	144
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers (out)	-	(39)	(106)	-	(106)	(67)
Total other financing sources (uses)	-	(39)	(106)	-	(106)	(67)
Change in fund balances	-	(39)	38	-	38	77
Fund balances - beginning	-	39	95	-	95	56
Fund balances - ending	\$ -	\$ -	\$ 133	\$ -	\$ 133	\$ 133

See notes to the other supplemental information

**KANAWHA COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PERMANENT IMPROVEMENT FUND**

YEAR ENDED JUNE 30, 2019

	Budgeted Amounts		Actual GAAP Amounts	Adjustments for Regulatory Basis	Actual GAAP Regulatory Basis Amounts	Variance With Final Budget
	Original	Final				
Revenues:						
Other Local sources	\$ -	\$ 208,144	\$ 246,914	\$ -	\$ 246,914	\$ 38,770
State sources	-	13,969,381	3,910,612	-	3,910,612	(10,058,769)
Federal sources	-	-	3,284,258	-	3,284,258	3,284,258
Miscellaneous sources	-	-	-	-	-	-
Total revenues	-	14,177,525	7,441,784	-	7,441,784	(6,735,741)
Expenditures:						
Capital outlay	9,000,000	37,112,298	9,767,972	-	9,767,972	27,344,326
Operation and maintenance of facilities	-	4,801	-	-	-	4,801
Support services - Business	-	1,001,323	25,428	-	25,428	975,895
Total expenditures	9,000,000	38,118,422	9,793,400	-	9,793,400	28,325,022
Excess (deficiency) of revenues over expenditures	(9,000,000)	(23,940,897)	(2,351,616)	-	(2,351,616)	21,589,281
Other financing sources (uses):						
Transfers in	-	-	11,523,241	-	11,523,241	11,523,241
Capital lease proceeds	-	-	-	-	-	-
QZAB proceeds	-	-	-	-	-	-
Transfers (out)	-	-	-	-	-	-
Total other financing sources (uses)	-	-	11,523,241	-	11,523,241	11,523,241
Change in fund balances	(9,000,000)	(23,940,897)	9,171,625	-	9,171,625	33,112,522
Fund balances - beginning	9,000,000	23,940,897	13,117,761	-	13,117,761	(10,823,136)
Fund balances - ending	\$ -	\$ -	\$ 22,289,386	\$ -	\$ 22,289,386	\$ 22,289,386

See notes to the other supplemental information

KANAWHA COUNTY BOARD OF EDUCATION
OTHER SUPPLEMENTAL INFORMATION

SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
YEAR ENDED JUNE 30, 2019

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
	Excess Levy Collections	\$ 44,179,000	\$ 44,581,162	\$ 402,162	\$ 220,895,000	\$ 229,409,114
Expenditures (County Specific Levy Call):						
Professional, service, and substitute salaries:	27,410,000	50,108,077	22,698,077	137,050,000	287,301,252	150,251,252
substitute salaries, salaries of professional and service personnel in excess of 200 days, salaries for professionals and service 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, FICA taxes, unemployment taxes, worker's compensation taxes, retirement, dental, visual, and income protection.						
Textbooks, supplies, postage, insurance and travel:	6,393,000	10,218,288	3,825,288	31,965,000	78,354,374	46,389,374
Includes but not limited to printing, copying, school supplies, warehouse, custodial, library, office, vocational, health supplies, postage, textbooks, insurance, travel, instructional activities, staff development, legal services, distant learning, special education residential, pest management, extended school, financial audits, energy management, bus drug and alcohol tests, and fire alarm inspections.						
Construction, repairs and maintenance, operational supplies, equipment, rentals, and other expenses:	3,567,000	13,985,333	10,418,333	17,835,000	35,281,750	47,446,750
repairs, roof replacement, asbestos projects, structural repairs, fire code corrections, ADA corrections, paving, equipment maintenance, bus maintenance, additional curricular needs of the schools, garage supplies, building supplies, ground supplies, equipment supplies, vehicle supplies, maintenance equipment, vehicle replacement, lab equipment, administrative equipment, school equipment, vacuums, copiers, gasoline tanks, transportation, equipment, school copier rentals, computer leases, data communication, driver ed car rentals, communication equipment, fire service fees, commercial driver licenses, refunds, and other						
Custodians, maintenance, counselors, art teachers	2,366,000	2,577,087	211,087	11,721,000	12,177,060	456,060
benefits) Alban, Alum Creek, Andrews Heights, Bridge, Central, Chamberlain, Chesapeake, Grandview, Holz, Kenna, Lakewood, Malden, Marmet, Mary Ingles, Midland Trail, Montrose, Overbrook, Pratt, Richmond, J.E. Robins, Ruffner, Ruthlawn, Sharon Dawes, Shawnee, Shoals, Sissonville Elementary, Watts, Weberwood and Weimer. Nine counselors (including fringe benefits) Pinch, Alban, Nitro, Andrews Heights, Central, Overbrook, Cross Lanes, Kanawha City and Lakewood. Twelve Elementary Art Teachers.						
HVAC Improvements	4,443,000	8,635,492	4,192,492	22,324,000	30,155,985	7,831,985
Total Expenditures	44,179,000	85,524,277	41,345,277	220,895,000	443,270,421	252,375,421
Excess (Deficiency) of Collections over Expenditures	-	(40,943,115)	(40,943,115)	-	(213,861,307)	(243,861,307)

See notes to the other supplemental information

Kanawha County Board of Education
 Other Supplemental Information
 Schedule of Changes in School Activity Funds Year Ended June 30, 2019

School Name	Beginning Balance	Revenues	Expenditures	Ending Balance
Alban Elementary	\$ 41,374	\$ 46,670	\$ 46,189	\$ 41,855
Alum Creek Elementary	14,013	26,050	20,178	19,885
Andrews Heights Elementary	33,517	31,686	28,187	37,016
Anne Bailey Elementary	34,670	17,155	19,990	31,835
Belle Elementary	28,883	64,270	60,930	32,223
Bridge Elementary	32,211	4,483	8,367	28,327
Bridgeview Elementary School	58,068	56,013	51,944	62,137
Cedar Grove Elementary School	31,252	43,918	43,349	31,821
Central Elementary	36,810	53,051	57,728	32,133
Chamberlain Elementary	15,840	26,586	21,890	20,536
Chesapeake Elementary	38,023	17,069	17,606	37,486
Clendenin Elementary	47,336	37,561	10,312	74,585
Cross Lanes Elementary	23,634	35,440	26,371	32,703
Dunbar Intermediate Center	48,806	49,963	50,108	48,661
Dunbar Primary	28,595	25,367	19,019	34,943
Edgewood Elementary	36,804	22,217	28,536	30,485
Elk Elementary Center	75,756	99,878	92,682	82,952
Flinn Elementary	58,561	71,275	68,732	61,104
George C. Weimer Elementary	24,011	18,912	18,388	24,535
Grandview Elementary	22,950	18,253	16,237	24,966
Holz Elementary	18,846	52,894	55,800	15,940
Kanawha City Elementary	37,072	24,857	33,724	28,205
Kenna Elementary	15,142	30,768	31,511	14,399
Lakewood Elementary	26,824	27,493	21,443	32,874
Malden Elementary	14,540	29,191	20,089	23,642
Marmet Elementary	13,147	20,466	19,983	13,630
Mary Ingles Elementary	17,716	30,468	31,746	16,438
Midland Trail Elementary	8,430	28,824	28,269	8,985
Montrose Elementary	29,529	33,611	35,086	28,054
Nitro Elementary	50,886	47,737	39,377	59,246
Overbrook Elementary	43,389	69,658	66,222	46,825
Piedmont Elementary	25,962	34,254	38,518	21,698
Pinch Elementary	34,769	64,387	46,572	52,584
Point Harmony Elementary	37,104	114,278	105,876	45,506
Pratt Elementary	26,007	30,831	29,941	26,897
Richmond Elementary	19,218	30,521	26,596	23,143
Ruffner Elementary	15,731	40,411	42,568	13,574
Ruthlawn Elementary	63,853	61,268	62,890	62,231
Sharon Dawes Elementary	11,511	18,681	18,040	12,152
Shoals Elementary	36,419	36,552	39,211	33,760
Sissonville Elementary	34,236	11,565	11,109	34,692
Weberwood Elementary	29,869	38,421	35,313	32,977
West Side Elementary School	30,435	14,903	16,379	28,959
Andrew Jackson Middle	176,229	111,572	108,655	179,146
Cedar Grove Middle School	63,710	43,919	42,434	65,195
Chandler Academy	9,505	5,646	5,323	9,828
Dunbar Middle	99,799	65,645	75,083	90,361
Dupont Middle	61,562	145,623	133,314	73,871
East Bank Middle	67,342	99,998	98,108	69,232
Elkview Middle School	169,005	218,575	223,318	164,262
Hayes Middle School	11,765	85,294	75,199	21,860
Horace Mann Middle	65,507	99,897	94,026	71,378
John Adams Middle	151,999	221,684	209,913	163,770
McKinley Middle School	120,176	61,271	55,475	125,972
Sissonville Middle	99,126	132,548	120,921	110,753
South Charleston Middle	105,587	73,849	54,491	124,945
Stonewall Jackson Middle	69,949	55,876	73,672	52,153
Capital High	276,566	333,869	335,137	275,298
George Washington High	203,637	411,033	378,559	236,111
Herbert Hoover High	288,136	217,975	227,064	279,047
Nitro High	122,089	201,717	212,181	111,625
Riverside High	141,372	209,085	188,958	161,499
Sissonville High	163,725	216,440	227,564	152,601
South Charleston High	258,989	254,734	238,209	275,514
St. Albans High	269,990	233,413	241,001	262,402
Ben Franklin Vocational Center	850,973	415,207	387,271	878,909
Carver Career Center	952,197	1,116,636	1,143,402	925,431
Garnet Career Center	735,670	1,436,586	1,392,991	779,265
KCS Headstart Policy Council	3,692	15,649	12,979	6,362
KCS Community Education	1,557,855	1,445,804	1,391,224	1,612,435
Totals	<u>\$ 8,467,901</u>	<u>\$ 9,587,401</u>	<u>\$ 9,309,478</u>	<u>\$ 8,745,824</u>
Related Entity Funds				
Laidley Field	\$ 127,261	\$ 481,886	\$ 531,470	\$ 77,677
Regulatory Training Center	833,696	1,041,928	1,125,012	750,612
Totals	<u>\$ 960,957</u>	<u>\$ 1,523,814</u>	<u>\$ 1,656,482</u>	<u>\$ 828,289</u>
Individual Schools and Related Entities	<u>\$ 9,428,858</u>	<u>\$ 11,111,215</u>	<u>\$ 10,965,960</u>	<u>\$ 9,574,113</u>

See notes to the other supplemental information

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO OTHER SUPPLEMENTARY INFORMATION
For The Fiscal Year Ended June 30, 2019

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 not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

**KANAWHA COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass-Through Number	Federal CFDA Number	Disbursements
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through West Virginia Department of Education:</i>			
Nutrition Cluster:			
Cash Assistance	2019	10.553/10.555/10.559	\$ 13,001,010
Non-Cash Assistance (Food Distribution)	2019	10.553/10.555/10.559	1,285,227
Total - Nutrition Cluster			<u>14,286,237</u>
Child and Adult Food Care Program	2019	10.558	112,229
Fresh Fruits and Vegetable Program-Cash Assistance	2019	10.582	201,181
Total U.S. Department of Agriculture			<u>14,599,647</u>
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through West Virginia Department of Education:</i>			
Title I Cluster:			
Title I Grants to Local Educational Agencies	GRTAWD04021700000534	84.010	571,287
Title I Grants to Local Educational Agencies	GRTAWD04021800000933	84.010	2,902,546
Title I Grants to Local Educational Agencies	GRTAWD04021900001344	84.010	7,927,711
Title I Grants to Local Educational Agencies	GRTAWD04021900003834	84.010	225,590
Title I Grants to Local Educational Agencies	GRTAWD04021900002674	84.010	5,259
Total - Title I Cluster			<u>11,632,393</u>
Special Education Cluster:			
Special Education - Grants to States	GRTAWD04021700000153	84.027	2,360
Special Education - Grants to States	GRTAWD04021800000995	84.027	768,763
Special Education - Grants to States	GRTAWD04021800000502	84.027	4,995
Special Education - Grants to States	GRTAWD04021800004941	84.027	-
Special Education - Grants to States	GRTAWD04021800003779	84.027	411
Special Education - Grants to States	GRTAWD04021900001076	84.027	6,085,625
Special Education - Grants to States	GRTAWD04021900003207	84.027	21,376
Special Education - Grants to States	GRTAWD04021900004544	84.027	523
Special Education - Grants to States	GRTAWD04021900004546	84.027	8,100
Special Education - Grants to States	GRTAWD04021900005930	84.027	665
Special Education - Grants to States	GRTAWD04021900000073	84.027	217,465
			<u>7,110,283</u>
Special Education - Preschool Grants	GRTAWD04021800001161	84.173	56,813
Special Education - Preschool Grants	GRTAWD04021800004942	84.173	5,848
Special Education - Preschool Grants	GRTAWD04021900000753	84.173	130,566
Special Education - Preschool Grants	GRTAWD04021900002133	84.173	4,425
Special Education - Preschool Grants	GRTAWD04021900004545	84.173	14,211
			<u>211,863</u>
Total - Special Education Cluster			<u>7,322,146</u>
Special Education Technical Assistance and Dissemination	GRTAWD04021800003884	84.326	131
Total - Special Education Technical Assistance and Dissemination			<u>131</u>
Title II Improving Teacher Quality	GRTAWD04021700000930	84.367	40,985
Title II Improving Teacher Quality	GRTAWD04021800001415	84.367	189,615
Title II Improving Teacher Quality	GRTAWD04021900002426	84.367	1,308,224
Total - Title II Improving Teacher Quality			<u>1,538,824</u>
Title III English Language	GRTAWD04021800001896	84.365	19,515
Title III English Language	GRTAWD04021800005292	84.365	10,000
Title III English Language	GRTAWD04021900002550	84.365	3,198
Total - Title III English Language			<u>32,713</u>
Title IV	GRTAWD04021800002462	84.424	106,433
Title IV	GRTAWD04021900002610	84.424	288,613
Total - Title IV			<u>395,046</u>
Title VI	GRTAWD04021900005282	84.369	5,879
Total - Title VI			<u>5,879</u>
Career and Technical Education - Basic Grants	GRTAWD04021800000535	84.048	9,238
Career and Technical Education - Basic Grants	GRTAWD04021900000216	84.048	448,423
Total - Career and Technical Education - Basic Grants			<u>457,661</u>
Education for Homeless Children and Youth	GRTAWD04021800002729	84.196	20,000
Education for Homeless Children and Youth	GRTAWD04021800002730	84.196	7,523
Education for Homeless Children and Youth	GRTAWD04021900002682	84.196	39,661
Education for Homeless Children and Youth	GRTAWD04021900004573	84.196	28,263
Total - Education for Homeless Children and Youth			<u>95,447</u>
Total U.S. Department of Education			<u>21,480,240</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<i>Passed - Through West Virginia Department of Health and Human Services</i>			
Children's Health Insurance Program	2019	93.767	258
<i>Passed - Through West Virginia Department of Health</i>			
Now is the Time Project Awareness	GRTAWD04021800004561	93.243	62,546
<i>Direct Award</i>			
Head Start	2019	93.600	3,291,487
Total U.S. Department of Health and Human Services			<u>3,354,291</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
<i>Passed Through West Virginia Department of Homeland Security and Emergency Management</i>			
Homeland Security Grant Program	FEMA-4273-DR-WV	97.036	7,337,401
Total U.S. Department of of Homeland Security			<u>7,337,401</u>
Total Expenditures of Federal Awards			<u>\$ 46,771,579</u>

The accompanying notes to this schedule are an integral part of this schedule.

KANAWHA COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Board and is presented on the basis of accounting prescribed by the West Virginia Department of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements. The Board has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 2 – Child Nutrition Program

Child Nutrition Program CFDA #10.553, #10.555, and 10.559 expenditures of federal awards are based on the amount of federal funding received for each of the programs. Since the amount of total expenditures for the programs exceeds the amount of the federal awards received, it is presumed that the total received from the federal awards has been expended. The amount of expenditures funded by meal sales, sponsor's contributions and state matching funds for both programs has not been included in the Schedule of Expenditures of Federal Awards.

Note 3 – Donated Food Value

Donated food represents surplus agricultural commodities received from the U.S. Department of Agriculture passed through from the West Virginia Department of Agriculture. Commodities are valued based on amounts as established by the U.S. Department of Agriculture. For the year ended June 30, 2019, the total value of the donated food inventories was \$1,285,227.



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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

March 20, 2020

Kanawha County Board of Education
Kanawha County
200 Elizabeth Street
Charleston, WV 25311

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the **Kanawha County Board of Education**, Kanawha County, (the Board) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated March 20, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Board's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Board's financial statements. 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 internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Compliance and Other Matters

As part of reasonably assuring whether the Board's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Board's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

March 20, 2020

Kanawha County
200 Elizabeth Street
Charleston, WV 25311
To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited **Kanawha County Board of Education's** (the Board) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect Kanawha County Board of Education's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of audit findings identifies the Board's major federal programs.

Management's Responsibility

The Board's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the Board's compliance for each of the Board's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; 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). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the Board's major programs. However, our audit does not provide a legal determination of the Board's compliance.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
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Opinion on Each Major Federal Program

In our opinion, Kanawha County Board of Education complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

The Board's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Board's internal control over compliance with the applicable requirements that could directly and materially affect the major federal programs, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Board'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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement 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 would not necessarily 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.

This report only describes the scope of our internal control compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

**KANAWHA COUNTY BOARD OF EDUCATION
SCHEDULE OF AUDIT FINDINGS
2 CFR § 200.515
JUNE 30, 2019**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material weaknesses in internal control reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under 2 CFR § 200.516(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	CFDA# 10.553/10.555/10.559 – Nutrition Cluster CFDA# 84.367 – Title II
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 1,403,147 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS FOR FEDERAL AWARDS

None