

MORGAN COUNTY BOARD OF EDUCATION

Financial Statements

June 30, 2020

MORGAN COUNTY BOARD OF EDUCATION
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FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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MORGAN COUNTY BOARD OF EDUCATION
SCHOOL BOARD OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Office	Name	Term
<u>Elective</u>		
School Board Members:	Eric R. Lyda	07/01/2018 – 06/30/2022
	Laura S. Smith	07/01/2018 – 06/30/2022
	John D. Rowland	07/01/2016 – 06/30/2020
	Peter W. Gordon	07/01/2016 – 06/30/2020
School Board President	Aaron T. Close	07/01/2018 – 06/30/2022
<u>Appointive</u>		
Superintendent	Kristen Tuttle	07/01/2019 – 06/30/2020
Treasurer	Ann Bell	07/01/2019 – 06/30/2020



**The
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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Morgan County Board of Education
Berkeley Springs, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Morgan County Board of Education as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Morgan County Board of Education, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 5 through 15 and 57 through 65 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2021, on our consideration of the Board's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
January 4, 2021

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Our discussion and analysis of the Morgan County Board of Education's (Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2020. 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 \$13.4 million at the close of the most recent fiscal year. Of this amount \$2.6 million may be used to meet the government's ongoing obligations to citizens and credits.
- The Board's total net position increased by approximately \$2.2 million. This increase is attributable to increases in current assets, capital assets, and a decrease in the proportionate share of the OPEB liability.
- As of the close of the fiscal year, the Board's governmental funds reported a combined ending balance of \$5.7 million, an increase of \$1.5 million in comparison with the prior year. Approximately \$2.5 million of this total amount is available for spending at the Board's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was approximately \$2.5 million or 10 percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

The district-wide financial statements can be found on pages 16 and 17 of this report.

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 three 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, and the capital projects fund, all of which are considered major funds as found on pages 18 and 20.

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 22 of the basic financial statements.

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 23 through 56 following the basic financial statements.

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Board, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately \$13.4 million at the close of the most recent fiscal year.

- The largest portion of the Board's net position (72%) reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles). The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities
- An additional portion of the Board's net position (9%) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is reserved for restricted projects and capital projects.
- The remaining deficit balance unrestricted net position (19%) may be used to meet the Board's obligations to students, employees, and creditors, and to honor next year's budget.

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following summarizes the statement of net position at June 30, 2020, in comparison with June 30, 2019:

	2020	2019 (as restated)	
	Governmental	Governmental	
	Activities	Activities	Variance
ASSETS AND DEFERRED OUTFLOWS			
OF RESOURCES:			
Current and other assets	\$ 8,882,884	\$ 7,186,111	\$ 1,696,773
Capital assets	13,672,589	13,145,771	526,818
Deferred outflows of resources	1,210,561	1,381,421	(170,860)
Total assets and deferred outflows			
of resources	<u>\$ 23,766,034</u>	<u>\$ 21,713,303</u>	<u>\$ 2,052,731</u>
LIABILITIES, DEFERRED INFLOWS OF			
RESOURCES, AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 2,644,518	\$ 2,546,913	\$ 97,605
Long-term liabilities outstanding	3,919,289	3,883,648	35,641
Deferred inflows of resources	1,350,609	664,143	686,466
Net pension liability - Proportionate share	1,416,925	1,267,074	149,851
Net other post employment benefit (OPEB)			
liability - Proportionate share	1,081,022	2,178,577	(1,097,555)
Total liabilities and deferred inflows			
of resources	<u>\$ 10,412,363</u>	<u>\$ 10,540,355</u>	<u>\$ (127,992)</u>
Net position:			
Net investment in capital assets	\$ 9,534,780	\$ 9,048,626	\$ 486,154
Restricted	1,179,089	2,278,747	(1,099,658)
Unrestricted	2,639,802	(154,425)	2,794,227
Total net position	<u>\$ 13,353,671</u>	<u>\$ 11,172,948</u>	<u>\$ 2,180,723</u>
Total liabilities, deferred inflows of			
resources, and net position	<u>\$ 23,766,034</u>	<u>\$ 21,713,303</u>	<u>\$ 2,052,731</u>

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The key elements of the increase of the Board's net position for the year ended June 30, 2020, are as follows:

- Current and other assets increased by approximately \$1.7 million which primarily represents an increase in cash & cash equivalents due to increased property tax collections, Medicaid reimbursements, and state funding.
- Capital assets increased by approximately \$527 thousand which represents the installation of a roof on Widmyer Elementary School, the purchase of two school buses, a passenger van, technology equipment, a freezer, and a snow plow, as well as the disposal of two vehicles, three buses, and two snow plows.
- Current and other liabilities increased by approximately \$98 thousand which was primarily the result of the increases in accounts payable and compensated absences.
- Long-term liabilities increased by approximately \$36 thousand which was primarily the result of a restatement of beginning balance of the energy management equipment capital lease
- Deferred inflows of resources increased by approximately \$686 thousand which was primarily the result of changes to the proportionate share of OPEB liability as required by GASB 75.
- Restricted net position decreased by \$1.1 million during the year ended June 30, 2020. This decrease is primarily from the decrease in encumbrances in the capital projects and special projects fund compared to the prior fiscal year.
- The Board's net position increased by approximately \$2.2 million during the current year. The following discussion and analysis on governmental activities focuses on this decrease.

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following summarizes the statement of activities for the year ended June 30, 2020, in comparison with the year ended June 30, 2019:

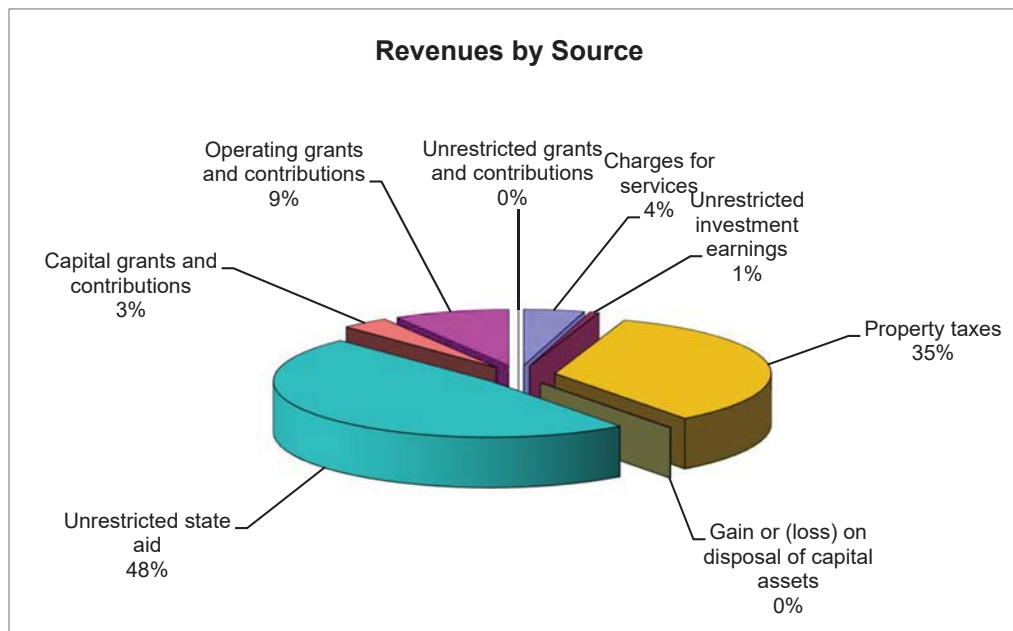
	2020	2019	
	Governmental	Governmental	Variance
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 1,325,101	\$ 1,429,942	\$ (104,841)
Operating grants and contributions	2,526,932	2,934,448	(407,516)
Capital grants and contributions	1,045,524	3,915,984	(2,870,460)
General revenues:			
Property taxes	10,183,584	9,918,513	265,071
Unrestricted state aid	14,131,503	11,682,329	2,449,174
Unrestricted investment earnings	197,812	184,832	12,980
Gain/(loss) on disposal of capital assets	12,187	48,357	(36,170)
Total revenues	\$ 29,422,643	\$ 30,114,405	\$ (691,762)
Expenses:			
Instruction	\$ 14,038,100	\$ 13,601,772	\$ 436,328
Supporting services:			
Students	1,645,589	1,457,737	187,852
Instructional staff	1,730,458	1,498,396	232,062
General administration	349,792	359,830	(10,038)
School administration	1,658,037	1,603,697	54,340
Central services	472,351	414,466	57,885
Operation and maintenance of facilities	2,824,669	7,655,067	(4,830,398)
Student transportation	2,241,676	2,393,451	(151,775)
Total supporting services	10,922,572	15,382,644	(4,460,072)
Food services	1,955,937	1,848,486	107,451
Community services	35,889	15,102	20,787
Interest on long-term debt	117,806	109,930	7,876
Total Expenses	\$ 27,070,304	\$ 30,957,934	\$ (3,887,630)
Change in net position	\$ 2,352,339	\$ (843,529)	\$ 3,195,868
Net position - Beginning	\$ 11,172,948	\$ 12,016,477	\$ (843,529)
Prior period adjustment	\$ (171,616)	\$ -	\$ (171,616)
Net position - Ending	\$ 13,353,671	\$ 11,172,948	\$ 2,180,723

**MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

The key elements of the changes in the Board's statement of activities for the year ended June 30, 2020, are as follows:

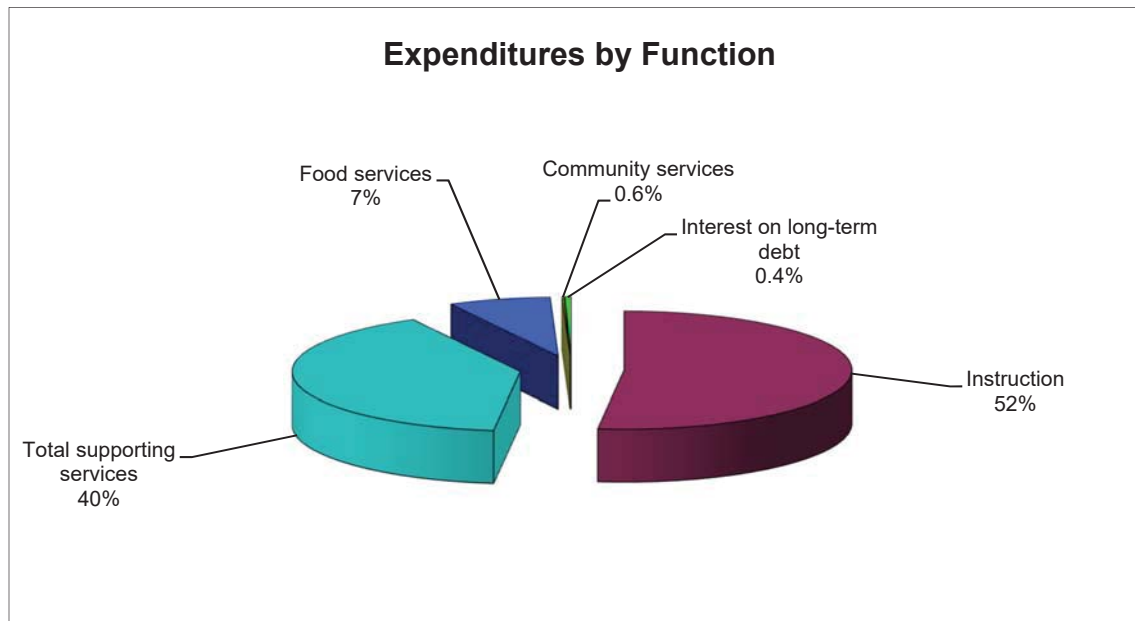
- Charges for services decreased by approximately \$105 thousand which was primarily the result of the decrease in child nutrition revenue.
- Operating grants and contributions decreased by approximately \$408 thousand which was primarily the result of legislative changes to restricted state aid in HB 206.
- Capital grants and contributions decreased by approximately \$2.9 million which was primarily the result of the completion of the SBA NEEDS project at BSHS.
- General revenues from property taxes increased by approximately \$265 thousand which was primarily the result of an increase in collection of regular and excess levy taxes.
- General revenues from unrestricted state aid increased by approximately \$2.4 million which was primarily the result of legislative changes to restricted state aid in HB 206.
- Overall expenses decreased by approximately \$3.9 million which was primarily the result of the completion of the SBA NEEDS project at BSHS in FY19.

The following chart shows the Board's revenues for fiscal year ended June 30, 2020, by source:



MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The following chart shows the Board's expenditures for fiscal year ended June 30, 2020, 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 \$5.7 million.

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

Educational trips	\$ 6,936
WVU extension	2,714
Student activities	138,089
Medicaid reimbursements	72,089
School allocations	220,244
Textbooks	116,454
Total	\$ 556,526

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

The Board had three major funds for the fiscal year ended June 30, 2020. Those funds are the General Current Expense Fund, the Special Revenue Fund, and the Capital Projects Fund.

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$2.5 million to \$4.5 during the fiscal year ended June 30, 2020. As previously discussed, this increase of \$2.0 million was due primarily to the increase in tax collections, Medicaid reimbursements, and the removal of restrictions of state aid due to legislative changes in HB 206.

Special Revenue Fund

This is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditures for specific purposes. The fund balance decreased from \$1.6 million to \$1.2 million during the fiscal year ended June 30, 2020. This decrease of \$452 thousand was due primarily to the timing of federal reimbursements and the legislative changes to restricted state aid in HB206.

Capital Projects Fund

This is a separate fund used to account for all financial resources used to acquire or construct specific major capital facilities other than by the sale of bonds or the reservation of monies in a permanent improvement fund. The fund balance increased from \$97 thousand to \$0 during the fiscal year ended June 30, 2020. This decrease of \$97 thousand was due primarily to the completion of all capital projects.

General Fund Budgetary Highlights

During the year, the Board revised the budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was approximately \$2.1 million or 8 percent of total general fund expenditures. The most significant differences, including the differences between the original and final budget figures, and significant variances between the actual amounts and final budget amounts may be summarized in the additional amounts paid for/on behalf of the Board by the state for the unfunded retirement liability, and Medicaid reimbursements.

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2020, amounts to approximately \$13.7 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total increase in the Board's investment in capital assets for the current fiscal year was approximately 10 percent.

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

- Installation of a new roof on Widmyer Elementary School
- Purchase of two 77 passenger school buses
- Purchase of a used passenger van
- Purchase of technology equipment
- Purchase of a walk-in freezer
- Purchase of a snow plow
- Retirement of three school buses
- Retirement of two passenger vehicles and two snow plows

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

	2020	2019	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 587,755	\$ 587,755	\$ -
Buildings and improvements	11,306,755	10,798,811	507,944
Furniture and equipment	659,487	640,761	18,726
Vehicles	1,118,592	1,118,444	148
Total capital assets	\$ 13,672,589	\$ 13,145,771	\$ 526,818

Long-term debt - At the end of the current fiscal year, the Board had no bonded debt and a total of capital lease obligations of \$4.1 million. Employees of the Board are eligible to receive special termination benefits in the form of convertible sick leave earned but not used prior to retirement. Upon retirement, an employee's accumulated sick leave may be converted to a greater retirement benefit or to payment of the retired employee's health insurance premiums. The cost of additional retirement benefits are the liability of the West Virginia Consolidated Public Retirement Board and therefore are not recorded in the Board's financial statements. However, the cost of the health insurance premiums must be absorbed by the last agency employing the retiree. Historically, the West Virginia Legislature has appropriated funds for the Board for payment of these costs. However, because such appropriations are at the discretion of the Legislature and therefore not guaranteed, the liability for the cost of sick leave convertible to health insurance premiums is recorded in the Board's financial statements. At June 30, 2020, the liability for such costs was \$1.1 million, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$85 thousand at June 30, 2020.

	2020	2019	
	Governmental	Governmental	
	Activities	Activities	Variance
Compensated absences	\$ 84,602	\$ 63,687	\$ 20,915
Capital lease obligations	4,137,809	4,268,761	(130,952)
Total debt outstanding	\$ 4,222,411	\$ 4,332,448	\$ (110,037)

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

MORGAN COUNTY BOARD OF EDUCATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Factors Bearing on the Board's Future

In fiscal year 2017, the Board was awarded a NEEDS project from the SBA for upgrades and renovations to Berkeley Springs High School buildings C & D. This project includes \$5.1 million from the SBA and a \$1 million financial match from the Board in the form of a QZAB loan. In addition, the Board entered into an energy performance contract with CMTA, Inc. The project is funded by a \$3.4 million lease purchase agreement to be repaid with the energy cost savings guaranteed by CMTA. The NEEDS Project and the CMTA project began in fiscal year 2018 and concluded in fiscal year 2019.

On May 8, 2018 the Board renewed the excess levy due to expire on June 30, 2019. The levy call is for four fiscal years (fiscal year 2020 through fiscal year 2023) and capped the maximum levy rate at 70%.

On March 13, 2020, schools were closed due to the COVID-19 pandemic and learning shifted to an online model. Supporting an online learning model has caused significant resources to be expended for technology and internet access for students and teachers. In addition, the government required that breakfast and lunch be provided for all students throughout the remainder of the school year and summer. To date, grant funding and resources in reserve have been used to fund the additional technology, child nutrition requirements, and cleaning/sanitation/PPE needed for COVID-19. However, there could be an adverse effect on the Board's financial health should the COVID-19 pandemic continue long term.

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 247 Harrison Avenue, Berkeley Springs, WV 25411.

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,821,188
Taxes receivable, net of allowance for uncollectible taxes	829,683
Food service receivable	102,441
Due from other governments:	
State aid receivable	106,230
PEIA allocation receivable	282,536
Reimbursements receivable	740,806
Capital Assets:	
Land	587,755
Buildings and improvements	20,479,191
Furniture and equipment	1,740,418
Vehicles	3,559,108
Less accumulated depreciation	(12,693,883)
Total capital assets, net of depreciation	<u>13,672,589</u>
Total assets	<u><u>22,555,473</u></u>
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows from pension activity	545,111
Deferred outflows from other post employment benefit (OPEB) activity	665,450
Total deferred outflows of resources	<u>1,210,561</u>
Total assets and deferred outflows of resources	<u><u>\$ 23,766,034</u></u>
LIABILITIES	
Salaries payable and related payroll liabilities	\$ 1,866,196
PEIA premiums payable	398,667
Compensated absences	84,602
Accounts payable	76,533
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	218,520
Due beyond one year:	
Bonds, capital leases, and contracts	3,919,289
Net pension liability - proportionate share	1,416,925
Net other post employment benefit (OPEB) liability - proportionate share	1,081,022
Total liabilities	<u>9,061,754</u>
DEFERRED INFLOW OF RESOURCES	
Deferred inflows from pension activity	126,479
Deferred inflows from other post employment benefit (OPEB) activity	1,173,085
Other	51,045
Total deferred inflows of resources	<u>1,350,609</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 10,412,363</u></u>
NET POSITION	
Invested in capital assets, net of related debt	\$ 9,534,780
Restricted for:	
Special projects	1,179,089
Unrestricted	2,639,802
Total net position	<u><u>\$ 13,353,671</u></u>

See Notes to the Basic Financial Statements.

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions	Program Revenues			Net (Expense), Revenue & Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 14,038,100	\$ 323,492	\$ 1,261,879	\$ -
Supporting services:				
Students	1,645,589	-	251,983	-
Instructional staff	1,730,458	-	155,550	-
General administration	349,792	-	31,443	-
School administration	1,658,037	-	149,040	-
Business services	472,351	-	42,459	-
Operation and maintenance of facilities	2,824,669	-	253,908	1,045,524
Student transportation	2,241,676	16,514	201,504	-
Food services	1,955,937	985,095	179,166	-
Community services	35,889	-	-	-
Interest on long-term debt	117,806	-	-	-
Total governmental activities	\$ 27,070,304	\$ 1,325,101	\$ 2,526,932	\$ 1,045,524
General revenues:				
Property taxes				10,183,584
Unrestricted state aid				14,131,503
Unrestricted investment earnings				197,812
Gain on sale of capital asset				12,187
Transfers in				692,148
Transfers (out)				(692,148)
Total general revenues and transfers				24,525,086
Change in net position				2,352,339
Net position - beginning				11,172,948
Prior period adjustment (See Note 2)				(171,616)
Net position - beginning, as restated				11,001,332
Net position - ending				\$ 13,353,671

See Notes to the Basic Financial Statements.

**MORGAN COUNTY BOARD OF EDUCATION
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General Current Expense Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets:				
Cash and cash equivalents	\$ 5,830,597	\$ 990,591	\$ -	\$ 6,821,188
Taxes receivable, net	829,683	-	-	829,683
Food service receivable, net	-	102,441	-	102,441
Due from other governments:				
State aid receivable	106,230	-	-	106,230
PEIA allocation receivable	282,536	-	-	282,536
Reimbursements receivable	271,183	469,623	-	740,806
Total assets	<u>7,320,229</u>	<u>1,562,655</u>	<u>-</u>	<u>8,882,884</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 7,320,229</u>	<u>\$ 1,562,655</u>	<u>\$ -</u>	<u>\$ 8,882,884</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Salaries payable and related payroll liabilities	\$ 1,664,659	\$ 201,537	\$ -	\$ 1,866,196
PEIA premiums payable	347,541	51,126	-	398,667
Accounts payable	48,071	28,462	-	76,533
Total liabilities	<u>2,060,271</u>	<u>281,125</u>	<u>-</u>	<u>2,341,396</u>
Deferred inflows of resources	<u>734,709</u>	<u>102,441</u>	<u>-</u>	<u>837,150</u>
Total deferred inflows of resources	<u>734,709</u>	<u>102,441</u>	<u>-</u>	<u>837,150</u>
Fund Balances:				
Restricted	556,526	1,179,089	-	1,735,615
Assigned	1,511,065	-	-	1,511,065
Unassigned	2,457,658	-	-	2,457,658
Total fund balances	<u>4,525,249</u>	<u>1,179,089</u>	<u>-</u>	<u>5,704,338</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,320,229</u>	<u>\$ 1,562,655</u>	<u>\$ -</u>	<u>\$ 8,882,884</u>

See Notes to the Basic Financial Statements.

MORGAN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balance on the governmental fund's balance sheet	\$ 5,704,338
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet	13,672,589
Property taxes receivable, e-rate, and food service billings will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore in deferred funds	786,105
Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the funds	
Deferred outflows of resources related to pensions	545,111
Deferred outflows of resources related to OPEB	665,450
Deferred inflows of resources related to pensions	(126,479)
Deferred inflows of resources related to OPEB	(1,173,085)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Capital lease payable, due within one year	(218,520)
Capital lease payable, due beyond one year	(3,919,289)
Accrued sick leave payable	(84,602)
Net pension liability - proportionate share	(1,416,925)
Net OPEB liability - proportionate share	(1,081,022)
Net position of governmental activities	<u>\$ 13,353,671</u>

See Notes to the Basic Financial Statements.

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	General Current Expense Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
Property taxes	\$ 10,071,196	\$ -	\$ -	\$ 10,071,196
Other local sources	292,859	257,108	-	549,967
State sources	15,239,758	575,229	1,019,624	16,834,611
Federal sources	321,923	2,711,605	-	3,033,528
Total revenues	25,925,736	3,543,942	1,019,624	30,489,302
Expenditures:				
Instruction	13,201,314	1,430,044	-	14,631,358
Supporting services:				
Students	1,509,379	209,819	-	1,719,198
Instructional staff	1,218,552	561,919	-	1,780,471
General administration	341,942	22,809	-	364,751
School administration	1,747,587	-	-	1,747,587
Central services	462,481	19,022	-	481,503
Operation and maintenance of facilities	2,493,110	126,629	12,000	2,631,739
Student transportation	2,012,000	323,800	-	2,335,800
Food services	-	1,904,944	-	1,904,944
Community services	35,889	-	-	35,889
Capital outlay	-	-	1,157,848	1,157,848
Debt service:				-
Principal retirement	205,141	-	-	205,141
Interest and fiscal charges	117,806	-	-	117,806
Total expenditures	23,345,201	4,598,986	1,169,848	29,114,035
Excess (deficiency) of revenues over expenditures	2,580,535	(1,055,044)	(150,224)	1,375,267
Other financing sources (uses):				
Proceeds from disposal of real or personal property	12,187	-	-	12,187
Proceeds from capital lease	-	-	74,190	74,190
Transfers in	55,019	637,128	-	692,147
Transfers (out)	(637,128)	(34,410)	(20,609)	(692,147)
Total other financing sources (uses)	(569,922)	602,718	53,581	86,377
Net change in fund balances	2,010,613	(452,326)	(96,643)	1,461,644
Fund balances - beginning	2,514,636	1,631,415	96,643	4,242,694
Fund balances - ending	\$ 4,525,249	\$ 1,179,089	\$ -	\$ 5,704,338

See Notes to the Basic Financial Statements.

MORGAN COUNTY BOARD OF EDUCATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Net change in fund balances - total governmental funds	\$ 1,461,644
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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	(597,575)
Capital outlays	1,124,396

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

Property taxes receivable	112,388
Operating grants and contributions	28

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 assets.	205,141
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Differences in the cost and accumulated depreciation on disposed capital assets are reported as a loss and reduction in net assets in the statement of activities.

Cost of assets disposed	(305,612)
Accumulated depreciation of assets disposed	305,612

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

Accrued vacation payable	(20,916)
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A portion of the change in fund balances is the proceeds from capital leases. Those proceeds are not considered revenue items for the purpose of this statement.

Proceeds from capital lease	(74,190)
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Governmental funds report district pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

District pension contributions	130,800
Cost of benefits earned net of employee contributions	(138,944)

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

District OPEB contributions	100,726
Cost of benefits earned net of employee contributions	48,841

Change in net position of governmental activities	\$ 2,352,339
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See Notes to the Basic Financial Statements.

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2020

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 471,871
Total assets	<u>471,871</u>
LIABILITIES	
Due to other funds	471,871
Total liabilities	<u>\$ 471,871</u>

See Notes to the Basic Financial Statements.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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 Morgan County Board of Education (School Board) is a corporation created under the authority of West Virginia Code §18-5-1 et seq. and is composed of five members nominated and elected by the voters of the county for four-year terms. The Board is responsible for the supervision and control of the county school district and has the authority, subject to State statutes and the rules and regulations of the State Board, to control and manage all of the public schools and school interests in the county.

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

B. District-wide and Fund Financial Statements:

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

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

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

The funds maintained by the Board are:

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

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

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

C. Measurement Focus and Basis of Accounting:

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

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

D. Encumbrances:

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

E. Cash and Investments:

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements.

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

The Board had no fixed-term investments at June 30, 2020.

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 board’s name. Custodian credit risk is the risk that in event of a bank failure, the Board’s deposits may not be returned to it. The Board has limited its custodial credit risk by assuring that these deposits with financial institutions are adequately collateralized.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

F. Food Service Receivables:

The accounts receivable for the Food Service Program has been reduced by approximately \$26 thousand, for uncollectible accounts. The allowance for uncollectible accounts was calculated based upon management's estimate of the amount outstanding from individuals who were on "free" status as of June 30, 2020.

G. Interfund Receivables and Payables:

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

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

H. Inventories:

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

The Board did not operate a centralized warehouse for inventories at June 30, 2020.

I. Prepaid Items:

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

J. Capital Assets:

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

<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. Balances of deferred outflows of resources may be presented in the statement of net position or governmental fund balance sheet as aggregations of different types of deferred amounts.

L. Pensions:

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

M. Compensated Absences and Other Post Employment Benefit Liability:

Compensated Absences:

It is the School Board's policy to permit employees to accumulate earned but unused vacation pay benefits. Vacation benefits can be accumulated up to 20 days and carried forward to the subsequent fiscal year. All vacation pay is accrued when incurred and the liability for these amounts is reported in the general long-term debt account group. Upon termination employees may be compensated for vacation benefits accumulated. In lieu of a cash payment at retirement, employees hired prior to July 1, 2015 can elect to use accumulated annual leave toward their postemployment health care insurance premium. Employees also earn sick leave benefits which accumulate but do not vest.

Other Post Employment Benefit (OPEB) Liability:

It is the 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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Board. The payment of health insurance premiums must be absorbed by the last agency employing the retiree and is included as part of the OPEB liability.

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

N. Long-term Obligations:

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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 details of the aggregate amount of the deferred outflows in the statement of net position are found in Note 11 and 12. The details of the aggregate amount report on the governmental fund balance sheet are as follows:

Taxes receivable	\$	683,664
Medicaid reimbursement receivable	\$	51,045
Child nutrition payments receivable	\$	102,441

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

P. Net Position:

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

- **Invested in capital assets, net of related debt** - This represents the Board's total investment in capital assets, net of accumulated depreciation and reduced by the balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested capital assets, net of related debt.
- **Restricted net position, expendable** - This includes resources in which the Board is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties including grantors, donors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- **Restricted net position, nonexpendable** – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to the principal. The School Board does not have any restricted nonexpendable assets at June 30, 2020.
- **Unrestricted net position** - This represents resources derived from other than capital assets or restricted net position. These resources are used for transactions relating to the general operation of the Board, and may be used at the discretion of the Board to meet current expenses for any lawful purpose.

Q. Fund Equity:

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2020. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

R. Elimination and Reclassifications:

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

S. Accounting Estimates:

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

T. Restricted Resources:

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

U. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, effective immediately. This Statement extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The updated GASB pronouncement effective dates are as follows:

- GASB 83, *Asset Retirement Obligations*: effective for reporting periods beginning after June 15, 2019 (FY20). This GASB was implemented in the School Board's FY19 Financial Statements.
- GASB 84, *Fiduciary Activities*: effective for reporting periods beginning after December 15, 2019 (FY21).
- GASB 87, *Leases*: effective for reporting periods beginning after June 15, 2021 (FY22).
- GASB 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*: effective for reporting periods beginning after June 15, 2019 (FY20). This GASB was implemented in the School Board's FY19 Financial Statements.
- GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*: effective for reporting periods beginning after December 15, 2020 (FY22).
- GASB 90, *Majority Equity Interests*: effective for reporting periods beginning after December 15, 2019 (FY21).
- GASB 91, *Conduit Debt Obligations*: effective for reporting periods beginning after December 15, 2021 (FY23)
- GASB 92, *Omnibus 2020*: effective for reporting periods beginning after June 15, 2021 (FY22).
- GASB 93, *Replacement of Interbank Offered Rates*: Effective dates were changed to FY21 for certain parts and FY22 for others, see update below for more details.

The Governmental Accounting Standards Board has also issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The requirements of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefits plans and paragraph 5 of this Statement are effective immediately. The requirements in paragraphs 6-9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans that meet the definition of a pension plan and for benefits provided through those plans. The School Board has not yet determined the effect that the adoption of GASB Statement No. 97 may have on its financial statements.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

V. Recent Statements Issued by the GASB:

The Governmental Accounting Standards Board has also issued Statement No. 87, Leases, effective for fiscal years beginning after June 15, 2021. 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, 2020. 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, 2019. The primary objectives of this 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.

The Governmental Accounting Standards Board has also issued Statement No. 91, Conduit Debt Obligations, effective for fiscal years beginning after December 15, 2021. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The School Board has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 92, Omnibus 2020, effective for reporting periods beginning after June 15, 2021. The primary objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The School Board has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

The Governmental Accounting Standards Board has also issued Statement No. 93, Replacement of Interbank Offered Rates. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. GASB 95 extended the due date for paragraphs 13 and 14 (lease modifications) to reporting periods beginning after June 15, 2021. All other requirements of the Statement are effective for reporting periods beginning after June 15, 2020. The primary objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an IBOR. The School Board has not yet determined the effect that the adoption of GASB Statement No. 93 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, effective for reporting periods beginning after June 15, 2022. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The School Board has not yet determined the effect that the adoption of GASB Statement No. 94 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 96, Subscription-Based Information Technology Arrangements, effective for reporting periods beginning after June 15, 2022. The primary objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The School Board has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

Note 2 – Restatement of Net Position due to Change in Accounting Estimate:

During fiscal year 2018 the Board entered into a capital lease for energy projects with a total project liability of \$3,470,940. In the prior fiscal years, only a portion of this liability was recorded in correlation with the progress on the completion of the energy projects. During fiscal year 2020 the energy projects were completed, thus the entry to recognize the prior period adjustment in the governmental activities is summarized below:

	<u>Governmental Activities</u>
Beginning net position as previously reported at June 30, 2019	\$ 11,172,948
Prior period adjustment - to recognize full liability of capital lease payable	<u>(171,616)</u>
June 30, 2019 net position, as restated	<u><u>\$ 11,001,332</u></u>

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 3 - Stewardship, Compliance and Accountability:

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

No funds had deficiencies in net changes in fund balances for the year ended June 30, 2020.

No funds have a deficit fund balance as of June 30, 2020.

Note 4 - Risk Management:

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

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

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

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

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 5 - Property Taxes:

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

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

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

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

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

The assessed valuations and levy rates levied by the Board per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2020, were:

Class of Property	Assessed Valuations		Current Expense	Excess Levy
	for Tax Purposes			
Class I	\$ -		19.40¢	16.08¢
Class II	691,989,410		38.80¢	32.16¢
Class III	320,184,268		77.60¢	64.32¢
Class IV	43,561,858		77.60¢	64.32¢

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 5 - Property Taxes (Cont.):

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July each year. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may 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, 2020, for the Board's funds is as follows:

	<u>General Current Expense Fund</u>
Taxes Receivable	\$ 840,413
Less: Allowance for Uncollectable	<u>10,730</u>
Taxes Receivable, net	<u>\$ 829,683</u>

Note 6 - Excess Levy:

The Board had an excess levy in effect during the fiscal year ended June 30, 2020. The levy was authorized by the voters of the county at an election held on January 23, 2018 for the fiscal years ended June 30, 2020 through June 30, 2023 to provide funds for the following purposes:

- To provide instructional materials, programs, textbooks, and instructional equipment at an approximately total annual cost of \$400,000.
- To provide for the security, capital improvements, and maintenance of existing facilities at an annual cost of approximately \$535,000.
- To improve access to technology through the purchase or lease of hardware, software, infrastructure, repair, and training at an approximate annual cost of \$125,000.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 6 - Excess Levy (Cont.):

- The continuation of the local salary schedule with required social security, unemployment compensation, worker's compensation and other employee benefits for school personnel at an approximate total annual cost of \$1.9 million. Such funding will allow Morgan County to employ and retain highly qualified personnel to continue to provide the highest quality education for the children of Morgan County.
- To provide support for critical educational programs including alternative education and prevention resources; behavioral, academic and remedial support; advanced placement and vocational programming at an approximate annual cost of \$1.1 million.
- To support the Morgan County Public Library and the Paw Paw Public Library at a combined annual cost of approximately \$35,000.

A total of \$4.6 million was received by the Board from the excess levy during the fiscal year ended June 30, 2020.

Note 7 – Tax Abatement:

The Board had no tax abatements as of June 30, 2020.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 8 - Capital Assets:

Capital balances and activity for the year ended June 30, 2020, is as follows:

Governmental Activities	Balance June 30, 2019	Additions	Disposals	Balance June 30, 2020
Capital assets, non-depreciable:				
Land	\$ 587,755	\$ -	\$ -	\$ 587,755
Total non-depreciable capital assets	\$ 587,755	\$ -	\$ -	\$ 587,755
Capital assets, depreciable:				
Buildings and improvements	\$ 19,731,698	\$ 850,469	\$ (102,976)	\$ 20,479,191
Furniture and equipment	1,678,007	72,765	(10,354)	1,740,418
Vehicles	3,550,231	201,159	(192,282)	3,559,108
Total depreciable capital assets	\$ 24,959,936	\$ 1,124,393	\$ (305,612)	\$ 25,778,717
Less: accumulated depreciation:				
Buildings and improvements	\$ (8,932,887)	\$ (342,525)	\$ 102,976	\$ (9,172,436)
Furniture and equipment	(1,037,246)	(54,039)	10,354	(1,080,931)
Vehicles	(2,431,787)	(201,011)	192,282	(2,440,516)
Total accumulated depreciation	\$ (12,401,920)	\$ (597,575)	\$ 305,612	\$ (12,693,883)
Total depreciable capital assets, net	\$ 12,558,016	\$ 526,818	\$ -	\$ 13,084,834
Capital Assets - Net	<u>\$ 13,145,771</u>	<u>\$ 526,818</u>	<u>\$ -</u>	<u>\$ 13,672,589</u>

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 343,768
Supporting services:	
Instructional staff	20,812
Central administration	3,510
Business services	861
Operation and maintenance of facilities	18,522
Transportation	201,872
Food services	8,230
	<u>\$ 597,575</u>

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 9 - Long-Term Debt:

Long-term liability activity for the year ended June 30, 2020, is as follows:

	Balance June 30, 2019	Restatement	Additions	Retirement	Balance June 30, 2020	Amounts due within one year	Amounts due past one year
Compensated absences	\$ 63,687	\$ -	\$ 20,915	\$ -	\$ 84,602	\$ -	\$ 84,602
Capital lease payable	4,097,145	171,616	74,190	205,142	4,137,809	218,520	3,919,289
Total long-term liabilities	<u>\$ 4,160,832</u>	<u>\$ 171,616</u>	<u>\$ 95,105</u>	<u>\$ 205,142</u>	<u>\$ 4,222,411</u>	<u>\$ 218,520</u>	<u>\$ 4,003,891</u>

Note 10 - Leases:

Lease 1

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 equipment will be installed in several of the schools (or description of other equipment being leased). The equipment is leased from Huntington Bank for a period of 15 years beginning July 6, 2018. 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, 2020, are as follows:

Fiscal Year	Principal	Interest	Total Payment Amount
2021	\$ 151,854	\$ 113,098	\$ 264,952
2022	165,976	107,935	273,911
2023	180,875	102,291	283,166
2024	196,590	96,142	292,732
2025	213,157	89,458	302,615
2026	230,618	82,210	312,828
2027	249,011	74,369	323,380
2028	268,382	65,903	334,285
2029	288,745	56,778	345,523
2030	310,236	46,961	357,197
2031	332,816	36,412	369,228
2032	356,566	25,097	381,663
2033	381,573	12,973	394,546
Total	<u>\$ 3,326,399</u>	<u>\$ 909,627</u>	<u>\$ 4,236,026</u>

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 10 – Leases (Cont.):

Lease 2

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 heating, ventilation and air conditioning equipment and those assets are leased from federal government for a period of fifteen years beginning June, 2018. 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 following is a summary of the future minimum required payments by year under the lease purchase agreement together with the present value of the net minimum payments as of June 30, 2020 for the Board's capital leases:

Fiscal Year	
2021	\$ 66,666
2022	66,666
2023	66,666
2024	66,666
2025	66,666
2026	66,666
2027	66,666
2028	66,666
2029	66,666
2030	66,666
2031	66,666
2032	66,666
2033	11,418
Total	<u>\$ 811,410</u>

Assets acquired through capital leases by the School Board as of June 30, 2020 are as follows:

Assets:

Furniture and equipment	\$ 81,081
Less: Accumulated Depreciation - Furniture and equipment	<u>(8,270)</u>
Total assets, net of accumulated depreciation	<u>\$ 72,811</u>

The difference in total capital lease debt at June 30, 2020 of \$4,137,809 and the gross amount of fixed assets added at June 30, 2020 of \$81,081 is due to the majority of items purchased with the lease proceeds not meeting the School Board's capitalization threshold policy, as discussed in Note 1.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDC). For the year ended June 30, 2020, the Board's total payroll for all employees was \$14,899,131, and the payroll was \$13,614,262, for employees covered by the two retirement programs.

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11 - Employee Retirement System (Cont.):

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

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

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

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

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

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

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.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11 - Employee Retirement System (Cont.):

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, 2020, the School Board reported a liability for its proportionate share of the TRS net pension liability that reflected a reduction for State pension support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Board were as follows:

School Board's proportionate share of net pension liability	\$ 1,416,925
State's proportionate share of the net pension liability associated with the School Board	<u>22,738,939</u>
Total portion of net pension liability associated with the School Board	<u><u>\$ 24,155,864</u></u>

The TRS net pension liability was measured as of June 30, 2019, and the total pension liability was determined by an actuarial valuation as of July 1, 2018, 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, 2019, the School Board's proportion was 0.047625%, which was a decrease of 0.007043% from its proportion measured as of June 30, 2018 (0.040582%)

For the year ended June 30, 2020, the School Board recognized pension expense of \$2,740,479, and for support provided by the State, revenue of \$2,601,535. At June 30, 2020, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 38,537
Differences between expected and actual experience	7,080	48,430
Changes in proportion and differences between School Board contributions and proportionate share of contributions	376,637	39,512
Changes in assumptions	30,594	-
District contributions subsequent to the measurement date	<u>130,800</u>	<u>-</u>
Total	<u><u>\$ 545,111</u></u>	<u><u>\$ 126,479</u></u>

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11 - Employee Retirement System (Cont.):

School Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	
2021	\$ 118,886
2022	71,332
2023	41,681
2024	39,899
2025	16,034
Thereafter	-
Total	\$ 287,832

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the June 30, 2018 valuation, with update procedures used to roll forward the total pension liability to June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. These assumptions are as follows:

Inflation – 3.0%

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

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

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

Discount Rate – 7.5%

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11 - Employee Retirement System (Cont.):

Investment Asset Allocation:

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	27.5%	5.8%
International Equity	27.5%	7.7%
Fixed Income	15.0%	3.3%
Real Estate	10.0%	6.1%
Private Equity	10.0%	8.8%
Hedge Funds	10.0%	4.4%
	100%	

Discount Rate:

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

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

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
School Board's proportionate share of the TRS net pension liability	\$ 1,933,969	\$ 1,416,925	\$ 974,647

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 11 - Employee Retirement System (Cont.):

Payables to the pension plan:

At June 30, 2020, the School Board reported a liability of \$233,363 for its unpaid legally required contributions to the pension plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position.

B. Teachers' Defined Contribution Retirement System:

Plan Description:

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

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

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

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2019, this plan had approximately \$551.2 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.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
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Note 11 - Employee Retirement System (Cont.):

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

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

Total payments reflected in the Board's financial statements to the defined contribution plan for the fiscal year ended June 30, 2020 were:

Employees' contributions (4.5%)	\$	67,150
Employer's contributions (7.5%)		111,916
Total contributions	\$	<u>179,066</u>

Note 12 - Post-Employment Benefits Other Than Pension:

General Information

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

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

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

Plan Description:

The West Virginia Other Postemployment Benefit Plan (the Plan) is a cost sharing, multiple employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code §5-16D-2. The financial activities of the Plan are accounted for in the RHBT, a fiduciary fund of the State of West Virginia, established July 1, 2006 as an irrevocable trust. The Plan is administered by a

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

combination of PEIA and RHBT staff. The Plan administers and provides medical and prescription drug benefits to certain retired members receiving pension benefits under the PERS, TRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A or Troopers Plan B pension systems, as administered by the CPRB. The Plan sponsor provides a capped pay-as-you-go subsidy to each covered retired member, as well as a fully insured retiree life insurance program.

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

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

Benefits provided:

Upon retirement, the public employees who elected to participate in the PEIA insurance plan are eligible to credit unused sick or annual leave towards insurance coverage, according to the following formulas:

Retired employees who elected to participate in the PEIA insurance plan prior to July 1, 1988: Those without dependents may credit two days of unused sick or annual leave towards one month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one month of insurance coverage.

Retired employees who elected to participate in the PEIA insurance plan between July 1, 1988 and June 30, 2001: those without dependents may credit two days of unused sick or annual leave towards one-half month of insurance coverage; the retirees with dependents may credit three days of unused sick or annual leave towards one-half month of insurance coverage.

Employees hired on or after July 1, 2001 may not apply any unused sick or annual leave towards the cost of health insurance premiums.

In the alternative to applying unused sick and annual leave to health insurance, all employees participating in the PEIA insurance plan, and who are members of the State Teachers' Defined Benefit Retirement System prior to July 1, 2015, may apply unused sick and annual leave towards an increase in the employee's retirement benefits with those days constituting additional credited service. The cost for the employees who elect this option is reflected as a liability of the State Teachers' Retirement System and not included as an OPEB obligation.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Contributions:

WVC §5-16D-3 states that contribution requirements of the members and the participating employers are set each year by the RHBT and approved by the PEIA Finance Board. All participating employers are required by statute to contribute to the RHBT this premium at the established rate for every active policyholder per month. The Paygo rates for June 30, 2019 and 2018, respectively, were:

	2019	2018
Paygo Premium	\$ 183	\$ 177

Contributions to the OPEB plan from the School Board were \$486,658 for the year end June 30, 2020. 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 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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

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

At June 30, 2020, the School Board reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the School Board were as follows:

School Board's proportionate share of net OPEB liability	\$ 1,081,022
State's proportionate share of the net OPEB liability associated with the School Board	<u>4,918,165</u>
Total portion of net OPEB liability associated with the School Board	<u>\$ 5,999,187</u>

The net OPEB liability was measured as of June 30, 2019 and the total OPEB liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to the measurement date. The School Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date.

For the year ended June 30, 2019, the School Board's proportion was 10.285%, which was an increase of 10.793% from its proportion measured as of June 30, 2018 (21.078%).

For the year ended June 30, 2020, the School Board recognized OPEB expense of \$75,076 and for support provided by the State, revenue of \$26,235. At June 30, 2020, the School Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on OPEB plan investments	\$ 6,146	\$ 17,807
Differences between expected and actual experience	-	126,075
Changes in proportion and differences between School Board contributions and proportionate share of contributions	558,311	780,884
Changes in assumptions	-	219,236
Reallocation of opt-out employer change in proportionate share	267	29,083
School Board contributions subsequent to the measurement date	<u>100,726</u>	<u>-</u>
Total	<u>\$ 665,450</u>	<u>\$ 1,173,085</u>

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

School Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in OPEB expense as follows:

	Year ending June 30:
2021	\$ (202,684)
2022	(156,456)
2023	(167,842)
2024	(81,379)
2025	-
Thereafter	-
Total	\$ (608,361)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as June 30, 2018, using the following actuarial assumptions. These assumptions were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 and applied to all periods included in the measurement, unless otherwise specified. These assumptions are as follows:

Inflation – 2.75%

Wage inflation – 4.00%

Asset valuation method – Market Value

Actuarial cost method – Entry Age Normal Cost Method

Amortization method – level percentage of payroll over a 20-year closed period

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

Retirement age – Experience-based table of rates that are specific to the type of eligibility condition

Aging factors – Based on the 2018 SOA Study “Health Care Costs – from Birth to Death”

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

Discount Rate – 7.15%

Healthcare cost trend rates – Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.

Expenses – Health administrative expenses are included in the development of the per capita claims costs. Operating expenses are included as a component of the annual expense.

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. 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 percentage. Target asset allocations, capital market assumptions (CMA), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the West Virginia Investment Management Board (WV-IMB). The projected nominal return for the Money Market Pool held with the West Virginia Board of Treasury Investments (WV-BTI) was estimated based on the WV-IMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation estimates annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	49.5%	4.8%
Core plus fixed income	13.5%	2.1%
Core real estate	9.0%	4.1%
Hedge fund	9.0%	2.4%
Private equity	9.0%	6.8%
Cash and cash equivalents	10.0%	0.3%
	100%	

A single discount rate of 7.15% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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

State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change for the June 30, 2018 valuation from the June 30, 2017 valuation.

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

	1.0% Decrease 6.15%	Current Discount Rate 7.15%	1.0% Increase 8.15%
School Board's proportionate share of the RHBT net OPEB liability	\$ 1,290,144	\$ 1,081,002	\$ 905,986

Healthcare Cost Rend Rate:

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

	1.0% Decrease	Current Healthcare Cost Trend Rate	1.0% Increase
School Board's proportionate share of the RHBT net OPEB liability	\$ 871,672	\$ 1,081,002	\$ 1,335,024

Payables to the OPEB Plan:

At June 30, 2020, the School Board reported a liability of \$70,416 for its unpaid legally required contributions to the OPEB plan. The liability is included in the balance of salaries payable and related payroll liabilities on the Governmental Funds Balance Sheet and the Statement of Net Position

Opt-Out Employer Balance Reallocation:

Certain employers that meet the plan's opt-out criteria are no longer required to make contributions to the plan. These opt-out employers have no continuing involvement with the plan. Accordingly, the amounts previously allocated to such employers for the net OPEB liability and related deferred inflows and outflows are reallocated to the remaining employers participating in the cost sharing plan. The plan reallocates these balances to the remaining active employers based on their proportionate share of contributions made in the period of reallocation.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 13 - Pending Litigation:

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

Note 14 - Fund Balance:

The detailed components of the various fund balance categories as of June 30, 2020 are as follows:

Fund Balances	General Current Expense Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Restricted for:				
Special Projects	\$ -	\$ 1,179,089	\$ -	\$ 1,179,089
Excess Levy	556,526	-	-	556,526
Assigned to:				
Medicaid	884,655	-	-	884,655
State Aid Projects	626,410	-	-	626,410
Unassigned	2,457,658	-	-	2,457,658
Total Fund Balances	<u>\$ 4,525,249</u>	<u>\$ 1,179,089</u>	<u>\$ -</u>	<u>\$ 5,704,338</u>

Note 15 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$320,551 as of June 30, 2020 in the following funds:

General Current Expense Fund	Special Revenue Fund
\$ 280,325	\$ 40,226

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

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

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 15 - Commitments, Contingencies and Subsequent Events (Cont.):

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, 2020 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, 2019 was received by the School Board during August 2020. As such, Medicaid revenue has been adjusted accordingly within the accompanying financial statements. The interim cost settlement for the fiscal year ended June 30, 2020 will not be available until spring or summer of 2021. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management of the School Board believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Accordingly, such reviews could lead to disallowances and/or significant regulatory action, including fines, penalties and exclusion from the Medicaid program resulting in reimbursement of previously reported revenue, which could be material to the School Board's financial statements.

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

Note 16 - Interfund Balances and Transfers:

Interfund Transfers

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Special Revenue Fund	\$ 637,128
Capital Projects Fund	General Fund	20,609
Special Revenue Fund	General Fund	34,410
	Total Transfers	\$ 692,147

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 17 - Major Sources of Revenue:

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

Note 18 – COVID-19 Pandemic:

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a “Public Health Emergency of International Concern” and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many counties, including the geographical area in which the School Board operates.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted. The CARES Act provided federal stimulus dollars to assist state agencies, local school districts, businesses, organizations, families, students, and other entities during the COVID-19 pandemic. As a state, West Virginia received more than a billion dollars under the federal CARES Act. Approximately \$86.6 million of those dollars were specifically put into a fund titled the Elementary and Secondary School Emergency Relief Fund (ESSERF). This allocation is specifically earmarked to assist schools to address the impact that COVID-19 has had, and continues to have, on elementary and secondary schools in West Virginia. Of the \$86.6 million ESSERF appropriation, 90% (\$78 million) of the fund goes directly to county school districts to use at their discretion. The CARES Act provided that the West Virginia Department of Education (WVDE) could retain 10% (\$8.6 million) to address emergency needs as determined by the WVDE resulting from COVID-19. The WVDE announced the entirety of the \$8.6 million will also go to counties, allocated on a competitive grant basis. Subsequent to June 30, 2020, the School Board received \$488,104 from these funds to help mitigate the expenses incurred directly from COVID-19. It is unknown how long the adverse conditions from COVID-19 will last and what the complete financial effect will be to the School Board.

Note 19 - Subsequent Events:

All other commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through January 4, 2021, the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 10,111,579	\$ 10,111,579	\$ 10,071,196	\$ -	\$ 10,071,196	\$ (40,383)
Other local sources	196,000	196,000	292,859	-	292,859	96,859
State sources	13,851,540	15,256,615	15,239,758	-	15,239,758	(16,857)
Federal sources	70,000	290,138	321,923	-	321,923	31,785
Total revenues	24,229,119	25,854,332	25,925,736	-	25,925,736	71,404
Expenditures:						
Instruction	14,968,466	15,369,813	13,201,314	-	13,201,314	2,168,499
Supporting services:						
Students	1,166,570	1,516,893	1,509,379	-	1,509,379	7,514
Instructional staff	879,510	1,298,495	1,218,552	-	1,218,552	79,943
Central administration	322,087	391,285	341,942	-	341,942	49,343
School administration	1,501,740	1,747,587	1,747,587	-	1,747,587	-
Business	403,260	462,481	462,481	-	462,481	-
Operation and maintenance of facilities	2,656,329	2,774,957	2,493,110	-	2,493,110	281,847
Student transportation	1,848,860	2,302,824	2,012,000	-	2,012,000	290,824
Community services	35,000	38,603	35,889	-	35,889	2,714
Debt service:						
Principal retirement	205,141	205,141	205,141	-	205,141	-
Interest and fiscal charges	117,806	117,806	117,806	-	117,806	-
Total expenditures	24,104,769	26,225,885	23,345,201	-	23,345,201	2,880,684
Excess (deficiency) of revenues over expenditures	124,350	(371,553)	2,580,535	-	2,580,535	2,952,088
Other financing sources (uses):						
Proceeds from disposal of real or personal property	-	-	12,187	-	12,187	12,187
Transfers in	36,150	36,150	55,019	-	55,019	18,869
Transfers (out)/reserves	(760,500)	(2,134,470)	(637,128)	-	(637,128)	1,497,342
Total other financing sources (uses)	(724,350)	(2,098,320)	(569,922)	-	(569,922)	1,528,398
Change in fund balances	(600,000)	(2,469,873)	2,010,613	-	2,010,613	4,480,486
Fund balances - beginning	2,514,636	2,514,636	2,514,636	-	2,514,636	-
Fund balances - ending	\$ 1,914,636	\$ 44,763	\$ 4,525,249	\$ -	\$ 4,525,249	\$ 4,480,486

See Notes to the Required Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local sources	\$ 32,975	\$ 269,781	\$ 257,108	\$ -	\$ 257,108	\$ (12,673)
State sources	1,211,648	610,084	575,229	-	575,229	(34,855)
Federal sources	2,528,463	3,487,547	2,711,605	-	2,711,605	(775,942)
Total revenues	3,773,086	4,367,412	3,543,942	-	3,543,942	(823,470)
Expenditures:						
Instruction						
Supporting services:	1,122,561	2,233,816	1,430,044	-	1,430,044	803,772
Students						
Instructional staff	91,892	364,904	209,819	-	209,819	155,085
Central administration	452,816	959,399	561,919	-	561,919	397,480
Business	-	37,809	22,809	-	22,809	15,000
Operation and maintenance of facilities	-	39,379	19,022	-	19,022	20,357
Student transportation	123,201	530,616	126,629	-	126,629	403,987
Food services	391,807	471,450	323,800	-	323,800	147,650
Total expenditures	1,727,978	2,024,010	1,904,944	-	1,904,944	119,066
	3,910,255	6,661,383	4,598,986	-	4,598,986	2,062,397
Excess (deficiency) of revenues over expenditures	(137,169)	(2,293,971)	(1,055,044)	-	(1,055,044)	1,238,927
Other financing sources (uses):						
Transfers in						
Transfers (out)	720,500	720,500	637,128	-	637,128	(83,372)
Total other financing sources (uses)	(583,331)	(52,975)	(34,410)	-	(34,410)	18,565
	137,169	667,525	602,718	-	602,718	(64,807)
Change in fund balances	-	(1,626,446)	(452,326)	-	(452,326)	1,174,120
Fund balances - beginning	1,631,415	1,631,415	1,631,415	-	1,631,415	-
Fund balances - ending	\$ 1,631,415	\$ 4,969	\$ 1,179,089	\$ -	\$ 1,179,089	\$ 1,174,120

See Notes to the Required Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Reported Fiscal Year (Measurement Date) 2020 (2019)	Reported Fiscal Year (Measurement Date) 2019 (2018)	Reported Fiscal Year (Measurement Date) 2018 (2017)	Reported Fiscal Year (Measurement Date) 2017 (2016)	Reported Fiscal Year (Measurement Date) 2016 (2015)	Reported Fiscal Year (Measurement Date) 2015 (2014)
District's proportion of the net pension liability (asset)	0.047625%	0.040582%	0.042214%	0.038309%	0.028203%	0.028628%
District's proportionate share of net pension liability (asset)	\$ 1,416,925	\$ 1,267,074	\$ 1,458,482	\$ 1,574,444	\$ 977,306	\$ 987,693
State's proportionate share of the net pension liability (asset) associated with the district	22,738,939	22,635,742	22,424,126	21,844,901	16,984,242	19,873,529
Total	<u>24,155,864</u>	<u>23,902,816</u>	<u>23,882,608</u>	<u>23,419,345</u>	<u>17,961,548</u>	<u>20,861,222</u>
District's covered-employee payroll	\$ 11,664,254	\$ 11,235,476	\$ 11,707,462	\$ 12,507,609	\$ 12,219,849	\$ 12,031,640
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	12.148%	11.277%	12.458%	12.588%	7.998%	8.209%
Plan fiduciary net position as a percentage of the total pension liability	72.64%	71.20%	67.85%	61.42%	66.25%	65.95%

See Notes to the Required Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 956,548	\$ 937,819	\$ 918,421	\$ 969,209	\$ 1,020,530	\$ 1,061,997
Contributions in relation to the contractually required contribution	(956,548)	(937,819)	(918,421)	(969,209)	(1,020,530)	(1,061,997)
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered-employee payroll	\$ 12,128,538	\$ 11,664,254	\$ 11,235,476	\$ 11,235,476	\$ 12,507,609	\$ 12,219,849
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.887%	8.040%	8.174%	8.626%	8.159%	8.691%

See Notes to the Required Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Reported Fiscal Year (Measurement Date)	Reported Fiscal Year (Measurement Date)	Reported Fiscal Year (Measurement Date)
	2020 (2019)	2019 (2018)	2018 (2017)
District's proportion of the net OPEB liability (asset)	0.065155%	0.101545%	0.062376%
District's proportionate share of net OPEB liability (asset)	\$ 1,081,022	\$ 2,178,577	\$ 1,533,816
State's proportionate share of the net OPEB liability (asset) associated with the district	4,918,165	5,630,830	7,173,495
Total	5,999,187	7,809,407	8,707,311
District's covered-employee payroll	\$ 10,510,294	\$ 10,335,851	\$ 10,869,966
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	10.285%	21.078%	14.111%
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%

See Notes to the Required Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 486,658	\$ 553,623	\$ 567,935
Contributions in relation to the contractually required contribution	<u>(486,658)</u>	<u>(553,623)</u>	<u>(567,935)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered-employee payroll	\$ 10,742,369	\$ 10,510,294	\$ 10,335,851
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	4.530%	5.267%	5.495%

See Notes to the Required Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Certain other transactions such as donated foods from the West Virginia Department of Agriculture Food Distribution Program are also not included in the Board's regulatory basis budget. Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

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

**MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

B. Changes in Assumptions:

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

	2019	2018	2017	2016	2015	2014
Inflation	3.0%	3.0%	3.0%	3.0%	3.0%	2.2%
Salary Increases	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00% to 6.00%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.00% to 6.50%	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 6.50%	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% to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40% to 6.50%	For teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.75% to 5.25%. For non-teacher members, salary increases are based on member experience, dependent on age and gender, ranging from 3.40% to 6.50%
Investment Rate of Return	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation	7.5%, net of pension plan investment expense, including inflation
Mortality	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males - 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; healthy females - 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males - 96% of RP-2000 Disabled Annuitant table, projected with a Scale AA on a fully generational basis; disabled females - 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males - 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; healthy females - 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males - 96% of RP-2000 Disabled Annuitant table, projected with a Scale AA on a fully generational basis; disabled females - 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males - 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; healthy females - 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males - 96% of RP-2000 Disabled Annuitant table, projected with a Scale AA on a fully generational basis; disabled females - 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active: RP-2000, Non-Annuitant table, projected with Scale AA on a fully generational basis. Retired: healthy males - 97% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; healthy females - 94% of RP-2000 Healthy Annuitant table, projected with Scale AA on a fully generational basis; disabled males - 96% of RP-2000 Disabled Annuitant table, projected with a Scale AA on a fully generational basis; disabled females - 101% of RP-2000 Disabled Annuitant table, projected with Scale AA on a fully generational basis	Active: RP-2000, non-annuitant monthly mortality table; Retired - RP2000 healthy annuitant, scale AA; Disabled - RP2000 disabled annuitant mortality table, scale AA	Active: RP-2000, non-annuitant monthly mortality table; Retired - RP2000 healthy annuitant, scale AA; Disabled - RP2000 disabled annuitant mortality table, scale AA
Discount Rate	7.5%	7.5%	7.5%	7.5%	7.5%	7.5%

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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.

	2019	2018	2017
Inflation	2.75%	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%	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	7.15% net of OPEB plan investment expense, including inflation
Mortality	Post-Retirement: RP - 2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis	Post-Retirement: RP - 2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis	Post-Retirement: RP - 2000 Health Annuitant Mortality Table projected with Scale AA on a fully generational basis
Discount Rate	7.15%	7.15%	7.15%
Healthcare Cost Trend Rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.	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 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 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.

OTHER SUPPLEMENTARY INFORMATION

MORGAN COUNTY BOARD OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual GAAP Basis Amounts	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
State sources	\$ 1,100,000	\$ 1,332,886	\$ 1,019,624	\$ -	\$ 1,019,624	\$ (313,262)
Total revenues	1,100,000	1,332,886	1,019,624	-	1,019,624	(313,262)
Expenditures:						
Supporting services:						
Operation and maintenance of facilities	-	97,803	12,000	-	12,000	85,803
Capital outlay	1,200,000	1,389,050	1,157,848	-	1,157,848	231,202
Total expenditures	1,200,000	1,486,853	1,169,848	-	1,169,848	317,005
Excess (deficiency) of revenues over expenditures	(100,000)	(153,967)	(150,224)	-	(150,224)	3,743
Other financing sources (uses):						
Proceeds from capital leases	100,000	77,430	74,190	-	74,190	(3,240)
Transfers (out)/reserves	-	-	(20,609)	-	(20,609)	(20,609)
Total other financing sources (uses)	100,000	77,430	53,581	-	53,581	(23,849)
Change in fund balances	-	(76,537)	(96,643)	-	(96,643)	(20,106)
Fund balances - beginning	96,643	96,643	96,643	-	96,643	-
Fund balances - ending	\$ 96,643	\$ 20,106	\$ -	\$ -	\$ -	(20,106)

See Notes to the Other Supplementary Information.

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

A. Budgets and Budgetary Accounting:

All boards of education within West Virginia are required by statute to prepare annual budgets and levy rate estimates on prescribed forms and submit these for approval. Budgets are presented on the regulatory basis of accounting for all governmental funds. The regulatory basis of accounting for West Virginia Boards of Education does not include amounts for other post-employment benefits billed by PEIA beyond the retiree subsidy (pay-as-you-go) amount because only the retiree subsidy amounts are required to be remitted according to WVC 5-16d-6(e). Certain other transactions such as donated foods from the West Virginia Department of Agriculture Food Distribution Program are also not included in the Board's regulatory basis budget. Budgets are not adopted for agency funds. The following procedures are followed in preparing the annual budget:

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

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

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF CHANGES IN SCHOOL ACTIVITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Cash Balance 7/1/2019	Revenues Received	Expenditures Paid	Cash Balance 6/30/2020
Berkeley Springs High School	\$ 172,399	\$ 215,181	\$ 181,769	\$ 205,811
Paw Paw Schools (Combined K-12)	50,415	47,254	30,974	66,695
Warm Springs Middle School	77,416	67,795	71,092	74,119
Pleasant View Elementary School	15,779	15,632	14,877	16,534
Warm Springs Intermediate School	41,191	55,132	45,633	50,690
Widmyer Elementary School	46,347	68,351	56,676	58,022
Total	\$ 403,547	\$ 469,345	\$ 401,021	\$ 471,871

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXCESS LEVY REVENUES AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Current Year			Levy To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 4,147,298	\$ 4,578,361	\$ 431,063	\$ 4,147,298	\$ 4,578,361	\$ 431,063
Expenditures Morgan County Levy Call:						
Technology hardware, software, and other instructional materials for 21st century curriculum and communication	125,000	125,000	-	125,000	125,000	-
Support for critical educational programs: Alternative Ed., PRO, academic and remedial support, STEM Programs, and CTE	1,147,438	1,147,438	-	1,147,438	1,147,438	-
Maintenance of facilities, supplies, services, and equipment	535,000	535,000	-	535,000	535,000	-
Employees salaries and benefits	1,904,860	2,335,923	431,063	1,904,860	2,335,923	431,063
Provide instructional materials, textbooks, and instructional equipment	400,000	400,000	-	400,000	400,000	-
Support for Public Libraries	35,000	35,000	-	35,000	35,000	-
Total Expenditures	4,147,298	4,578,361	431,063	4,147,298	4,578,361	431,063
Excess of Collections over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Awarding Agency	Grant Name	Grant Identification	Period of Award	Total Grant Award	Beginning Balance (7/1/19)	Current Year Receipts	Current Year Expenditures	Ending Balance (6/30/20)	Amount Receivable
West Virginia Department of Education	State Special Education - FY 20	GRTAWD04022000000875	7/1/19-9/30/21	\$ 78,599	\$ -	\$ 78,599	\$ 78,599	\$ -	\$ -
West Virginia Department of Education	High Acuity Special Needs - FY 20	GRTAWD040220000003003	7/1/18-9/30/21	4,710	-	4,710	-	4,710	-
West Virginia Department of Education	State Special Education - FY 19	GRTAWD040219000001147	7/1/18-9/30/21	39,894	19,153	-	19,153	-	-
West Virginia Department of Education	High Acuity Special Needs - FY 19	GRTAWD040219000003178	7/1/18-9/30/21	14,727	14,727	-	-	14,727	-
West Virginia Department of Education	High Acuity Special Needs - FY 18	GRTAWD040218000003024	7/1/17-9/30/21	3,676	3,676	-	-	3,676	-
West Virginia Department of Education	High Acuity Special Needs - FY 17	GRTAWD040217000003624	7/1/16-9/30/21	3,289	3,289	-	-	3,289	-
West Virginia Department of Education	High Acuity Special Needs - FY 15	GRTAWD040215000002662	7/1/14-9/30/21	22,583	22,583	-	41	22,542	-
West Virginia Department of Education	Reclaim WV - FY 20	GRTAWD040220000001436	7/1/19-9/30/21	18,385	-	18,385	5,210	13,175	-
West Virginia Department of Education	CTE - Secondary Block - FY 20	GRTAWD040220000000647	7/1/19-6/30/21	12,742	-	12,742	-	12,742	-
West Virginia Department of Education	CTE - Secondary Block - FY 19	GRTAWD040219000000298	7/1/18-6/30/21	12,742	-	12,742	-	12,742	-
West Virginia Department of Education	CTE - Secondary Block - FY 18	GRTAWD040218000000782	7/1/18-6/30/21	12,742	403	-	403	-	-
West Virginia Department of Education	CTE - Travel - FY 20	GRTAWD040220000000930	7/1/19-6/30/21	3,079	-	3,079	-	3,079	-
West Virginia Department of Education	CTE - Travel - FY 19	GRTAWD040219000000390	7/1/18-6/30/21	3,079	3,079	-	-	3,079	-
West Virginia Department of Education	CTE - Travel - FY 18	GRTAWD040218000000442	7/1/17-6/30/21	3,079	3,079	-	-	3,079	-
West Virginia Department of Education	CTE - Travel - FY 17	GRTAWD040217000000493	7/1/16-6/30/17	3,079	3,079	-	-	3,079	-
West Virginia Department of Education	CTE - Travel - FY 16	GRTAWD040216000000615	7/1/15-6/30/16	3,079	2,148	-	430	1,718	-
West Virginia Department of Education	CTE - Equipment - FY 20	GRTAWD040220000000628	7/1/19-6/30/21	2,587	-	2,587	-	2,587	-
West Virginia Department of Education	CTE - Equipment - FY 19	GRTAWD040219000000502	7/1/18-6/30/21	2,587	2,587	-	-	2,587	-
West Virginia Department of Education	CTE - Equipment - FY 18	GRTAWD040218000000243	7/1/17-6/30/18	2,587	1,037	-	-	1,037	-
West Virginia Department of Education	CTE - Equipment - FY 17	GRTAWD040217000000297	7/1/16-6/30/17	2,587	2,587	-	-	731	-
West Virginia Department of Education	CTE - Equipment - FY 16	GRTAWD040216000000894	7/1/15-6/30/16	2,587	1,521	-	1,856	-	-
West Virginia Department of Education	Early Literacy Project - FY 20	GRTAWD040220000002196	7/1/19-6/30/21	33,748	-	33,748	-	3,145	-
West Virginia Department of Education	Early Literacy Project - FY 19	GRTAWD040219000001421	7/1/18-6/30/19	34,095	-	-	13,491	9,685	-
West Virginia Department of Education	Early Literacy Project - FY 18	GRTAWD040218000001725	7/1/17-6/30/18	30,967	23,176	-	-	2,208	-
West Virginia Department of Education	Early Literacy Project - FY 17	GRTAWD040217000001282	7/1/16-6/30/17	40,589	7,136	-	-	2,988	-
West Virginia Department of Education	English Language Learners - FY 20	GRTAWD040220000001388	7/1/19-6/30/21	718	-	718	-	662	-
West Virginia Department of Education	English Language Learners - FY 19	GRTAWD040219000002390	7/1/18-6/30/21	619	533	-	336	197	-
West Virginia Department of Education	Safe Schools Fund Grant	GRTAWD040220000003699	7/1/19-6/30/21	35,662	-	35,662	24,502	11,160	-
West Virginia Department of Education	Tools for Schools - FY 20	GRTAWD040220000002646	7/1/19-6/30/21	73,809	-	73,809	62,013	11,796	-
West Virginia Department of Education	Tools for Schools - FY 19	GRTAWD040219000001918	7/1/18-6/30/20	73,738	5,127	-	5,127	-	-
West Virginia Department of Education	Math-4-Life - FY 20	GRTAWD040220000002702	9/16/19-9/15/20	25,000	-	25,000	2,214	22,786	-
West Virginia Department of Education	Math-4-Life - FY 19	GRTAWD040219000003413	7/1/18-6/30/19	10,000	6,434	-	6,434	-	-
West Virginia Department of Education	CEFP Architectural Grant	GRTAWD040219000004984	7/1/18-12/31/19	10,000	10,000	-	10,000	-	-
West Virginia Department of Health and Human Resources	SBIRT Grant	G200624	10/1/19-9/30/20	50,000	-	21,000	44,659	(23,659)	23,659
West Virginia Department of Health and Human Resources	SBIRT Grant	G190541	10/1/18-9/30/19	50,000	(18,296)	24,341	6,045	-	-
West Virginia Department of Health and Human Resources	Expanded School Mental Health	G200478	7/1/19-6/30/20	60,000	-	40,200	41,984	(1,784)	1,784
West Virginia Department of Health and Human Resources	Expanded School Mental Health	G190224	7/1/18-6/30/19	60,000	(18,522)	18,522	-	-	-
West Virginia Department of Education	Simulated Workplace Testing Sup	GRTAWD040219000006031	7/1/18-6/30/19	1,100	657	-	-	657	-
West Virginia Department of Education	CTE - Ag Experience Tracker - FY 20	GRTAWD040220000003089	7/1/19-6/30/20	325	-	325	-	325	-
West Virginia Department of Education	CTE - Ag Experience Tracker - FY 18	GRTAWD040218000002580	7/1/19-6/30/20	295	265	-	-	265	-
West Virginia Department of Education	CTE - Electronic Resources	GRTAWD040220000003194	7/1/19-6/30/20	6,799	-	6,799	6,799	-	-
TOTAL				\$ 102,446	\$ 412,968	\$ 336,226	\$ 179,188	\$ 25,443	\$ 25,443

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures Paid</u>
U.S. Department of Agriculture			
Passed Through West Virginia Department of Agriculture			
Child Nutrition Cluster:			
Donated Foods (Non-cash)	10.555	88	\$ 76,725
Passed Through West Virginia Department of Education			
National School Breakfast Program	10.553	88	329,721
National School Lunch Program	10.555	88	725,593
Total Child Nutrition Cluster			<u>1,132,039</u>
Fresh Fruits and Vegetable Program	10.582	88	<u>18,909</u>
Total U.S. Department of Agriculture			<u>1,150,948</u>
U.S. Department of Education			
Passed Through West Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	41	537,432
Special Education Cluster:			
Special Education Grants to States	84.027	43	539,879
Special Education - Pre-School	84.173	43	11,887
Total Special Education Cluster			<u>551,766</u>
Vocational Education	84.048	50	17,882
Education for Homeless Children and Youth	84.196	54	7,489
21st Century Community Learning Centers	84.287	45	172,482
Title II Improving Teacher Quality	84.367	40	114,349
Grants for State Assessments and Related Activities	84.369	42	37,094
Title IV Student Support and Academic Enrichment Program	84.424	N/A	<u>28,800</u>
Total U.S. Department of Education			<u>1,467,294</u>
U.S. Department of Health and Human Services			
Passed Through West Virginia Department of Education			
Now is the Time (NITT) Project AWARE Grant	93.243	53	<u>549</u>
Total U.S. Department of Health and Human Services			<u>549</u>
Total Federal Financial Assistance Expended			<u>\$ 2,618,791</u>

See Notes to the Schedule of Expenditures of Federal Awards

MORGAN COUNTY BOARD OF EDUCATION
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Morgan County Board of Education and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 – Indirect Cost:

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

Note 3 – Food Distribution:

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. At June 30, 2020, commodities on hand are included on the total inventory of \$76,725.

Note 4 – Subrecipients:

The Morgan County Board of Education did not have subrecipients during the 2020 fiscal year.



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

To the Morgan County Board of Education
Berkeley Springs, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Morgan County Board of Education, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Morgan County Board of Education's basic financial statements, and have issued our report thereon dated January 4, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
January 4, 2021



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Fyffe
Jones
Group, AC**

The Fyffe Jones Group, AC

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

To the Morgan County Board of Education
Berkeley Springs, West Virginia

Report on Compliance for Each Major Federal Program

We have audited the Morgan County Board of Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Morgan County Board of Education's major federal programs for the year ended June 30, 2020. Morgan County Board of Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Morgan County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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



THE FYFFE JONES GROUP, AC

Huntington, West Virginia
January 4, 2021

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weakness(es)?	None Reported
Noncompliance material to financial statements?	No

Federal Awards

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

Programs tested:

<u>CFDA Number(s)</u>	<u>Name of the Federal Program/Cluster</u>
84.027/84.173	Special Education Cluster

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

MORGAN COUNTY BOARD OF EDUCATION
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

There were no findings in the prior audit.