

MINGO COUNTY BOARD OF EDUCATION

Financial Statements

June 30, 2018

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

Office	Name	Term
<u>Elective</u>		
School Board Members:	Sabrina Grace	07/01/2016 – 06/30/2020
	Jacqueline Branch	07/01/2014 – 06/30/2017
	(resigned 06/30/2017)	
	Owen Hinkle	08/11/2017 – 06/30/2018
	Mark Colegrove	07/01/2014 – 06/30/2018
	June Glover	07/01/2014 – 06/30/2018
<u>Appointive</u>		
School Board President	James David Farley	07/01/2016 – 06/30/2020
Superintendent	Donald Spence	07/01/2017 – 06/30/2018
Treasurer	Beth Daniels	07/01/2017 – 06/30/2018



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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Mingo County Board of Education
Williamson, West Virginia

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, OPEB, and pension information on pages 5 through 14 and 56 through 63 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 Mingo County Board of Education's basic financial statements. The budgetary comparison information for other major funds, the schedule of changes in school activity funds, and the schedule of excess levy revenues and expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2019, on our consideration of the Board's internal control over financial reporting and our testing of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 12, 2019

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

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

Financial Highlights

- The Board's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by approximately \$87.0 million at the close of the most recent fiscal year. Of this amount, (\$812 thousand) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Board's total net position increased by approximately \$6.8 million.
- As of the close of the current fiscal year, the Board's governmental funds reported combined ending fund balances of approximately \$7.8 million, an increase of approximately \$5.5 million in comparison with the prior year. Approximately \$5.0 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 \$5.0 million or 12.9% 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).

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

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

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

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

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

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

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

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

Notes to the basic financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 54 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 \$87.0 million at the close of the most recent fiscal year.

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

- The largest portion of the Board's net position, \$85.7 million reflects its investment in capital assets (e.g. land, buildings, furniture and equipment, vehicles), less any related debt used to acquire those assets that is still outstanding. The Board uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the Board's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the Board's net position, \$2.1 million, represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital projects.
- The remaining balance of *unrestricted net position*, (\$812 thousand), may be used to meet the Board's obligations to students, employees, and creditors and to honor next year's budget.

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

	2018 Governmental Activities	2017 (as restated) Governmental Activities	Variance
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Current and other assets	\$ 13,429,944	\$ 9,283,927	\$ 4,146,017
Capital assets	87,256,860	82,621,636	4,635,224
Deferred outflows of resources	916,409	832,624	83,785
Total assets and deferred outflows of resources	\$ 101,603,213	\$ 92,738,187	\$ 8,865,026
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities and deferred inflows of resources:			
Current and other liabilities	\$ 4,807,978	\$ 6,830,602	\$ (2,022,624)
Long-term liabilities outstanding	1,276,672	1,658,127	(381,455)
Deferred inflows of resources	3,197,417	1,092,827	2,104,590
Net pension liability - Proportionate share	1,790,021	2,895,695	(1,105,674)
Net other post employment benefit (OPEB) liability - Proportionate share	3,505,482	-	3,505,482
Total liabilities and deferred inflows of resources	\$ 14,577,570	\$ 12,477,251	\$ 2,100,319
Net position:			
Net investment in capital assets	\$ 85,730,504	\$ 80,978,355	\$ 4,752,149
Restricted	2,106,944	1,445,114	661,830
Unrestricted	(811,805)	(2,162,533)	1,350,728
Total net position	\$ 87,025,643	\$ 80,260,936	\$ 6,764,707
Total liabilities, deferred inflows of resources, and net position	\$ 101,603,213	\$ 92,738,187	\$ 8,865,026

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

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

- Current and other assets increased by approximately \$4.1 million, which primarily represents an increase in revenue and a decrease in expenses.
- Capital assets increased by approximately \$4.6 million, which is primarily the result of a prior period restatement to correct an error in reporting in the fiscal year 2017 statements.
- Current and other liabilities decreased by approximately \$2.0 million, which was the result of the removal of OPEB as a current liability due to the implementation of GASB 75.
- Long-term liabilities decreased by approximately \$381 thousand, which was primarily the result payments on the QZAB accounts.
- Deferred inflows of resources increased by approximately \$2.1 million, which was primarily the result of deferred taxes and Erate.
- At the end of the fiscal year, the Board is able to report positive balances in all of the four categories of net position. The same situation held true for the prior fiscal year.
- Restricted net position increased by \$662 thousand during the fiscal year ended June 30, 2018. This was primarily the result of the Gilbert K-8 project.
- The Board's net position increased by \$6.8 million during the current year.

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

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

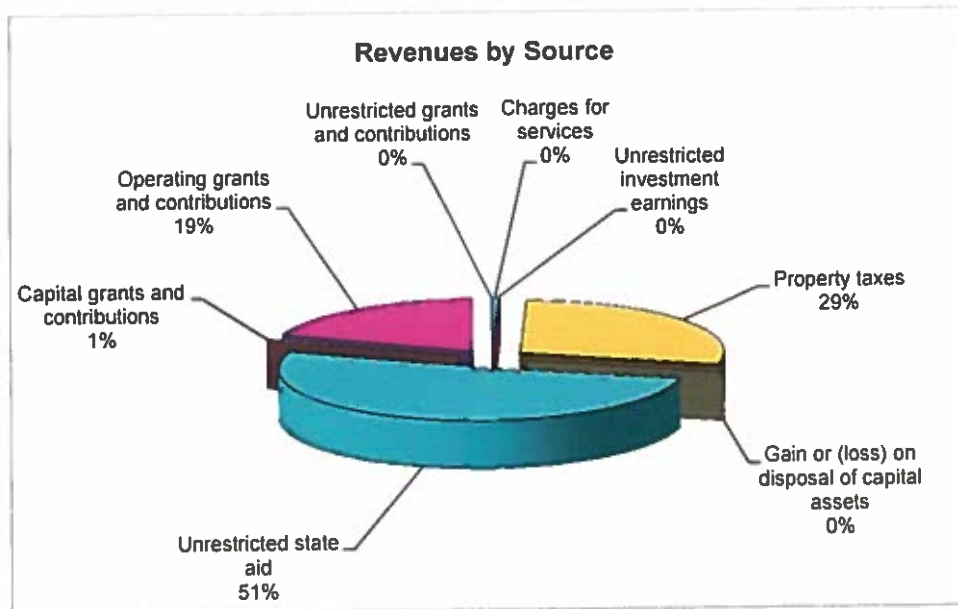
	2018	2017	
	Governmental	Governmental	Variance
	Activities	Activities	
Revenues:			
Program revenues:			
Charges for services	\$ 258,627	\$ 408,937	\$ (150,310)
Operating grants and contributions	9,206,211	9,188,067	18,144
Capital grants and contributions	285,896	1,291,592	(1,005,696)
General revenues:			
Property taxes	13,755,164	12,477,340	1,277,824
Unrestricted state aid	24,660,370	24,514,630	145,740
Unrestricted grants and contributions	-	814,985	(814,985)
Gain on sale of capital assets	1,524	28,171	(26,647)
Total revenues	\$ 48,167,792	\$ 48,723,722	\$ (555,930)
Expenses:			
Instruction	\$ 25,431,683	\$ 25,218,179	\$ 213,504
Supporting services:			
Students	2,450,910	2,389,182	61,728
Instructional staff	1,475,488	1,421,368	54,120
General administration	880,755	934,528	(53,773)
School administration	2,387,722	2,438,245	(50,523)
Central services	378,319	364,107	14,212
Operation and maintenance of facilities	5,549,695	6,710,854	(1,161,159)
Student transportation	4,257,956	4,741,704	(483,748)
Total supporting services	17,380,845	18,999,988	(1,619,143)
Food services	3,098,204	3,259,959	(161,755)
Community services	140,000	140,000	-
Interest on long-term debt	31,363	34,176	(2,813)
Total Expenses	\$ 46,082,095	\$ 47,652,302	\$ (1,570,207)
Change in net position	\$ 2,085,697	\$ 1,071,420	\$ 1,014,277
Net position - Beginning	\$ 80,260,936	\$ 86,632,444	\$ (6,371,508)
Prior period adjustment	\$ 4,679,010	\$ (7,442,928)	\$ 12,121,938
Net position - Ending	\$ 87,025,643	\$ 80,260,936	\$ 6,764,707

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

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

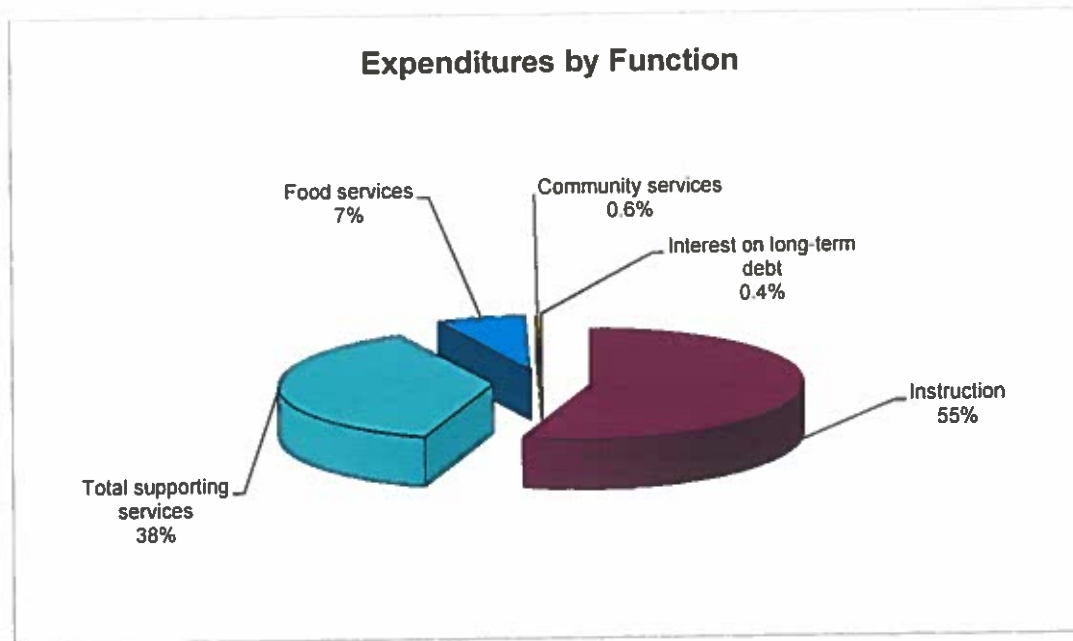
- Charges for services decreased by approximately \$150 thousand which was primarily the result of timing of the annual Medicaid settlement for the prior year.
- Operating grants and contributions increased by approximately \$18 thousand which was primarily the result an increase in special projects.
- Capital grants and contributions decreased by approximately \$1.0 million which was primarily the result of the completion of the Burch Pre K-8 project.
- General revenues from property taxes increased by approximately \$1.3 million which was primarily the result of an increase in tax collections.
- General revenues from unrestricted state aid increased by approximately \$146 thousand which was primarily the result of an increase in PEIA allocation.
- General revenues from unrestricted grants and contributions decreased by approximately \$815 thousand which was a result in a change in recording.
- Overall expenses decreased by approximately \$1.6 million which was primarily the result of the closure of the Burch Pre K-8 facility and final payment to SBA.

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



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

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



Financial Analysis of the Board's Funds

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

Governmental funds. The focus of the Board's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As the Board completed the year, its governmental funds reported a combined fund balance of \$7.8 million included in this year's change in the combined fund balance is non-spendable fund balance of \$132 thousand and a restricted fund balance of \$2.1 million.

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

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

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

General Current Expense Fund

This is the principal operation fund which accounts for all financial resources of the Board except those required to be accounted for in another fund. The fund balance increased from \$4.2 million to \$5.7 million during the fiscal year ended June 30, 2018. As previously discussed, this increase of \$1.5 million was due primarily to a decrease in expenses.

Special Revenue Fund

This is an operating fund of the Board and accounts for all revenues and expenditures attributable to state and federal grants and other revenue sources that are legally restricted to expenditures for specific purposes. The fund balance increased from \$1.0 million to \$1.2 million during the fiscal year ended June 30, 2018. This increase of \$147 thousand was due primarily to an increase in receivables.

Permanent Improvement Fund

This is a separate fund established under the authority of West Virginia Code §18-9B-14 to account for the proceeds of resources and subsequent expenditures for capital improvement activities. The proceeds of the fund must be used only for the support of building and capital improvements and cannot be transferred out of the fund. The fund balance increased from \$431 thousand to \$541 thousand during the fiscal year ended June 30, 2018. This increase of \$110 thousand was due primarily to funds being transferred into the permanent improvement fund for facilities.

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 \$0 to \$405 thousand during the fiscal year ended June 30, 2018. This increase of \$405 thousand was due primarily to funds being transferred in for the Gilbert K-8 project.

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 a decrease of \$171 thousand or 0.4% in total general fund expenditures.

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

Capital Asset and Debt Administration

Capital assets - The Board's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$87.3 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and vehicles. The total decrease in the Board's investment in capital assets for the current fiscal year was 3%.

Major capital asset events during the current fiscal year included purchase of school buses, and renovation and improvements to facilities.

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
Land	\$ 11,124,206	\$ 11,727,361	\$ (603,155)
Buildings and improvements	72,767,822	67,585,988	5,181,834
Furniture and equipment	914,019	982,465	(68,446)
Vehicles	2,450,813	2,325,552	125,261
Total capital assets	\$ 87,256,860	\$ 82,621,366	\$ 4,635,494

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

Long-term debt - At the end of the current fiscal year, the Board had total capital lease obligations of \$1.5 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, 2018, the liability for such costs was \$3.4 million, which is included in the district-wide financial statement of net position. The obligation for compensated absences for vacations was \$84 thousand at June 30, 2018.

	2018	2017	
	Governmental	Governmental	
	Activities	Activities	Variance
Compensated absences	\$ 83,877	\$ 94,667	\$ (10,790)
Capital lease obligations	1,526,356	1,643,281	(116,925)
Total debt outstanding	\$ 1,610,233	\$ 1,737,948	\$ (127,715)

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

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

Factors Bearing on the Board's Future

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

- Decreasing property valuations in the county which result in decreased revenue.

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 Mingo County Board Office, Route 2, Box 310, Williamson, WV 25661, or by phone at (304) 235-3333.

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,012,263
Taxes receivable, net of allowance for uncollectible taxes	1,102,259
Deposit with Retirement Board	18,995
Other receivables	898,148
Prepaid workers' compensation	36,161
Other prepaid insurances	95,507
Due from other governments:	
State aid receivable	205,833
PEIA allocation receivable	604,542
Reimbursements receivable	456,236
Capital Assets:	
Land	11,124,206
Buildings and improvements	106,511,870
Furniture and equipment	4,223,204
Vehicles	6,346,580
Less accumulated depreciation	(40,949,000)
Total capital assets, net of depreciation	<u>87,256,860</u>
Total assets	<u>100,686,804</u>
 DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows from pension activity	510,714
Deferred outflows from other post employment benefit (OPEB) activity	<u>405,695</u>
Total deferred outflows of resources	<u>916,409</u>
 Total assets and deferred outflows of resources	<u>\$ 101,603,213</u>
 LIABILITIES	
Salaries payable and related payroll liabilities	\$ 2,101,795
PEIA premiums payable	728,726
Compensated absences	83,877
Accounts payable	1,595,373
Due to other fiscal agents	33,946
Long-term obligations:	
Due within one year:	
Bonds, capital leases, and contracts	249,684
Accrued interest	14,577
Due beyond one year:	
Bonds, capital leases, and contracts	1,276,672
Net pension liability - proportionate share	1,790,021
Net other post employment benefit (OPEB) liability - proportionate share	<u>3,505,482</u>
Total liabilities	<u>11,380,153</u>
 DEFERRED INFLOW OF RESOURCES	
Deferred inflows from pension activity	1,386,283
Deferred inflows from other post employment benefit (OPEB) activity	<u>1,811,134</u>
Total deferred inflows of resources	<u>3,197,417</u>
 Total liabilities and deferred inflows of resources	<u>\$ 14,577,570</u>
 NET POSITION	
Invested in capital assets, net of related debt	\$ 85,730,504
Restricted for:	
Special projects	1,161,254
Capital projects	945,690
Unrestricted	<u>(811,805)</u>
Total net position	<u>\$ 87,025,643</u>

See Notes to the Basic Financial Statements.

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

Functions	Expenses	Program Revenues		Net (Expense), Revenue & Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction	\$ 25,431,683	\$ 153,631	\$ 5,468,713	\$ 169,829
Supporting services:				
Students				
Instructional staff	2,450,910	14,806	527,033	16,367
General administration	1,475,488	8,913	317,282	9,853
School administration	880,755	5,321	189,394	5,882
Business services	2,387,722	14,424	513,445	15,945
Operation and maintenance of facilities	378,319	2,285	81,352	2,526
Student transportation	5,549,695	33,525	1,193,381	37,060
Food services	4,257,956	25,722	915,611	28,434
Community services	3,098,204	-	-	-
Interest on long-term debt	140,000	-	-	-
Total governmental activities	31,363	-	-	(31,363)
	\$ 46,082,095	\$ 258,627	\$ 9,206,211	\$ 285,896
General revenues:				
Property taxes				13,755,164
Unrestricted state aid				24,660,370
Gain on sale of capital assets				1,524
Transfers in				806,619
Transfers (out)				(806,619)
Total general revenues and transfers				38,417,058
Change in net position				2,085,697
Net position - beginning				80,260,936
Prior period adjustment				4,679,010
Net position - beginning, as restated				84,939,946
Net position - ending				\$ 87,025,643

See Notes to the Basic Financial Statements.

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

	General Current Expense Fund	Special Revenue Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental Funds
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES					
Assets:					
Cash and cash equivalents	\$ 8,510,784	\$ 674,015	\$ 541,649	\$ 285,815	\$ 10,012,263
Taxes receivable, net of allowance for uncollectible taxes	1,063,219	-	39,040	-	1,102,259
Deposit with Retirement Board	18,995	-	-	-	18,995
Other receivables	-	779,197	-	118,951	898,148
Prepaid workers' compensation	36,161	-	-	-	36,161
Other prepaid insurances	95,507	-	-	-	95,507
Due from other governments					
State aid receivable	205,833	-	-	-	205,833
PEIA allocation receivable	604,542	-	-	-	604,542
Reimbursements receivable	456,236	-	-	-	456,236
Total assets	10,991,277	1,453,212	580,689	404,766	13,429,944
Deferred outflows of resources					
Total deferred outflows of resources					
TOTAL ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES	\$ 10,991,277	\$ 1,453,212	\$ 580,689	\$ 404,766	\$ 13,429,944
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Salaries payable and related payroll liabilities	\$ 2,101,795	\$ -	\$ -	\$ -	\$ 2,101,795
PEIA premiums payable	728,726	-	-	-	728,726
Accounts payable	1,298,118	291,958	5,297	-	1,595,373
Due to other fiscal agents	33,946	-	-	-	33,946
Total liabilities	4,162,585	291,958	5,297	-	4,459,840
Deferred inflows of resources					
Total deferred inflows of resources	1,138,720	-	34,466	-	1,173,186
Fund Balances:					
Nonspendable	131,668	-	-	-	131,668
Restricted	-	1,161,254	540,926	404,766	2,106,946
Assigned	535,078	-	-	-	535,078
Unassigned	5,023,226	-	-	-	5,023,226
Total fund balances	5,689,972	1,161,254	540,926	404,766	7,796,918
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 10,991,277	\$ 1,453,212	\$ 580,689	\$ 404,766	\$ 13,429,944

See Notes to the Basic Financial Statements.

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

Total fund balance on the governmental fund's balance sheet	\$ 7,796,918
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund balance sheet	87,256,860
Property taxes receivable and food service billings will be collected this year but are not available soon enough to pay for the current period's expenditures, and are therefore in deferred funds	1,173,186
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	510,714
Deferred outflows of resources related to OPEB	405,695
Deferred inflows of resources related to pensions	(1,386,283)
Deferred inflows of resources related to OPEB	(1,811,134)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(83,877)
Accrued interest on bonds	(14,577)
Capital lease payable, due within one year	(249,684)
Capital lease payable, due beyond one year	(1,276,672)
Net pension liability - proportionate share	(1,790,021)
Net OPEB liability - proportionate share	(3,505,482)
Net position of governmental activities	<u>\$ 87,025,643</u>

See Notes to the Basic Financial Statements.

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

	General Current Expense Fund	Special Revenue Fund	Permanent Improvement Fund	Capital Projects Fund	Total Governmental Funds
Revenues:					
Property taxes	\$ 12,350,636	\$ -	\$ 458,101	\$ -	\$ 12,808,737
Other local sources	64,423	81,047	204	117,413	263,087
State sources	27,879,814	2,330,778	-	169,678	30,380,270
Federal sources	258,628	6,794,386	-	-	7,053,014
Total revenues	40,553,501	9,206,211	458,305	287,091	50,505,108
Expenditures:					
Instruction	21,558,022	4,495,636	-	-	26,053,658
Supporting services:					
Students	2,316,955	413,653	-	-	2,730,608
Instructional staff	870,883	651,961	-	-	1,522,844
General administration	814,935	-	-	-	814,935
School administration	2,657,349	17,496	-	-	2,674,845
Central services	415,128	-	-	-	415,128
Operation and maintenance of facilities	5,350,264	-	-	-	5,350,264
Student transportation	4,466,285	392,250	-	-	4,858,535
Food services	-	3,036,980	-	-	3,036,980
Community services	140,000	-	-	-	140,000
Capital outlay	163,439	-	108,399	192,325	464,163
Debt service:					
Principal retirement	-	-	248,590	-	248,590
Interest and fiscal charges	-	-	31,363	-	31,363
Total expenditures	38,753,260	9,007,976	388,352	192,325	48,341,913
Excess (deficiency) of revenues over expenditures	1,800,241	198,235	69,953	94,766	2,163,195
Other financing sources (uses):					
Proceeds from disposal of real or personal property	1,523	-	-	-	1,523
Transfers in	77,043	25,537	394,039	310,000	806,619
Transfers (out)	(375,922)	(77,043)	(353,654)	-	(806,619)
Total other financing sources (uses)	(297,356)	(51,506)	40,385	310,000	1,523
Net change in fund balances	1,502,885	146,729	110,338	404,766	2,164,718
Fund balances - beginning	811,497	1,014,525	430,588	-	2,256,610
Prior period adjustments - See (Note 2)	3,375,590	-	-	-	3,375,590
Fund balances - beginning, as restated	4,187,087	1,014,525	430,588	-	5,632,200
Fund balances - ending	\$ 5,689,972	\$ 1,161,254	\$ 540,926	\$ 404,766	\$ 7,796,918

See Notes to the Basic Financial Statements.

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

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

Net change in fund balances - total governmental funds	\$ 2,164,718
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The effect on net position is the amount by which capital outlays exceed depreciation in the current period.	
Depreciation expense	(2,712,954)
Capital outlays	657,729
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).	
	881,803
The repayment of the principal of long-term debt (e.g., bonds, leases) consumes the current financial resources of governmental funds. However, such repayment has no effect on net position.	
	248,590
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	566,538
Accumulated depreciation of assets disposed	(566,538)
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.	
	10,790
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	240,365
Cost of benefits earned net of employee contributions	249,943
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	405,695
Cost of benefits earned net of employee contributions	(60,982)
Change in net position of governmental activities	<u>\$ 2,085,697</u>

See Notes to the Basic Financial Statements.

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

	<u>Agency Funds</u> <u>School Activity</u> <u>Funds</u>
ASSETS	
Cash and cash equivalents	\$ 630,053
Total assets	<u>630,053</u>
LIABILITIES	
Due to other funds	630,053
Total liabilities	<u>\$ 630,053</u>

See Notes to the Basic Financial Statements.

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

Note 1 - Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity:

The Mingo 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.

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

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

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

The funds maintained by the Board are:

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

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

Permanent Improvement Fund: The Permanent Improvement Fund is used to account for various building and permanent improvement projects.

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

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

C. Measurement Focus and Basis of Accounting:

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

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

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

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

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

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

D. Encumbrances:

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

E. Cash and Investments:

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

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

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

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

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

	<u>Carrying Amount</u>	<u>Estimated Fair Value</u>	<u>Bank Balance</u>
Deposits with financial institutions - Board of Education	\$ 10,012,263	\$ 10,012,263	\$ 10,391,709
Deposits with financial institutions - Individual Schools	<u>630,053</u>	<u>630,053</u>	<u>630,053</u>
Total cash and cash equivalents	<u>\$ 10,642,316</u>	<u>\$ 10,642,316</u>	<u>\$ 11,021,762</u>

F. Food Service receivables:

The accounts receivable for the Food Service Program for uncollectable accounts is unchanged. The allowance for uncollectable accounts was calculated based upon historical data maintained by the School Board.

G. Interfund Receivables and Payables:

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

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

H. Inventories:

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

The Board did not operate a centralized warehouse for inventories at June 30, 2018.

I. Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. On June 30, 2018 the Board reported approximately \$132 thousand in prepaid BRIM (Board of Risk and Insurance Management) and worker's compensation coverage; BRIM in the amount of \$96 thousand and Brickstreet for workers' compensation of \$36 thousand.

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

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

J. Capital Assets:

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

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

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

<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. Deferred Outflows of resources for June 30, 2018 are approximately \$916 thousand and relates to pension and OPEB activity.

L. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the State Teacher Retirement System (TRS) and additions to/deductions from the TRS fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. See Note 10 for further discussion.

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

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

M. Compensated Absences and Other Post Employment Benefit Liability:

Compensated Absences:

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

Other Post Employment Benefit (OPEB) Liability:

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

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

N. Long-term Obligations:

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

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

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

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

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. Deferred Inflow of Resources as of June 30, 2018 are approximately \$3.2 million and relates to pension and OPEB activity.

P. Net Position:

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

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

Q. Fund Equity:

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

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

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

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

- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the county is the five-member School Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2018. Those committed amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes, but are neither restricted nor committed. Intent can be expressed by the five-member School Board or by a body or official to which the School Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. In other funds, any negative fund balances would be unassigned.

R. Elimination and Reclassifications:

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

S. Accounting Estimates:

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

T. Restricted Resources:

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

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

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

U. Newly Adopted Statements Issued by the GASB:

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The adoption of Statement No. 75 has required a restatement of prior year's net position, as seen in Note 2. In addition, Statement No. 75 requires additional disclosures as shown in Note 11.

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

The Governmental Accounting Standards Board has also issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for fiscal years beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, No. 68, and No. 73. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB Statement No. 81 had no impact on the June 30, 2018 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The adoption of GASB Statement No. 85 had no impact on the June 30, 2018 financial statements.

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

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

The Governmental Accounting Standards Board has also issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for fiscal years beginning after June 15, 2017. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of GASB Statement No. 86 had no impact on the June 30, 2018 financial statements.

V. Recent Statements Issued by the GASB:

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

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

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

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements, effective for fiscal years beginning after June 15, 2018. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The School Board has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

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

Note 2 – Changes in Accounting Principles:

Effective July 1, 2017, the School Board adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Statement addresses accounting and financial reporting for other post-employment benefits (OPEB) provided to School Board employees who participate in the State OPEB plan. The Statement also requires various note disclosures (Note 11) and required supplementary information. As a result, beginning net position has been restated as follows:

	Governmental Activities
Beginning net position as previously reported at June 30, 2017	\$ 80,260,936
Prior year restatement: to correct error in capital assets	6,690,718
Prior year restatement: to correct error in long-term debt	(131,664)
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	3,375,590
Beginning net OPEB liability	(5,753,046)
Deferred outflows of resources - 2017 OPEB contributions	497,412
Total prior period adjustment	4,679,010
July 1, 2017 net position, as restated	\$ 84,939,946
	General Current Expense Fund
Beginning fund balance as previously reported at June 30, 2017	\$ 811,497
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	3,375,590
July 1, 2017 fund balance, as restated	\$ 4,187,087

Note 3 - Stewardship, Compliance and Accountability:

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

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

Note 4 - Risk Management:

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

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

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

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

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

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

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

Note 5 - Property Taxes:

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

Class I - All tangible personal property employed exclusively in agriculture, including horticulture and grazing; all products of agriculture, including livestock, while owned by the producer.

Class II - All property owned, used and occupied by the owner exclusively for residential purposes; all farms, including land used for horticulture and grazing, occupied and cultivated by their owners or bona fide tenants.

Class III - All real and personal property situated outside of municipalities, exclusive of Class I and II property.

Class IV - All real and personal property situated inside of municipalities, exclusive of Class I and II property.

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

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

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

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

<u>Class of Property</u>	<u>Assessed Valuations for Tax Purposes</u>	<u>Current Expense</u>	<u>Excess Levy</u>	<u>Permanent Improvement</u>
Class I	\$ -	19.40¢	22.95¢	1.50¢
Class II	144,550,286	38.80¢	45.90¢	3.00¢
Class III	550,334,908	77.60¢	91.80¢	6.00¢
Class IV	102,828,658	77.60¢	91.80¢	6.00¢

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

Note 5 - Property Taxes (Cont.):

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

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

Taxes Receivable

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

	<u>General Current Expense Fund</u>
Taxes Receivable	\$ 2,050,879
Less: Allowance for Uncollectable	<u>(948,620)</u>
Taxes Receivable, net	<u>\$ 1,102,259</u>

Note 6 - Excess Levy:

The School Board had an excess levy in effect during the fiscal year ended June 30, 2018. The levy was authorized by the voters of the county at an election held on March 23, 2013 for the fiscal years ended June 30, 2014 through June 30, 2018 to provide funds for the various purposes. A total of \$6,991,685 was received by the School Board from the excess levy during the fiscal year ended June 30, 2018.

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

Note 7 - Capital Assets:

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

Governmental Activities	Balance June 30, 2017	Restatement	Additions	Disposals	Balance June 30, 2018
Capital assets, non-depreciable:					
Land	\$ 11,727,361	\$ (623,155)	\$ 20,000	\$ -	\$ 11,124,206
Total non-depreciable capital assets	\$ 11,727,361	\$ (623,155)	\$ 20,000	\$ -	\$ 11,124,206
Capital assets, depreciable:					
Buildings and improvements	\$ 99,152,327	\$ 7,216,105	\$ 143,438	\$ -	\$ 106,511,870
Furniture and equipment	4,606,472	9,119	94,451	(486,838)	4,223,204
Vehicles	5,937,790	88,650	399,840	(79,700)	6,346,580
Total depreciable capital assets	\$ 109,696,589	\$ 7,313,874	\$ 637,729	\$ (566,538)	\$ 117,081,654
Less: accumulated depreciation:					
Buildings and improvements	\$ (31,566,339)	\$ -	\$ (2,177,709)	\$ -	\$ (33,744,048)
Furniture and equipment	(3,624,007)	-	(172,016)	486,838	(3,309,185)
Vehicles	(3,612,238)	-	(363,229)	79,700	(3,895,767)
Total accumulated depreciation	\$ (38,802,584)	\$ -	\$ (2,712,954)	\$ 566,538	\$ (40,949,000)
Total depreciable capital assets, net	\$ 70,894,005	\$ 7,313,874	\$ (2,075,225)	\$ -	\$ 76,132,654
Capital Assets - Net	\$ 82,621,366	\$ 6,690,719	\$ (2,055,225)	\$ -	\$ 87,256,860

Depreciation expense was allocated to governmental functions as follows:

Instruction	\$ 2,175,616
Supporting services:	
Students	1,657
Instructional staff	10,626
Central administration	109,202
Operation and maintenance of facilities	38,699
Transportation	347,304
Food services	29,850
	<u>\$ 2,712,954</u>

Note 8 - Long-Term Debt:

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

	Balance June 30, 2017	Restatement	Additions	Retirement	Balance June 30, 2018	Amounts due within one year	Amounts due past one year
Compensated absences	\$ 94,667	\$ -	\$ -	\$ 10,790	\$ 83,877	\$ 83,877	\$ -
Capital lease payable	1,643,281	131,665	-	248,590	1,526,356	249,684	1,276,672
Total long-term liabilities	\$ 1,737,948	\$ 131,665	\$ -	\$ 259,380	\$ 1,610,233	\$ 333,561	\$ 1,276,672

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

Note 9 - Leases:

The Board has entered into a capital lease-purchase agreement pursuant to the provisions of federal legislation, which authorizes the issuance of qualified zone academy bonds (QZABs). The funding is to be used for furniture and equipment for Mingo Central High School and those assets are leased from Branch Banking and Trust (BB&T) for a period of fourteen years beginning August 26, 2009. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The total amount of outstanding principal for the Mingo Central High BB&T QZAB as of June 30, 2018 is \$381,288.

The Board has also entered into a second capital lease-purchase agreement pursuant to the federal legislation authorizing the issuance of qualified zone academy bonds (QZABs). The funding will also be used for furniture and equipment for Riverside and Matewan K-8 schools and are leased from First Bank of Charleston, Inc. ("FBC") for a period of ten years beginning November 20, 2012. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The total amount of outstanding principal for the Riverside and Matewan FBC QZAB as of June 30, 2018 is \$211,735.

The Board has also entered into a third capital lease-purchase agreement pursuant to the federal legislation authorizing the issuance of qualified zone academy bonds (QZABs). The funding will also be used for furniture and equipment for Mingo Central High School and are leased from United Bank for a period of fifteen years beginning December 31, 2009. At the end of the contract period, the Board will have ownership of the equipment. By contract, the Board has the option of discontinuing the lease purchase and returning the equipment at the end of any fiscal year, if funding for the lease payments for the next fiscal year is not available. The total amount of outstanding principal for the Mingo Central High United Bank QZAB as of June 30, 2018 is \$933,333

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

Fiscal Year	Mingo Central High BB&T QZAB	Riverside and Matewan FBC QZAB	Mingo Central High United Bank QZAB	Total Payment of Principal for Capital Leases
2019	\$ 74,004	\$ 42,347	\$ 133,333	\$ 249,684
2020	75,114	42,347	133,333	250,794
2021	76,241	42,347	133,333	251,921
2022	77,384	42,347	133,333	253,064
2023	78,545	42,347	133,333	254,225
2024	-	-	133,333	133,333
2025	-	-	133,335	133,335
Total	\$ 381,288	\$ 211,735	\$ 933,333	\$ 1,526,356

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

Note 9 – Leases (Cont.):

The following is a summary of the future minimum required lease payments by year under operating leases as of June 30, 2018:

<u>Fiscal Year</u>	<u>Operating Lease Amount</u>
2019	\$ 278,217
2020	276,480
2021	274,743
2022	273,008
2023	271,271
2024	148,333
2025	148,334
Total	\$ 1,670,386

Note 10 - Employee Retirement System:

All full-time board of education employees are required to participate in one of two statewide, cost-sharing, multiple-employer retirement benefit plans, the Teachers' Retirement System (TRS) or the Teachers' Defined Contribution Retirement System (TDCRC). For the year ended June 30, 2018, the Board's total payroll for all employees was \$24,865,133, and the payroll was \$21,704,437, 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.

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

Note 10 - Employee Retirement System (Cont.):

A. Teachers' Retirement System (TRS):

Plan Description:

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

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

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

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

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

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

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

Note 10 - Employee Retirement System (Cont.):

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

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

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

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

At June 30, 2018, the School Board reported a liability for its proportionate share of the TRS net pension liability that reflected a reduction for State pension support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School Board were as follows:

School Board's proportionate share of net pension liability	\$ 1,790,021
State's proportionate share of the net pension liability associated with the School Board	<u>27,521,327</u>
Total portion of net pension liability associated with the School Board	<u>\$ 29,311,348</u>

The TRS net pension liability was measured as of June 30, 2017, and the total pension liability was determined by an actuarial valuation as of July 1, 2016, rolled forward to the measurement date. The School Board's proportion of the net pension liability was based on its proportionate share of employer and non-employer contributions to the TRS Plan for the fiscal year ended on the measurement date.

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

Note 10 - Employee Retirement System (Cont.):

For the year ended June 30, 2018, the School Board recognized pension expense of \$1,771,941, and for support provided by the State, revenue of \$2,540,651. At June 30, 2018, the School Board reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 56,265
Differences between expected and actual experience	15,563	31,888
Changes in proportion and differences between School Board contributions and proportionate share of contributions	187,541	1,298,130
Changes in assumptions	67,245	-
School Board contributions subsequent to the measurement date	<u>240,365</u>	<u>-</u>
Total	<u>\$ 510,714</u>	<u>\$ 1,386,283</u>

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

<u>Year ending June 30:</u>	
2019	\$ (419,738)
2020	(338,486)
2021	(139,566)
2022	(103,834)
2022	(114,313)
Thereafter	<u>-</u>
Total	\$(1,115,937)

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

Note 10 - Employee Retirement System (Cont.):

Actuarial Assumptions:

For TRS, the actuarial assumptions used in the June 30, 2016, valuation, with update procedures used to roll forward the total pension liability to June 30, 2017, were based on the results of an actuarial experience study for the period July 1, 2010, to June 30, 2015. These assumptions are as follows:

Inflation – 3.0%

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

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

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

Discount Rate – 7.5%

Investment Asset Allocation:

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
	<u>100%</u>	

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

Note 10 - Employee Retirement System (Cont.):

Discount Rate:

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

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

	1.0% Decrease 6.50%	Current Discount Rate 7.50%	1.0% Increase 8.50%
School Board's proportionate share of the TRS net pension liability	\$ 2,356,641	\$ 1,790,021	\$ 1,305,882

Payables to the pension plan:

At June 30, 2018, the School Board reported a liability of \$1,709,021 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.

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

Note 10 - Employee Retirement System (Cont.):

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

Employees are eligible to participate from the date of employment. Employee contributions are fully vested, and employer contributions and earnings vest with the member as follows: one-third after 6 years, two-thirds after 9 years, and 100% after 12 years. The member is fully vested at death or disability. As of June 30, 2017, this plan had approximately \$470.9 million in net position held in trust for pension benefits. Retirement or disability benefits are based solely on the accumulation of dollars in the member's individual account at the time of retirement. The accounting administration of the Plan is the responsibility of Great West Retirement Services, an independent third party administrator.

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

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

Total payments reflected in the Board's financial statements to the defined contribution plan for 2018 were:

Employees' contributions (4.5%)	\$	46,042
Employer's contributions (7.5%)		76,739
Total contributions	\$	<u>122,781</u>

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

Note 11 - Post-Employment Benefits Other Than Pension:

General Information:

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

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

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

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

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

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

Plan Description:

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

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

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

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.

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

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

Contributions:

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

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

Contributions to the OPEB plan from the School Board were \$292,812 for the year end June 30, 2018. Employees are not required to contribute to the OPEB plan.

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

At June 30, 2018, the School Board reported a liability for its proportionate share of the net OPEB liability that reflected a reduction for State OPEB support provided to the School Board. The amount recognized by the School Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the School Board were as follows:

School Board's proportionate share of net OPEB liability	\$ 3,505,482
State's proportionate share of the net OPEB liability associated with the School Board	<u>16,394,797</u>
Total portion of net OPEB liability associated with the School Board	<u>\$ 19,900,279</u>

The net OPEB liability was measured as of June 30, 2017 and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016 rolled forward to the measurement date. The School Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date.

For the year ended June 30, 2017, the School Board's proportion was 0.143 percent, a decrease of 0.089 percent from its proportion measured as of June 30, 2016 (0.232 percent).

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

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

For the year ended June 30, 2018, the School Board recognized OPEB expense of \$1,117,244 and for support provided by the State, revenue of \$1,694,629. At June 30, 2018, 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	\$ -	\$ 55,950
Differences between expected and actual experience	-	11,738
Changes in proportion and differences between School Board contributions and proportionate share of contributions	-	1,743,446
School Board contributions subsequent to the measurement date	<u>405,695</u>	<u>-</u>
Total	<u>\$ 405,695</u>	<u>\$ 1,811,134</u>

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

<u>Year ending June 30:</u>	
2019	\$ (486,573)
2020	(486,573)
2021	(486,573)
2022	(351,415)
2022	-
Thereafter	-
Total	<u>\$ (1,811,134)</u>

Actuarial Assumptions:

The total OPEB liability was determined by an actuarial valuation as June 30, 2016, using the following actuarial assumptions. These assumptions were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2015 and applied to all periods included in the measurement, unless otherwise specified. These assumptions are as follows:

Inflation – 2.75%

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

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

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

Discount Rate – 7.15%

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

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

Healthcare cost trend rates – Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.5% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend rate of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.

Investment Asset Allocation:

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

<u>Asset Class</u>	<u>Target Allocation</u>
U.S. Equity	27.5%
International Equity	27.5%
Fixed Income	15.0%
Real Estate	10.0%
Private Equity	10.0%
Hedge Funds	10.0%
Total	100.0%

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

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

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

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

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

	<u>1.0% Decrease</u> <u>6.15%</u>	<u>Current Discount Rate</u> <u>7.15%</u>	<u>1.0% Increase</u> <u>8.15%</u>
School Board's proportionate share of the RHBT net OPEB liability	\$ 4,081,732	\$ 3,505,482	\$ 3,026,458

Healthcare Cost Trend Rate:

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

	<u>1.0% Decrease</u>	<u>Current Healthcare</u> <u>Cost Trend Rate</u>	<u>1.0% Increase</u>
School Board's proportionate share of the RHBT net OPEB liability	\$ 294,655	\$ 3,505,482	\$ 4,191,405

Payables to the OPEB Plan:

At June 30, 2018, the School Board reported a liability of \$1,111,244 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.

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

Note 12 - 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 13 – Restatement of Beginning Fund Balance:

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

	General Current Expense Fund
Beginning fund balance as previously reported at June 30, 2017	\$ 811,497
Prior period adjustment - Implementation of GASB 75 and removal of prior year GASB 45 OPEB liability	3,375,590
July 1, 2017 fund balance, as restated	<u>\$ 4,187,087</u>

The adjustment to the General Current Expense Fund was to remove the OPEB liability.

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

Note 14 - Fund Balance:

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

<u>Fund Balances</u>	<u>General Current Expense Fund</u>	<u>Special Revenue Fund</u>	<u>Permanent Improvement Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Nonspendable:					
Prepaid items	\$ 131,668	\$ -	\$ -	\$ -	\$ 131,668
Restricted for:					
Special Projects	-	1,161,254	540,926	-	1,702,180
Capital Projects	-	-	-	404,766	404,766
Assigned to:					
HVAC project (HMC)	164,771	-	-	-	164,771
Tree and brush removal	22,070	-	-	-	22,070
Gilbert work in addition to contract	112,237	-	-	-	112,237
Gilbert phase 2	100,000	-	-	-	100,000
Maintenance Van #2 (not budgeted)	36,000	-	-	-	36,000
Spring MIP	100,000	-	-	-	100,000
Unassigned	<u>5,023,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,023,226</u>
Total Fund Balances	<u>\$ 5,689,972</u>	<u>\$ 1,161,254</u>	<u>\$ 540,926</u>	<u>\$ 404,766</u>	<u>\$ 7,796,918</u>

Note 15 - Commitments, Contingencies and Subsequent Events:

The School Board had encumbrances totaling \$316,303 as of June 30, 2018 in the following funds:

<u>General Current Expense Fund</u>	<u>Special Revenue Fund</u>	<u>Permanent Improvement Fund</u>	<u>Capital Projects Fund</u>
\$ 213,599	\$ 91,175	\$ 1,500	\$ 10,029

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

During the fiscal year ended June 30, 2018, the School Board was awarded a grant of \$916 thousand from the School Building Authority (SBA) to finance the renovation of Gilbert PreK-8. As of June 30, 2018, the Capital Projects Fund had committed \$405 thousand towards renovations and other capital improvements.

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.

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

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, 2017 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, 2016 was received by the School Board during August 2017. As such, Medicaid revenue has been adjusted accordingly within the accompanying financial statements. The interim cost settlement for the fiscal year ended June 30, 2017 will not be available until spring or summer of 2018. Laws and regulations governing the Medicaid program are complex and subject to interpretation. Management of the School Board believes that it is in compliance, in all material respects, with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Accordingly, such reviews could lead to disallowances and/or significant regulatory action, including fines, penalties and exclusion from the Medicaid program resulting in reimbursement of previously reported revenue, which could be material to the School Board's financial statements.

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.

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

Note 16 - Interfund Balances and Transfers:

Advances From/To Other Funds

During the year ended June 30, 2018, the General Current Expense Fund transferred \$304,625 total to the Special Revenue Fund and the Capital Projects Fund. Also the Special Revenue Fund transferred \$68,626 to the General Current Expense Fund.

Interfund Transfers

During the year ended June 30, 2018 the Special Revenue Fund transferred \$77,043 to the General Fund for indirect costs. The General Fund transferred \$25,537 to the Special Revenue Fund for professional service staff development councils and curriculum trips. The Permanent Improvement Fund transferred \$350,385 to the General Fund for facilities. The Capital Projects Fund transferred \$310,000 to the Permanent Improvement Fund for the Gilbert K8 Project.

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 - Subsequent Events:

All other commitments, contingencies, and subsequent events have been evaluated by management and have been properly disclosed up through March 12, 2019, the date of this report.

REQUIRED SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 12,968,120	\$ 12,674,358	\$ 12,350,636	\$ -	\$ 12,350,636	\$ (323,722)
Other local sources	3,671	19,475	64,423	-	64,423	44,948
State sources	27,582,802	27,879,971	27,879,814	-	27,879,814	21,843
Federal sources	100,000	100,000	258,628	-	258,628	158,628
Total revenues	40,654,593	40,651,804	40,553,501	-	40,553,501	(98,303)
Expenditures:						
Instruction	22,539,273	22,123,007	21,558,022	-	21,558,022	564,985
Supporting services:						
Students	2,226,207	2,509,495	2,316,955	-	2,316,955	192,540
Instructional staff	839,713	1,014,888	870,883	-	870,883	144,005
Central administration	1,015,543	886,456	814,935	-	814,935	71,521
School administration	2,599,246	2,680,476	2,657,349	-	2,657,349	23,127
Business	416,497	427,390	415,128	-	415,128	12,262
Operation and maintenance of facilities	5,854,772	6,026,729	5,350,264	-	5,350,264	676,465
Student transportation	4,952,919	5,099,738	4,466,285	-	4,466,285	633,453
Food services	-	-	-	-	-	-
Community services	140,000	140,000	140,000	-	140,000	-
Capital outlay	-	-	163,439	-	163,439	(163,439)
Reserved	156,162	-	-	-	-	-
Total expenditures	40,740,332	40,908,179	38,753,260	-	38,753,260	2,154,919
Excess (deficiency) of revenues over expenditures	(85,739)	(256,375)	1,800,241	-	1,800,241	2,056,616
Other financing sources (uses):						
Proceeds from disposal of real or personal property	28,170	28,170	1,523	-	1,523	(26,647)
Transfers in	65,652	65,652	77,043	-	77,043	11,391
Transfers (out)/reserves	(658,083)	(658,083)	(375,922)	-	(375,922)	282,161
Total other financing sources (uses)	(564,261)	(564,261)	(297,356)	-	(297,356)	266,905
Change in fund balances	(650,000)	(820,636)	1,502,885	-	1,502,885	2,323,521
Fund balances - beginning, as restated	650,000	820,636	4,187,087	-	4,187,087	3,366,451
Fund balances - ending	\$ -	\$ -	\$ 5,689,972	\$ -	\$ 5,689,972	\$ 5,689,972

See Notes to the Required Supplementary Information.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Local sources	\$ -	\$ 55,508	\$ 81,047	\$ -	\$ 81,047	\$ 25,539
State sources	2,027,345	2,330,176	2,330,778	-	2,330,778	602
Federal sources	5,663,299	8,150,483	6,794,386	-	6,794,386	(1,356,097)
Total revenues	7,690,644	10,536,167	9,206,211	-	9,206,211	(1,329,956)
Expenditures:						
Instruction	3,811,947	5,815,002	4,495,636	-	4,495,636	1,319,366
Supporting services:						
Students	84,010	711,231	413,653	-	413,653	297,578
Instructional staff	227,414	1,421,441	651,961	-	651,961	769,480
School administration	-	32,426	17,496	-	17,496	14,930
Student transportation	382,069	396,337	392,250	-	392,250	4,087
Food services	3,047,929	3,630,326	3,036,980	-	3,036,980	593,346
Reserved	745,358	181,874	-	-	-	181,874
Total expenditures	8,298,727	12,188,637	9,007,976	-	9,007,976	3,180,661
Excess (deficiency) of revenues over expenditures	(608,083)	(1,652,470)	198,235	-	198,235	1,850,705
Other financing sources (uses):						
Transfers in	608,083	608,083	25,537	-	25,537	(582,546)
Transfers (out)	-	-	(77,043)	-	(77,043)	(77,043)
Total other financing sources (uses)	608,083	608,083	(51,506)	-	(51,506)	(659,589)
Change in fund balances	-	(1,044,387)	146,729	-	146,729	1,191,116
Fund balances - beginning	-	1,044,387	1,014,525	-	1,014,525	(29,862)
Fund balances - ending	\$ -	\$ -	\$ 1,161,254	\$ -	\$ 1,161,254	\$ 1,161,254

See Notes to the Required Supplementary Information.

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

	Reported Fiscal Year (Measurement Date) 2018 (2017)	Reported Fiscal Year (Measurement Date) 2017 (2016)	Reported Fiscal Year (Measurement Date) 2016 (2015)	Reported Fiscal Year (Measurement Date) 2015 (2014)
School Board's proportion of the net pension liability (asset)	0.051810%	0.070458%	0.062707%	0.081106%
School Board's proportionate share of net pension liability (asset)	\$ 1,790,021	\$ 2,895,695	\$ 2,172,957	\$ 2,798,238
State's proportionate share of the net pension liability (asset) associated with the district	27,521,327	40,176,809	37,762,773	53,094,226
Total	29,311,348	43,072,504	39,935,730	55,892,464
School Board's covered-employee payroll	\$ 21,704,437	\$ 22,730,860	\$ 23,402,252	\$ 23,392,104
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	8.247%	12.739%	9.285%	11.962%
Plan fiduciary net position as a percentage of the total pension liability	67.85%	61.42%	66.25%	65.95%

See Notes to the Required Supplementary Information.

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

	2018	2017	2016	2015
Contractually required contribution	\$ 235,602	\$ 246,171	\$ 311,716	\$ 288,945
Contributions in relation to the contractually required contribution	(235,602)	(246,171)	(311,716)	(288,945)
Contribution deficiency (excess)	-	-	-	-
School Board's covered-employee payroll	\$ 21,449,674	\$ 21,704,437	\$ 22,730,860	\$ 23,402,252
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	1.098%	1.134%	1.371%	1.235%

See Notes to the Required Supplementary Information.

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

	Reported Fiscal Year (Measurement Date)
	<u>2018</u> <u>(2017)</u>
School Board's proportion of the net OPEB liability (asset)	0.142558%
School Board's proportionate share of net OPEB liability (asset)	\$ 3,505,482
State's proportionate share of the net OPEB liability (asset) associated with the district	<u>16,394,797</u>
Total	<u><u>19,900,279</u></u>
School Board's covered-employee payroll	\$ 18,889,573
School Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	18.558%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%

See Notes to the Required Supplementary Information.

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

	<u>2018</u>
Contractually required contribution	\$ 1,117,244
Contributions in relation to the contractually required contribution	<u>(1,117,244)</u>
Contribution deficiency (excess)	<u><u>-</u></u>
School Board's covered-employee payroll	\$ 18,419,297
School Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	6.066%

See Notes to the Required Supplementary Information.

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

A. Budgets and Budgetary Accounting:

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

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

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

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2018, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

General Current Expense Fund

Capital outlay	\$ 163,439
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The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs, available beginning fund balance, and revenues received in excess of the anticipated amounts budgeted.

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

C. Changes in Assumptions

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

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

OTHER SUPPLEMENTARY INFORMATION

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Property taxes	\$ 418,181	\$ 418,181	\$ 458,101	\$ -	\$ 458,101	\$ 39,920
Other local sources	-	-	204	-	204	(204)
Total revenues	418,181	418,181	458,305	-	458,305	39,716
Expenditures:						
Capital outlay	50,000	293,536	108,399	-	108,399	185,137
Debt service:						
Principal retirement	287,000	287,440	248,590	-	248,590	38,850
Interest and fiscal charges	-	-	31,363	-	31,363	(31,363)
Reserved	131,181	30,741	-	-	-	30,741
Total expenditures	468,181	611,717	388,352	-	388,352	223,365
Excess (deficiency) of revenues over expenditures	(50,000)	(193,536)	69,953	-	69,953	263,081
Other financing sources (uses):						
Transfers in	50,000	50,000	394,039	-	394,039	344,039
Transfers (out)	-	(310,000)	(353,654)	-	-	344,039
Total other financing sources (uses)	50,000	(260,000)	40,385	-	394,039	344,039
Change in fund balances	-	(453,536)	110,338	-	463,992	917,528
Fund balances - beginning	-	453,536	430,588	-	430,588	(22,948)
Fund balances - ending	\$ -	\$ -	\$ 540,926	\$ -	\$ 894,580	\$ 894,580

See Notes to the Other Supplementary Information.

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

	Budgeted Amounts		Actual GAAP Basis	Adjustments for Regulatory Basis	Actual Regulatory Basis Amounts	Variance With Final Budget Favorable (Unfavorable)
	Original	Final				
Revenues:						
Other local sources	\$ -	\$ -	\$ 117,413	\$ -	\$ 117,413	\$ 117,413
State sources	-	1,978,768	169,678	-	169,678	1,809,090
Total revenues	-	1,978,768	287,091	-	287,091	(1,691,677)
Expenditures:						
Capital outlay	-	2,411,898	192,325	-	192,325	2,219,573
Total expenditures	-	2,411,898	192,325	-	192,325	2,219,573
Excess (deficiency) of revenues over expenditures	-	(433,130)	94,766	-	94,766	527,896
Other financing sources (uses):						
Proceeds from capital lease	-	123,130	-	-	-	(123,130)
Transfers in	-	310,000	310,000	-	310,000	-
Total other financing sources (uses)	-	433,130	310,000	-	310,000	(123,130)
Change in fund balances	-	-	404,766	-	404,766	404,766
Fund balances - beginning	-	-	-	-	-	-
Fund balances - ending	\$ -	\$ -	\$ 404,766	\$ -	\$ 404,766	\$ 404,766

See Notes to the Other Supplementary Information.

MINGO COUNTY BOARD OF EDUCATION
NOTES TO THE BUDGET AND ACTUAL SCHEDULES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

A. Budgets and Budgetary Accounting:

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

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

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

B. Excess of Expenditures over Appropriations:

For the year ended June 30, 2018, expenditures exceeded appropriations in the funds listed at the function level, which, according to State Board Policy, is the level at which budgetary controls must be maintained.

Permanent Improvement Fund

Interest and fiscal charges	\$ 31,363
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The over-expenditures in these programs were funded by a reduction of expenditures in the remaining instructional programs, available beginning fund balance, and revenues received in excess of the anticipated amounts budgeted.

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

	Cash Balance 7/1/17	Revenues Received	Expenditures Paid	Cash Balance 6/30/18
Burch PreK	\$ 21,523	\$ 152,795	\$ 130,623	\$ 43,695
Dingess Elementary	17,367	7,032	5,592	18,807
Gilbert Elementary	18,497	29,310	30,712	17,095
Gilbert Middle	27,787	57,522	51,305	34,004
Kermit PreK-8	36,405	60,356	64,245	32,516
Lenore PreK-8	31,953	54,800	55,679	31,074
Matewan PreK-8	42,507	49,749	40,232	52,024
Mingo Central High School	121,505	386,540	366,592	141,453
Mingo Extended Learning Center	96,407	134,411	113,726	117,092
Tug Valley High School	58,142	148,877	128,734	78,285
Williamson PreK-8	57,121	92,471	85,584	64,008
Total	\$ 529,214	\$ 1,173,863	\$ 1,073,024	\$ 630,053

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

	Current Year			Less To Date		
	Estimated Per Levy Call	Actual	Variance	Estimated Per Levy Call	Actual	Variance
Excess Levy Collections	\$ 8,841,894	\$ 6,991,685	\$ (1,850,209)	\$ 35,375,376	\$ 24,087,558	\$ (11,288,018)
Expenditures Mingo County Levy Call:						
Textbooks, Equipment, and Supplies To provide free textbooks and to provide and maintain instructional equipment, and instructional supplies for all pupils, kindergarten through grade 12	1,052,376	70,933	(981,443)	4,210,304	146,210	(4,064,094)
Additional Educational Opportunities To provide additional educational opportunities for students of Mingo County by offering evening classes, summer school, and remedial programs, extracurricular, and the energy expense programs	200,000	57,295	(142,705)	800,000	265,732	(534,268)
Technological Equipment and Services To provide each school with technological equipment and supplies and technological services to install and maintain the equipment	343,414	116,449	(226,965)	1,381,656	319,648	(1,061,968)
Performing Arts To provide materials and supplies for music, band, and choral programs in grade K-12	87,046	26,214	(60,822)	348,144	105,320	(242,824)
Support of Academic Competition To enhance academic achievement for our youth and support curricular events in grade K-1	60,000	9,563	(50,437)	240,000	30,172	(209,828)
Library Supplement To supplement the services provided by school libraries, the public libraries, and the mobile library	200,000	119,537	(80,463)	800,000	410,980	(389,020)
Vocational Services and Programs For the improvement and expansion of the vocational services and instructional programs in the Mingo County School District	138,166	143,176	5,010	552,664	489,585	(63,079)
Student Supplies To provide funds for each school in the county in the amount of \$10 per student to be used at the school's discretion for supplies at the beginning of each school year	50,000	55,748	5,748	200,000	149,483	(50,517)
Health Services For the continuation of providing basic health services to all students and employees in the Mingo County School District	92,110	78,728	(13,382)	368,440	233,011	(135,429)
Safety and Security For the compliance with safety standards and the correction of fire hazards, set forth in the inspection report of the State Fire Marshall of WV to provide for security of the facilities, staff, and students	345,414	151,355	(194,059)	1,381,656	571,969	(809,687)
Operation and Maintenance To furnish, equip, repair, renovate, and improve any facility where necessary	600,000	799,917	199,917	2,400,000	1,318,892	(1,081,108)
Optical and Dental Insurance To provide optical and dental coverage for all full time employees of the Mingo County School District	400,000	479,217	79,217	1,600,000	1,326,542	(273,458)
Professional Supplements For the continuation of present salary supplements for all supervisory personnel, directors, principals, teaching personnel, and the payment of expenses fixed by law and based on the following academic degrees and additional academic hours, and to provide an annual year-end salary supplement of \$500 to all supervisory personnel, directors, principals, as well as to provide for the payment of salaries and fixed charges not funded by the state basic public education support program	2,648,211	2,804,137	155,926	10,592,844	9,867,952	(724,892)
Service Supplements For the continuation of salary supplements of \$1,500 to all school service personnel, which includes secretaries, aides, bus drivers, truck drivers, mechanics, custodians, cooks, and maintenance personnel, as well as provide an annual year-end salary supplement of \$375 to all secretaries, aides, bus drivers, truck drivers, mechanics, custodians, cooks, and maintenance personnel, as well as the payment of fixed expenses fixed by law, for the payment of salaries and fixed charges not funded by the state basic education support program	1,801,910	1,483,728	(318,182)	7,207,640	5,838,399	(1,369,241)
Sick Leave Incentive Supplementation of the current operating budget of the Board of Education to permit incentives for unused sick leave for professional and service personnel	200,000	60,055	(139,945)	800,000	351,758	(448,242)
Athletic Programs To make necessary expenditures to support and maintain all the athletic programs at the middle and senior high level. Expenditures are to be made equally among the senior high schools in the fixed amount of \$10,000 each, and equally among the middle schools in the fixed amount of \$6,000 each. The amount of \$30,000 is designated as rental fees, the amount of \$34,000 is to be used to help defray the cost of other athletic expenses	217,707	210,492	(7,215)	870,828	640,206	(230,622)
Extension Service To provide funds to the Mingo County Extension Service in the annual amount of \$30,000 and to provide educational programs for the students of Mingo County	30,000	30,000	-	120,000	90,000	(30,000)
Supplement - Special Assignments To provide curricular and extra-curricular supplements and support for athletic and academic department heads, and others with special assignments	240,350	260,350	20,000	961,400	802,000	(159,400)
Classroom Furniture To provide funds for classroom furniture upgrade	100,000	15,315	(84,685)	400,000	67,525	(332,475)
Salary Supplement To provide salary supplements for professionals with nationally recognized certification	35,000	27,456	(7,544)	140,000	97,109	(42,891)
Surplus Authorization for the Board to expend, upon funding of the above mentioned purposes, at the end of each fiscal year this levy is in force and effect, or at the end of the five year period this entire levy is in effect of otherwise, at such times as it may decay, for public school purposes, and any surplus which may accrue each fiscal year during the term of this levy	-	-	-	-	964,725	964,725
Total Expenditures	8,841,894	6,991,685	(1,850,209)	35,375,376	24,087,558	(11,288,018)
Excess of Collections over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 340	\$ 340

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

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures Paid
U.S. Department of Agriculture			
Passed Through West Virginia Department of Education			
Child Nutrition Cluster:			
National School Breakfast and Lunch Program	10.553/10.555	88	\$ 2,535,578
Donated Foods (Non-cash)	10.555	88	<u>213,812</u>
Total Child Nutrition Cluster			2,749,390
Child and Adult Care Program	10.558	88	25,003
TEAM Nutrition Grant	10.574	88	15,989
Fresh Fruits and Vegetable Program	10.582	88	<u>148,764</u>
Total U.S. Department of Agriculture			<u>2,939,146</u>
U.S. Department of Education			
Passed Through West Virginia Department of Education			
Title I Grants to Local Educational Agencies	84.010	41	1,972,212
Special Education Cluster:			
Special Education Grants to States	84.027	43	1,075,586
Special Education - Pre-School	84.173	43	<u>72,864</u>
Total Special Education Cluster			1,148,450
Career and Technical Education	84.048	41	96,965
Rural and Low Income	84.358	41	79,580
Title II Improving Teacher Quality	84.367	40	408,791
Passed Through West Virginia Higher Education Policy Commission			
Gaining Early Awareness and Readiness for Undergraduate Programs (GEARUP)	84.334	74	<u>57,041</u>
Total U.S. Department of Education			<u>3,763,039</u>
Total Federal Financial Assistance Expended			<u>\$ 6,702,185</u>

See Notes to the Schedule of Expenditures of Federal Awards

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

Note 1 – Basis of Presentation:

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

Note 2 – Food Distribution:

The Mingo County Board of Education's non-cash assistance received from the U.S. Department of Agriculture Donated Foods Program of \$213,812, is included in the Schedule of Expenditures of Federal Awards based upon the fair market value of the commodities at the time of receipt and reflects the amount distributed for the year ended June 30, 2018.

Note 3 – Indirect Costs:

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

Note 4 – Subrecipients:

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



The
Fyffe
Jones
Group, AC

The Fyffe Jones Group, AC

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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 Mingo County Board of Education
Williamson, 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 Mingo County Board of Education, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Mingo County Board of Education's basic financial statements, and have issued our report thereon dated March 12, 2019.

Internal Control Over Financial Reporting

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

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 12, 2019



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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 Mingo County Board of Education
Williamson, West Virginia

Report on Compliance for Each Major Federal Program

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Mingo 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 Mingo 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 Mingo County Board of Education's internal control over compliance.

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

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

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

The Fyffe Jones Group, AC

THE FYFFE JONES GROUP, AC

Huntington, West Virginia
March 12, 2019

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

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Programs tested:

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

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

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

There were no findings in the prior audit.