



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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AUDIT REPORT OF
THE MUNICIPALITY OF ELKINS, WEST VIRGINIA
REGULAR AUDIT

For the Year Ended June 30, 2015
Fiscal Year Audited Under GAGAS: 2015

**AUDIT REPORT OF
MUNICIPALITY OF ELKINS, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

This audit has been conducted pursuant to the authority and duty of the State Auditor as Chief Inspector and Supervisor of Public Offices to conduct an annual inspection of all political subdivisions of the State of West Virginia and any agency created by these subdivisions. This power is granted by West Virginia Code Section 6-9-1 et seq.

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INTRODUCTORY SECTION

**CITY OF ELKINS, WEST VIRGINIA
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JUNE 30, 2015**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance
Capital Reserve

PROPRIETARY FUND TYPE

MAJOR FUNDS

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Water
Sewer

NONMAJOR FUNDS

Special Revenue Funds

Municipal Building Commission

FIDUCIARY FUND TYPES

Pension Trust Funds

Policemen's Pension and Relief
Firemen's Pension and Relief

COMPONENT UNIT

Blended

Municipal Building Commission

Discretely Presented

Parks and Recreation Board

FINANCIAL SECTION



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Independent Auditor's Report

Municipality of Elkins
Randolph County, West Virginia
401 Davis Avenue
Elkins, West Virginia 26241

To the Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of Elkins, Randolph County, West Virginia (the Municipality), as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of Elkins, Randolph County, West Virginia, as of June 30, 2015, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Fund, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during 2015 the Municipality of Elkins adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*. 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 this presentation to include Management's discussion and analysis, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. The Municipality has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information related to the Firemen's Pension and Relief Fund on pages 72, 75, 78, and 80; the Policemen's Pension and Relief Fund on pages 73, 76, 79, and 80; and the defined benefit pension plan on pages 74 and 77 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.

Mayor and Members of Council
Municipality of Elkins
Randolph County, West Virginia
Independent Auditor's Report
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 8, 2016, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Balestra, Harr & Scherer, CPAs
Balestra, Harr & Scherer, CPAs, Inc.
Huntington, West Virginia
April 8, 2016

City of Elkins, West Virginia
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total	Component Unit Parks and Recreation Board
Assets:				
Cash and investments	\$ 829,836	\$ 891,759	\$ 1,721,595	\$ 68,093
Investments	392,760	-	392,760	-
Receivables (net)				
Taxes	429,124	-	429,124	-
Accounts	98,224	698,458	796,682	201
Other receivables	55,773	-	55,773	-
Due to/from other activities	1,174,346	(1,173,581)	765	(765)
Inventory	-	86,364	86,364	-
Restricted Assets	-	3,319,181	3,319,181	-
Capital assets not being depreciated	265,765	66,800	332,565	-
Capital assets being depreciated (net of accumulated depreciation)	1,908,188	14,163,492	16,071,680	587,446
<i>Total assets</i>	5,154,016	18,052,473	23,206,489	654,975
Deferred Outflows of Resources:				
Pensions	855,571	177,961	1,033,532	-
Liabilities:				
Accounts payable	70,133	321,327	391,460	8,317
Accrued wages and benefits	223,643	175,578	399,221	6,117
Accrued interest payable	-	13,950	13,950	-
Notes payable	-	1,960,070	1,960,070	-
Long-term liabilities				
Due within one year	89,502	653,132	742,634	10,922
Due in more than one year				
Pensions	2,657,170	322,433	2,979,603	-
Other long-term liabilities	1,466,214	15,568,446	17,034,660	-
<i>Total liabilities</i>	4,506,662	19,014,936	23,521,598	25,356
Deferred inflows of resources:				
Pensions	394,097	341,089	735,186	-
<i>Total deferred inflows of resources</i>	394,097	341,089	735,186	-
Net Position:				
Net investment in capital assets	1,507,778	3,105,965	4,613,743	587,446
Restricted for:				
Other purposes	192,141	-	192,141	-
Debt service	-	757,618	757,618	-
Capital expenditures	838,649	497,825	1,336,474	-
Unrestricted (deficit)	(1,429,740)	(5,486,999)	(6,916,739)	42,173
<i>Total net position</i>	\$1,108,828	(\$1,125,591)	(\$16,763)	\$629,619

The notes to the basic financial statements are an integral part of this statement.

**City of Elkins, West Virginia
Statement of Activities
For the Year Ended June 30, 2015**

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,034,690	\$ 577,497	\$ -	\$ -
Public safety	1,211,077	477,849	7,840	-
Highway and Streets	1,003,768	21,722	-	-
Culture and recreation	100,325	-	-	-
Health and Sanitation	13,100	-	-	-
Contribution Expense	200,000	-	-	-
Interest and fiscal charges	30,939	-	-	-
Total governmental activities	3,593,899	1,077,068	7,840	-
Business-type activities:				
Sanitation	1,238,068	1,309,996	-	-
Landfill	220,288	478,045	-	-
Water	1,847,369	1,860,538	-	-
Sewer	2,102,992	2,381,407	-	-
Total business-type activities	5,408,717	6,029,986	-	-
Total primary government	9,002,616	7,107,054	7,840	-
Component unit:				
Parks and Recreation Board	259,949	35,425	212,677	-
Total component unit	259,949	35,425	212,677	-

General revenues:

Taxes:

- Ad valorem property taxes
- Business and occupation taxes
- Alcoholic beverage tax
- Utility service tax
- Animal control
- Hotel occupancy
- Gas and Oil Severance
- Licenses and permits
- Franchise fees
- Intergovernmental - state
- Reimbursements
- Video lottery and gaming income
- Investment income
- Miscellaneous
- Total general revenues
- Changes in net position
- Net position (deficit), January 1 - As restated, See Note 15
- Net position (deficit), December 31

The notes to the basic financial statements are an integral part of this statement.

**Net Revenue (Expense) and
Changes in Net Position**

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Parks & Recreation Board
\$ (457,193)	\$ -	\$ (457,193)	\$ -
(725,388)	-	(725,388)	-
(982,046)	-	(982,046)	-
(100,325)	-	(100,325)	-
(13,100)	-	(13,100)	-
(200,000)	-	(200,000)	-
(30,939)	-	(30,939)	-
(2,508,991)	-	(2,508,991)	-
-	71,928	71,928	-
-	257,757	257,757	-
-	13,169	13,169	-
-	278,415	278,415	-
-	621,269	621,269	-
(2,508,991)	621,269	(1,887,722)	-
			(11,847)
			(11,847)
906,130	-	906,130	-
1,183,516	-	1,183,516	-
119,465	-	119,465	-
369,641	-	369,641	-
1,696	-	1,696	-
174,418	-	174,418	-
28,123	-	28,123	-
79,046	-	79,046	-
94,138	-	94,138	-
198,894	-	198,894	-
6,910	-	6,910	-
37,539	-	37,539	-
3,942	1,797	5,739	61
29,474	-	29,474	2,173
3,232,932	1,797	3,234,729	2,234
723,941	623,066	1,347,007	(9,613)
384,887	(1,748,657)	(1,363,770)	639,232
\$ 1,108,828	\$ (1,125,591)	\$ (16,763)	\$ 629,619

City of Elkins, West Virginia
Balance Sheet
Governmental Funds
June 30, 2015

	General	Coal Severance	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and investments	\$ 642,128	\$ 185,264	\$ 2,444	\$ -	\$ 829,836
Investments	15,102	-	377,658	-	392,760
Receivables (net of allowances for uncollectibles)					
Taxes	429,124	-	-	-	429,124
Accounts	98,224	-	-	-	98,224
Other receivables	48,896	6,877	-	-	55,773
Due from:					
Other funds	983,178	-	458,547	-	1,441,725
Component unit	765	-	-	-	765
<i>Total assets</i>	<u>2,217,417</u>	<u>192,141</u>	<u>838,649</u>	<u>-</u>	<u>3,248,207</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
Liabilities:					
Accounts payable	70,133	-	-	-	70,133
Accrued wages and benefits	223,643	-	-	-	223,643
Interfund payable	268,144	-	-	-	268,144
<i>Total liabilities</i>	561,920	-	-	-	561,920
Deferred Inflows of Resources:					
Property taxes not levied to finance current year operations	84,968	-	-	-	84,968
Unavailable revenue - intergovernmental	21,755	-	-	-	21,755
<i>Total deferred inflows of resources</i>	106,723	-	-	-	106,723
Fund Balances:					
Restricted for Capital Outlay	-	-	838,649	-	838,649
Restricted	-	192,141	-	-	192,141
Unassigned	1,548,774	-	-	-	1,548,774
<i>Total fund balances</i>	1,548,774	192,141	838,649	-	2,579,564
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 2,217,417</u>	<u>\$ 192,141</u>	<u>\$ 838,649</u>	<u>\$ -</u>	<u>\$ 3,248,207</u>

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2015

Total Governmental Fund Balances		\$ 2,579,564
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,173,953
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		
Taxes	84,968	
Intergovernmental	<u>21,755</u>	
Total		106,723
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	855,571	
Deferred inflows of resources related to pensions	(394,097)	
Net Pension Liability	<u>(2,657,170)</u>	
Total		(2,195,696)
Long-term liabilities, including capital leases, notes payable, bonds payable and other post employment benefits payable are not due and payable in the current period and are not reported in the funds.		
Capital Leases Payable	(161,732)	
Notes Payable	(9,785)	
Revenue Bonds Payable	(379,139)	
Other Post Employment Benefits Payable	<u>(1,005,060)</u>	
Total		<u>(1,555,716)</u>
Net Position of Governmental Activities		<u><u>1,108,828</u></u>

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	General	Coal Severance	Capital Reserve	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes (including interest and penalties)					
Ad valorem	\$ 902,480	\$ -	\$ -	\$ -	\$ 902,480
Business and occupation	1,162,303	-	-	-	1,162,303
Alcoholic beverage	119,465	-	-	-	119,465
Utility services	369,641	-	-	-	369,641
Animal control	1,696	-	-	-	1,696
Hotel occupancy	174,418	-	-	-	174,418
Gas and Oil Severance	12,893	-	-	-	12,893
Licenses and permits	79,046	-	-	-	79,046
Franchise fees	94,138	-	-	-	94,138
Intergovernmental revenue					
Federal	7,840	-	-	-	7,840
State	168,557	23,812	-	-	192,369
Charges for services	425,837	-	-	-	425,837
Investment earnings	2,399	59	1,484	-	3,942
Fire service fees and penalties	477,849	-	-	-	477,849
Reimbursements	6,910	-	-	-	6,910
Rents and concessions	1,391	-	-	46,338	47,729
Parking revenues	21,722	-	-	-	21,722
Court costs and fees	103,931	-	-	-	103,931
Video lottery and gaming income	37,539	-	-	-	37,539
Miscellaneous revenue	29,474	-	-	-	29,474
<i>Total revenues</i>	4,199,529	23,871	1,484	46,338	4,271,222
Expenditures:					
Current:					
General government	1,020,115	-	-	-	1,020,115
Public safety	1,705,908	30,607	-	-	1,736,515
Highway and Streets	1,217,528	-	-	-	1,217,528
Culture and recreation	100,325	-	-	-	100,325
Health and Sanitation	13,100	-	-	-	13,100
Capital outlay	-	-	200,000	-	200,000
Debt service:					
Principal retirement	91,729	-	-	23,790	115,519
Interest and fiscal charges	8,391	-	-	22,548	30,939
<i>Total expenditures</i>	4,157,096	30,607	200,000	46,338	4,434,041
<i>Excess of revenues over (under) expenditures</i>	42,433	(6,736)	(198,516)	-	(162,819)
Other financing sources (uses):					
Contributions to Park Board	(200,000)	-	-	-	(200,000)
<i>Total other financing sources (uses)</i>	(200,000)	-	-	-	(200,000)
Net change in fund balance	(157,567)	(6,736)	(198,516)	-	(362,819)
Fund balance, January 1-As restated-See Note 15	1,706,341	198,877	1,037,165	-	2,942,383
Fund balance, December 31	<u>\$ 1,548,774</u>	<u>\$ 192,141</u>	<u>\$ 838,649</u>	<u>\$ -</u>	<u>\$ 2,579,564</u>

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ (362,819)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions exceeded depreciation in the current period.

Capital Asset Additions	421,972	
Current Year Depreciation	(205,730)	
Total		216,242

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Taxes	84,968	
Intergovernmental	21,755	
Total		106,723

Repayments of bond and note principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.

49,706

Repayments of capital lease obligations are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.

65,813

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.

783,177

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(78,590)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in Other Post Employment Benefits	(56,311)	

Total		(56,311)
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Net Change in Net Position of Governmental Activities **\$ 723,941**

The notes to the basic financial statements are an integral part of this statement.

CITY OF ELKINS, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND – BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Modified</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Accrual</u>	<u>With Final</u>
			<u>Basis</u>	<u>Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Taxes (including interest and penalties)				
General property tax	\$ 932,100	\$ 932,100	\$ 902,480	\$ (29,620)
Gas and oil severance tax	6,500	6,500	12,893	6,393
Business and occupation tax	1,192,800	1,192,800	1,162,303	(30,497)
Alcoholic beverage tax	115,000	115,000	119,465	4,465
Utility services tax	330,000	330,000	369,641	39,641
Hotel occupancy tax	160,000	160,000	174,418	14,418
Animal control tax	<u>1,500</u>	<u>1,500</u>	<u>1,696</u>	<u>196</u>
Total taxes	2,737,900	2,737,900	2,742,896	4,996
Licenses and permits	62,450	62,450	79,046	16,596
Franchise fees	80,000	80,000	94,138	14,138
Intergovernmental:				
Federal	-0-	-0-	7,840	7,840
State	10,000	10,000	168,557	158,557
Charges for services	411,588	411,588	425,837	14,249
Interest	600	600	2,399	1,799
Fire service fees and penalties	401,500	401,500	477,849	76,349
Parking revenues	12,000	12,000	21,722	9,722
Court costs and fees	175,450	175,450	103,931	(71,519)
Video lottery and gaming income	42,000	42,000	37,539	(4,461)
Rents and concessions	18,000	18,000	1,391	(16,609)
Reimbursements	6,000	6,000	6,910	910
Miscellaneous	<u>4,100</u>	<u>4,100</u>	<u>29,474</u>	<u>25,374</u>
Total revenues	<u>3,961,588</u>	<u>3,961,588</u>	<u>4,199,529</u>	<u>237,941</u>
Expenditures				
General government	1,200,727	1,230,657	1,043,410	187,247
Public safety	1,626,649	1,771,735	1,735,323	36,412
Highways and streets	1,033,212	1,036,196	1,264,938	(228,742)
Health and sanitation	5,000	5,000	13,100	(8,100)
Culture and recreation	<u>96,000</u>	<u>96,000</u>	<u>100,325</u>	<u>(4,325)</u>
Total expenditures	<u>3,961,588</u>	<u>4,139,588</u>	<u>4,157,096</u>	<u>(17,508)</u>
(Deficiency) excess of revenues				
(under) over expenditures	<u>-0-</u>	<u>(178,000)</u>	<u>42,433</u>	<u>220,433</u>

CITY OF ELKINS, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL FUND – BUDGETARY BASIS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Modified</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Accrual</u>	<u>With Final</u>
			<u>Basis</u>	<u>Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Other Financing Sources (Uses)				
Contributions to Park Board	\$ <u>(200,000)</u>	\$ <u>(200,000)</u>	\$ <u>(200,000)</u>	\$ <u>-0-</u>
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-0-</u>
Net change in fund balance	(200,000)	(378,000)	(157,567)	220,433
Fund balance at beginning of year	<u>1,706,341</u>	<u>1,706,341</u>	<u>1,706,341</u>	<u>-0-</u>
Fund balance at end of year	\$ <u>1,506,341</u>	\$ <u>1,328,341</u>	\$ <u>1,548,774</u>	\$ <u>220,433</u>

Explanation of Differences:

- (1) The City budgets for capital expenditures as a current period expenditure rather than a capital expenditure on the accrual basis of accounting.

The accompanying notes are integral parts of this statement.

CITY OF ELKINS, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL –
COAL SEVERANCE FUND – BUDGETARY BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Modified</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Accrual</u>	<u>With Final</u>
			<u>Basis</u>	<u>Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues				
Intergovernmental:				
State	\$ 30,000	\$ 30,000	\$ 23,812	\$(6,188)
Interest	<u>-0-</u>	<u>-0-</u>	<u>59</u>	<u>59</u>
Total revenues	<u>30,000</u>	<u>30,000</u>	<u>23,871</u>	<u>(6,129)</u>
Expenditures				
Public safety	<u>232,000</u>	<u>232,000</u>	<u>30,607</u>	<u>201,393</u>
Total expenditures	<u>232,000</u>	<u>232,000</u>	<u>30,607</u>	<u>201,393</u>
Net change in fund balance	(202,000)	(202,000)	(6,736)	195,264
Fund balance at beginning of year	<u>202,000</u>	<u>202,000</u>	<u>198,877</u>	<u>(3,123)</u>
Fund balance at end of year	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>192,141</u>	\$ <u>192,141</u>

The accompanying notes are integral parts of this statement.

City of Elkins, West Virginia
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds				
	Sanitation	Landfill	Water	Sewer	Totals
Assets:					
Current assets:					
Equity in pooled cash and investments	\$ 330,728	\$ 47,418	\$ 65,639	\$ 447,974	\$ 891,759
Receivables (net of allowances for uncollectibles)	107,622	35,607	179,796	375,433	698,458
Due from other funds	537,599	18,507	192,744	51,083	799,933
Materials and supplies inventory	-	-	43,182	-	86,364
<i>Total current assets</i>	<u>975,949</u>	<u>101,532</u>	<u>481,361</u>	<u>917,672</u>	<u>2,476,514</u>
Restricted assets:					
Reserve account	-	-	-	677,514	677,514
Revenue account	-	-	-	80,104	80,104
Depreciation account	-	-	233,688	221,762	455,450
Capital asset acquisition account	-	-	42,375	-	42,375
Landfill escrow	-	2,063,738	-	-	2,063,738
<i>Total restricted assets</i>	<u>-</u>	<u>2,063,738</u>	<u>276,063</u>	<u>979,380</u>	<u>3,319,181</u>
Capital Assets					
Land	-	-	9,766	57,034	66,800
Structures and improvements	-	42,600	3,829,459	10,656,287	14,528,346
Treatment and distribution system	-	-	3,480,997	-	3,480,997
Collecting system	-	-	-	4,126,382	4,126,382
Pumping system	-	-	-	594,661	594,661
Treatment and disposal system	-	-	-	2,604,598	2,604,598
General plant	-	-	-	1,108,568	1,108,568
Machinery and equipment	1,102,425	1,304,693	758,678	-	3,165,796
Landfill cell	-	2,918,670	-	-	2,918,670
Construction in progress	-	-	3,131,883	311,906	3,443,789
Less: accumulated depreciation and amortization	(863,291)	(4,050,460)	(5,557,113)	(11,337,451)	(21,808,315)
<i>Total capital assets</i>	<u>239,134</u>	<u>215,503</u>	<u>5,653,670</u>	<u>8,121,985</u>	<u>14,230,292</u>
<i>Total assets</i>	<u>1,215,083</u>	<u>2,380,773</u>	<u>6,411,094</u>	<u>10,019,037</u>	<u>20,025,987</u>
Deferred Outflows of Resources:					
Pensions	33,487	7,671	73,271	63,532	177,961
Liabilities:					
Current liabilities (payable from current assets):					
Accounts payable	71,363	146,350	66,923	36,691	321,327
Accrued wages, benefits and vacation	47,164	1,557	60,451	66,406	175,578
Due to other funds	440,091	1,446,505	86,918	-	1,973,514
Accrued interest payable	-	-	-	-	-
Notes payable	-	10,070	1,950,000	-	1,960,070
Current portion of obligations under capital leases	48,175	59,803	-	-	107,978
<i>Total current liabilities (payable from current assets)</i>	<u>606,793</u>	<u>1,664,285</u>	<u>2,164,292</u>	<u>103,097</u>	<u>4,538,467</u>
Current liabilities (payable from restricted assets):					
Revenue bonds payable	-	-	-	545,154	545,154
Accrued interest	-	-	3,165	10,785	13,950
<i>Total current liabilities (payable from restricted assets)</i>	<u>-</u>	<u>-</u>	<u>3,165</u>	<u>555,939</u>	<u>559,104</u>
Noncurrent liabilities:					
Landfill closure liability-noncurrent	-	6,000,000	-	-	6,000,000
Obligations under capital leases-noncurrent	186,078	56,806	-	-	242,884
Accrued other post employment benefits	260,066	49,765	438,483	309,007	1,057,321
Net pension liability	60,673	13,898	132,754	115,108	322,433
Revenue bonds payable-noncurrent	-	-	1,177,612	7,090,629	8,268,241
<i>Total noncurrent liabilities</i>	<u>506,817</u>	<u>6,120,469</u>	<u>1,748,849</u>	<u>7,514,744</u>	<u>15,890,879</u>
<i>Total liabilities</i>	<u>1,113,610</u>	<u>7,784,754</u>	<u>3,916,306</u>	<u>8,173,780</u>	<u>20,988,450</u>
Deferred Outflows of Resources:					
Pensions	64,183	14,702	140,436	121,768	341,089
Net Position:					
Net investment in capital assets	4,881	88,824	2,526,058	486,202	3,105,965
Restricted:					
Debt service	-	-	-	757,618	757,618
Depreciation and replacement	-	-	233,688	221,762	455,450
Capital acquisition	-	-	42,375	-	42,375
Unrestricted (deficit)	65,896	(5,499,836)	(374,498)	321,439	(5,486,999)
<i>Total net position (deficit)</i>	<u>\$70,777</u>	<u>(\$5,411,012)</u>	<u>\$2,427,623</u>	<u>\$1,787,021</u>	<u>(\$1,125,591)</u>

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				
	Sanitation	Landfill	Water	Sewer	Totals
Operating revenues:					
Charges for services	\$ 1,287,690	\$ 395,298	\$ 1,790,590	\$ 2,333,148	\$ 5,806,726
Discounts and penalties	17,312	5,496	26,844	31,287	80,939
Tap fees	-	-	6,380	3,300	9,680
Total operating revenues	1,305,002	400,794	1,823,814	2,367,735	5,897,345
Operating expenses:					
Personal services	399,284	52,484	700,968	575,073	1,727,809
Contractual services	617,160	2,802	128,922	346,831	1,095,715
Administrative and general	10,255	6,459	10,858	16,475	44,047
Rents	21,600	-	13,901	-	35,501
Miscellaneous	551	-	172,113	41,823	214,487
Fuel and oil	53,805	18,371	29,126	21,521	122,823
Liability insurance	27,224	3,904	18,423	18,262	67,813
Materials and supplies	13,636	70,262	206,196	196,927	487,021
Utilities	9,311	4,383	184,348	9,555	207,597
Depreciation	51,618	42,979	186,094	607,379	888,070
Maintenance	28,539	3,452	124,205	74,307	230,503
Total operating expenses	1,232,983	205,096	1,775,154	1,908,153	5,121,386
Operating income (loss)	72,019	195,698	48,660	459,582	775,959
Nonoperating revenues (expenses):					
Interest income	223	564	354	656	1,797
Miscellaneous income	4,994	77,251	36,724	13,672	132,641
Interest expense	(5,085)	(15,192)	(72,215)	(194,839)	(287,331)
Total nonoperating revenues (expenses)	132	62,623	(35,137)	(180,511)	(152,893)
Changes in net position	72,151	258,321	13,523	279,071	623,066
Net position (deficit), January 1 - As restated	(1,374)	(5,669,333)	2,414,100	1,507,950	(1,748,657)
Net position (deficit), December 31	\$ 70,777	\$(5,411,012)	\$ 2,427,623	\$ 1,787,021	\$ (1,125,591)

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds				
	Sanitation	Landfill	Water	Sewer	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 1,318,161	\$ 365,187	\$ 1,819,230	\$ 2,312,017	\$5,814,595
Cash received from tap fees	0	0	6,380	3,300	9,680
Cash paid to suppliers	(739,646)	(208,213)	(805,477)	(735,625)	(2,488,961)
Cash paid to employees and for fringe benefits	(429,472)	(65,480)	(906,150)	(566,737)	(1,967,839)
Net cash provided by (used for) operating activities	149,043	91,494	113,983	1,012,955	1,367,475
Cash flows from non-capital financing activities:					
Transfer of monies to/from restricted cash	0	(32,150)	42,953	(58,457)	(47,654)
Miscellaneous non-operating receipts	4,994	77,251	36,724	13,672	132,641
Net cash provided by non-capital financing activities	4,994	45,101	79,677	(44,785)	84,987
Cash flows from capital and related financing activities:					
Principal payments - capital lease	(25,443)	(57,378)	(36,730)	0	(119,551)
Interest paid	(5,085)	(15,192)	(72,460)	(196,863)	(289,600)
Proceeds from Capital Lease	168,949	0	0	0	168,949
Proceeds from Issuance of Debt	0	0	54,041	380,583	434,624
Purchases of assets	(202,219)	0	(139,349)	(57,779)	(399,347)
Principal payments - bonds and notes payable	0	(24,358)	0	(826,510)	(850,868)
Net cash used for capital and related financing activities	(63,798)	(96,928)	(194,498)	(700,569)	(1,055,793)
Cash flows from investing activities:					
Interest received	223	564	354	656	1,797
Net cash provided by investing activities	223	564	354	656	1,797
Net increase (decrease) in cash and cash equivalents	90,462	40,231	(484)	268,257	398,466
Cash and cash equivalents, January 1	211,625	7,187	66,123	179,717	464,652
Cash and cash equivalents, December 31	<u>\$302,087</u>	<u>\$47,418</u>	<u>\$65,639</u>	<u>\$447,974</u>	<u>\$863,118</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$72,019	\$195,698	\$48,660	\$459,582	\$775,959
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	51,618	42,979	186,094	607,379	888,070
Change in Net Pension Liability & OPEB not affecting cash	(50,883)	8,493	(227,957)	(23,896)	(294,243)
(Increase) decrease in operating assets:					
Accounts receivable	13,159	(35,607)	1,796	(52,418)	(73,070)
Inventory	0	0	101,850	(2,857)	98,993
Due from other funds	(14,776)	(8,847)	(22,875)	(7,634)	(54,132)
Increase (decrease) in operating liabilities:					
Accounts payable	15,051	(83,733)	3,640	567	(64,475)
Due to other funds	42,160	(6,000)	0	0	36,160
Accrued wages, benefits and vacation	20,695	(6,307)	10,123	15,329	39,840
OPEB liability	0	(15,182)	12,652	16,903	14,373
Total adjustments	77,024	(104,204)	65,323	553,373	591,516
Net cash provided by (used for) operating activities	<u>\$149,043</u>	<u>\$91,494</u>	<u>\$113,983</u>	<u>\$1,012,955</u>	<u>\$1,367,475</u>

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2015

	Pension Trust Fund
Assets:	
Current assets:	
Segregated cash accounts	\$213,085
Segregated investments	3,825,763
	<hr/>
<i>Total assets</i>	<u><u>\$4,038,848</u></u>
Net Position:	
Held in trust for pension benefits	4,038,848
	<hr/>
<i>Total net position</i>	<u><u>\$4,038,848</u></u>

The notes to the basic financial statements are an integral part of this statement.

City of Elkins, West Virginia
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 570,546
Employees	53,262
Premium surtax allocation	95,636
Total contributions	719,444
Investment income	136,173
Total additions	855,617
Deductions:	
General and administrative	15,144
Benefit payments	348,115
Total deductions	363,259
Changes in net position	492,358
Net position - beginning	3,546,490
Net position - ending	\$ 4,038,848

The notes to the basic financial statements are an integral part of this statement.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

1. Summary of Significant Accounting Policies

The City of Elkins, West Virginia is incorporated under the provisions of the State of West Virginia. The City is governed by an elected mayor and ten member council and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, water, waste, recreation, education, public improvements, planning and zoning, and general administrative services.

The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2015.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

For 2015, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No.27" and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68."

Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI).

Statement No. 71 amends paragraph 137 of Statement 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.

Basic Financial Statements – Government Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City's police and fire protection, parks, public works and general administrative services are classified as governmental activities. The City's sanitation, water, sewer and landfill are classified as business-type activities.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position are reported in three parts – net invested in capital assets; restricted net position; and unrestricted net position. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities (police, fire, public works, etc.). The functions are also supported by general government revenues (taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (police, public works, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (taxes, intergovernmental revenues, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

(a) Reporting Entity

The City of Elkins is a municipal corporation governed by an elected mayor and ten member council. The accompanying financial statements present the government and its component units as required by generally accepted accounting principles.

The services provided by the government and accounted for within these financial statements include law enforcement for the City, health and sanitation services, cultural and recreation programs, and other governmental services.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

The City complies with GASB Statement No. 61, "*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*". This statement established standards for defining and reporting component units in the financial statements of the reporting entity. It defines component units as legally separate organizations for which the component unit not only has a fiscal dependency on the reporting entity but also a financial benefit or burden relationship must be present between the reporting entity and the entity that is to be included as a component unit. In addition, an entity may be included as a component unit in the financial statements of the reporting entity, if the reporting entity's management determines that it would be misleading to exclude them.

Blended Component Units

The entities below are legally separate from the City and meet GAAP criteria for component units. These entities are blended with the primary government because they provide services entirely or almost entirely to the City.

The *Elkins Building Commission* serves the City of Elkins, West Virginia, and is governed by a board comprised of three members appointed by the City for a term of five years each. The Building Commission acquires property and debt on behalf of the City. The City of Elkins Building Commission is reported within the General Fund.

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the City, but are financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Because of the nature of services they provide and the City's ability to impose its will on them or a financial benefit/burden relationship exists, the following component units are discretely presented in accordance with GASB Statement No. 14 (as amended by GASB Statement No. 39). The discretely presented component units are presented on the government-wide statements.

The *Elkins Parks and Recreation Board* serves all citizens of the City of Elkins by providing recreational services and is governed by a five member board appointed by Council. The City provides financial support to the Board on an annual basis.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

Jointly Governed Organizations

The City, in conjunction with the Randolph County Commission has created the Elkins-Randolph County Library and the Elkins-Randolph County Airport Authority. The Library Board is composed of five members with three appointed by the City and two appointed by the Randolph County Commission. The Airport Authority is composed of five members with two members appointed by the City of Elkins and three members from the Randolph County Commission. The City expended \$20,000 for an operating grant for the Airport Authority and \$16,000 for the Library Board for the fiscal year.

(b) Government-Wide Financial Statements

The government-wide financial statements report information on all the nonfiduciary activities of the government. For the most part, the effect of internal activity has been removed from these statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants whose purchase, use or direct benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the governmental-wide statements. Major individual funds are reported as separate columns in the fund statements.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

(c) **Measurement Focus and Financial Statement Presentation – Government-Wide Financial Statements**

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”. Governmental funds are used to account for governmental activities, where the focus of attention is on the providing of services to the public as opposed to proprietary funds where the focus of attention is on recovering the cost of providing services to the public through service charges or user fees. Fiduciary funds are used to account for assets held by the City in a trustee or agency capacity. The fund types used by the City of Elkins are described as follows:

Governmental Fund Types

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects: Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

Proprietary Fund Types

Enterprise Funds: Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

The City of Elkins reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The *Coal Severance Tax fund*, a special revenue fund, accounts for revenues and expenditures from a severance tax placed on coal that is distributed to West Virginia municipalities.

The *Capital Reserve fund*, accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary trust funds.

The government reports the following major proprietary funds:

The *Water fund* serves the citizens of the City of Elkins by providing water services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Sewer fund* services the citizens of the City of Elkins by providing sewer services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

The *Sanitation fund* serves the citizens of the City of Elkins by providing health and sanitation services, including garbage pickup, to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges are approved by the government's elected council.

The *Landfill fund* had served the citizens of the City of Elkins by providing landfill services to the community. This fund accounts for the receipts and expenses of operating this facility. The Landfill is now closed. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

Additionally, the government reports the following fund types:

The *Pension Trust funds* account for the activities of the Public Safety Employees Retirement System, which accumulates resources for pension benefit payments to qualified public safety employees. These funds are accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

(d) Funds – Fund Financial Statements

The accounts of the City are organized into funds, each of which is considered to be a separate accounting entity. The major fund categories and account groups for the fund financial statements are:

Governmental Fund Types

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available resources during a given period.

General Fund: The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Project Funds: Capital project funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary trust funds.

Proprietary Fund Types

Proprietary funds are accounted for using the economic resources measurement focus; the accounting objectives are determination of net income, financial position, and cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its balance sheet.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Fiduciary Funds

Fiduciary funds account for assets held by the City in a trustee or agency capacity. Pension trust funds are accounted for in essentially the same manner as proprietary funds.

(e) Cash, Cash Equivalents and Investments

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

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: (a) obligations of the United States or any agency thereof, (b) certificates of deposit (which mature in less than one year), (c) general and direct obligations of the State of West Virginia, (d) obligations of the Federal National Mortgage Association, (e) indebtedness secured by first lien deed of trust for property situated within the State if the payment is substantially insured or guaranteed by the federal government, (f) pooled mortgage trusts (subject to limitations), (g) indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades, (h) interest earning deposits which are fully insured or collateralized, and (i) mutual funds registered with the Security and Exchange Commission which have fund assets over three hundred million dollars. State statute limitations concerning the aforementioned investments include the following:

- (1) at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporations nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year.
- (2) at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association.
- (3) at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

Investment risk is categorized as follows:

Interest rate risk – The risk that changes in interest rates will adversely affect the fair value of an investment.

Credit risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Custodial credit risk – The risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

(f) Receivables

All receivables are shown net of allowance for uncollectibles.

(g) Capital Assets

The accounting and reporting treatment applied to capital assets and long-term liabilities associated with a fund are determined by its measurement focus. The City of Elkins records the purchase of capital assets used in governmental fund type operations as expenditures in the governmental funds. The government-wide financial statements of the City of Elkins are accounted for on a cost of service or “capital maintenance” measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net position.

All proprietary funds and pension trust funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or noncurrent) associated with their activity are included on the statement of net position. The reported fund equity (net position) is segregated into contributed capital and net position components. Proprietary fund type operating statements present increase (revenues) and decreases (expenses) in net position.

Depreciation of all exhaustible capital assets is charged as an expense against operations. Accumulated depreciation is reported on the statements of net assets. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Governmental Funds

Buildings and improvements	20 - 50 years
Infrastructure	20 - 65 years
Machinery and equipment	5 - 25 years
Vehicles	5 years

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

Proprietary Funds

Buildings	25 - 50 years
Improvements	10 - 20 years
Utility plant	10 - 20 years
Equipment	5 - 25 years

(h) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

The City used the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means that amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

All major revenues are susceptible to accrual.

Accrual Basis of Accounting

The accrual basis of accounting is used in proprietary fund types and the pension trust funds. The accrual basis of accounting recognized revenues when earned. Expenses are recorded when incurred. Plan member contributions to the pension trust funds are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the City has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds (when appropriate) and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year in which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

Taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

(i) Budgets and Budgetary Accounting

All municipalities within West Virginia, are required by statute to prepare annual budgets (levy estimates) on prescribed forms for the General and Coal Severance Funds and submit these for approval to the State Tax Commissioner. These budgets are prepared in accordance with the following procedures:

1. The governing body of the municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.
2. The budget is then forthwith submitted to the State Tax Commissioner for approval.
3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

Revisions are authorized only with the prior written approval of the State Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

- A) Unused appropriations for all of the above annually budgeted funds lapse at the year end.
- B) The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

(j) Encumbrances – Fund Financial Statements

Encumbrances accounting is used for the General Fund and special revenue funds. Encumbrances are recorded when purchase orders are issued but are not considered expenditures until liabilities for payments are incurred. Encumbrances are reported as a reservation of fund balance on the balance sheet. Encumbrances do not lapse at the close of the fiscal year but are carried forward as restricted, committed or assigned fund balance until liquidated.

(k) Inventories

The City considers inventories of materials and supplies utilized in governmental fund types operations as expended at the time of purchase therefore, they do not appear in the City's financial statements. Inventories of materials and supplies utilized in the proprietary fund type operation, are considered expended at the time of consumption; therefore, balances on hand at year end, valued at cost (first-in, first-out) are presented in the City's financial statements.

(l) Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid and accrued vacations. The liability has been calculated using the vesting method, in which leave amounts for only employees who currently are eligible to receive termination payments are included.

The City's accounting policies related to compensated absences are summarized below:

Accumulated Vacation

For governmental funds, the cost of accumulated vacation pay expected to be paid within the next twelve months is recorded as a fund liability. Any amount that is expected to be paid after twelve months should be reflected in the general long-term debt account; however, the City considers the entire vacation liability as a fund liability. For proprietary funds, the cost of vacation leave is recorded as a liability when earned.

(m) Pension Plans

The City provides separate defined benefit pension plans for uniformed police and fire department personnel. It is the City's policy to fund the normal cost and amortization of the unfunded prior service cost.

All other eligible employees are covered under the West Virginia Public Employee Retirement System due to the City's electing to be a participating public employer.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

(n) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Equity Classification

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," established standards for 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 City is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent.

GASB 54 – "*Fund Balance Reporting and Governmental Fund Type Definitions*" – divided fund balance for governmental fund financial statements into five components:

- a. Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts that can be spent only for specific purposes because of the City's code, state or federal laws, or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the City's council.
- d. Assigned – Amounts that are designed by the City's council for a particular purpose but are not spendable until there is a majority vote approval by the City's council.
- e. Unassigned – All amounts not included in other spendable classifications.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Net Position Classifications:

GASB 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* – divided net position for Government-wide net position into three components:

- a. Net investment in capital assets – consist of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- b. Restricted net position – consists of net position that is restricted by the City's creditors (for example through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- c. Unrestricted – all other net position is reported in this category

(p) Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

(q) Restricted Assets

Certain proceeds of the water and sewer enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

(r) Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City recorded a deferred outflow of resources for pensions. The deferred outflows of resources related to the pension are explained in Note 8. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For 2015, the City reported a total of \$735,186 of deferred inflows related to pensions on the statement of financial position. The deferred inflows of resources related to the pension are explained in Note 8. In the governmental funds the City reported a total of \$106,723 in deferred inflows which were related to the collection of property taxes and the receipt of grant revenue in the amounts of \$84,968 and \$21,755, respectively.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

(s) 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 pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

2. Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported on the government-wide statement of net assets. The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental fund and changes in net assets of governmental activities as reported in the government – wide statement of activities. The individual elements of those reconciliations are included with the statements.

3. Deposits and Investments

The City reporting entity considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents. Exceptions include the Firemen's Pension and Relief Fund and the Policemen's Pension and Relief Fund which classify only cash as cash equivalents in order to appropriately report investment activity.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned to it.

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2015. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>Category</u>			<u>Carrying</u> <u>Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Primary Government	\$ <u>2,534,323</u>	\$ <u>2,534,323</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ 2,041,790
<i>Component Unit</i>					
Parks and Recreation fund	\$ <u>68,093</u>	\$ <u>68,093</u>	\$ <u>-0-</u>	<u>-0-</u>	<u>68,093</u>
Total deposits					\$ <u>2,109,883</u>

<u>Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Fiduciary funds	\$ <u>213,085</u>	\$ <u>213,085</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>213,085</u>

Investments and Restricted Assets

Investment pools are under the custody of the City. Investing is performed in accordance with investment policies complying with State Statutes and the City Charter. Pooled funds may be invested in the State Investment Pool or the Municipal Bond Commission for investment purposes, or invested in the following classes of securities: Commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements and reverse repurchase agreements. The pension trust fund is also authorized to invest in corporate bonds rated AA or better by Standard & Poor's Corporation or AA or better by Moody's Bond Rating.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Investments made by the City are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below.

Category 1 - Insured or registered, securities held by the City or its agent in the entity's name.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the entity's name.

<u>Type of Investments</u>	<u>Category</u>			<u>Market Value</u>	<u>Cost</u>	<u>Unrecognized Gain/(Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Unrestricted						
Mutual fund	\$ <u>15,351</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>15,351</u>	\$ <u>14,699</u>	\$ <u>652</u>
	\$ <u>15,351</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>15,351</u>	\$ <u>14,699</u>	\$ <u>652</u>
Restricted						
Money Market	\$ 2,620,416	\$ -0-	\$ -0-	\$ 2,620,416	\$ 2,620,416	\$ -0-
Municipal Bond Commission	<u>755,979</u>	<u>-0-</u>	<u>-0-</u>	<u>755,979</u>	<u>755,979</u>	<u>-0-</u>
	\$ <u>3,376,395</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>3,376,395</u>	\$ <u>3,376,395</u>	\$ <u>-0-</u>

Total deposits and investments are presented on the Statement of Net Position as follows:

Total deposits	\$ 2,041,790
Investment – unrestricted	15,351
Investment – restricted	<u>3,376,395</u>
Total deposits and investments	\$ <u>5,433,536</u>
Statement of Net Position:	
Cash	\$ 1,721,595
Investments	392,760
Restricted assets	<u>3,319,181</u>
Total deposits and investments	\$ <u>5,433,536</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Fiduciary Funds

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Money Market Funds	\$ 153,423	\$ -0-	\$ -0-	\$ 153,423	\$ 153,423	\$ -0-
Certificates of Deposit	1,705,258	-0-	-0-	1,705,258	1,695,030	10,228
US Government Agencies	218,030	-0-	-0-	218,030	214,508	3,522
Mutual Funds	<u>1,749,052</u>	<u>-0-</u>	<u>-0-</u>	<u>1,749,052</u>	<u>1,245,865</u>	<u>503,187</u>
	<u>\$ 3,825,763</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,825,763</u>	<u>\$ 3,308,826</u>	<u>\$ 516,937</u>

Credit Risk: State law limits investments in corporate debt to commercial paper rated AA or better by Standard & Poor's Corporation of AA or better by Moody's Bond Rating.

Interest Risk: The pension investments are at risk of declines in market value due to interest rate risk.

Custodial Credit Risk: The City's investments were 100% insured by brokerage insurance and were not subject to custodial credit risk.

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code Chapter 8. As of June 30, 2015, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2015, the City had the following investments:

<u>Investment Type</u>	<u>Credit Risk Rating</u>		
	<u>Standard & Poor's Fair Value</u>	<u>and Fitch</u>	<u>Moody's Investment Services</u>
Money Market Funds	\$ 153,423	N/A	N/A
Certificates of Deposits	1,705,258	N/A	N/A
US Government Agencies	218,030	AA	AA
Mutual Funds	<u>1,749,052</u>	Not Rated	Not Rated
	<u>\$ 3,825,763</u>		

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Interest Rate Risk

As of June 30, 2015, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Certificates of Deposit	\$ <u>1,705,258</u>	\$ <u>130,439</u>	\$ <u>1,156,525</u>	\$ <u>418,294</u>	\$ <u>-0-</u>

4. Accounts Receivable, Business-Type Activities

Accounts receivable and its allowance at June 30, 2015 are as follows:

	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Accounts receivable	\$ 152,522	\$35,607	\$ 234,896	\$ 430,433
Less: Allowance for doubtful accounts	<u>44,900</u>	<u>-0-</u>	<u>55,100</u>	<u>73,000</u>
	\$ <u>107,622</u>	\$ <u>35,607</u>	\$ <u>179,796</u>	\$ <u>357,433</u>

5. Property Taxes

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. 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 become 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 annum is added from the date they become delinquent until paid.

**CITY OF ELKINS, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

All municipalities within the state are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5¢); on Class II property, twenty-five cents (25.0¢); and on Class IV property, fifty cents (50.0¢). In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The levy rates levied by the City of Elkins, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2015 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes Expense</u>	<u>Current</u>
Class I	\$ -0-	12.50¢
Class II	98,810,232	25.00¢
Class IV	144,579,287	50.00¢

6. Employee Retirement System – Single Employer Plans

Plan Description, Contribution Information, and Funding Policies

The City of Elkins, West Virginia participates in two single employer, public employee retirement systems. Assets are held separately and may be used only for the payment of benefits to the members of the respective plans, as follows:

The Policemen's Pension and Relief Fund (PPRF) provides retirement benefits for substantially all full-time police employees hired before March 11, 2015. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, June 30, 2014.

The Firemen's Pension and Relief Fund (FPRF) provides retirement benefits for substantially all full-time fire employees hired before March 11, 2015. Unless otherwise indicated, FPRF information in this Note is provided as of the latest actuarial valuation, June 30, 2014.

The City is authorized in accordance with West Virginia State Code Section 8-22 to establish and maintain these plans.

The investment policies of the PPRF and the FPRF are established by the Board of Trustees and is subject to the limitations defined in West Virginia Code 8-22-22 and 8-22-22a. Additional information relating to the basis of accounting and reported investment values are in the respective sections of the Notes.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Memberships of the plans are as follows:

<u>Group</u>	<u>PPRF</u>	<u>FPRF</u>	<u>Totals</u>
Active Employees	10	3	13
Retirees and Beneficiaries currently receiving benefits	<u>9</u>	<u>4</u>	<u>13</u>
Total	<u>19</u>	<u>7</u>	<u>26</u>

These plans are defined benefit plans. The following is a summary of funding policies, contribution methods and benefit provisions for both plans.

Determination of contribution requirements	The City finances benefits using the optional funding policy as defined in state statutes. City contributions are equal to the normal cost, net of employee contributions, plus an amortization of the unfunded actuarial liability net of the premium tax allocation applicable to the plan year. The amortization is based upon a 40-year closed amortization period, commencing on July 1, 1991, with level dollar payments. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. Projected sponsor, state and member contributions along with projected investment earnings are expected to fully fund the projected actuarial liability for current plan members by 2031.
Rate of employee contribution	7% of covered payroll for members hired prior to January 1, 2010. 9.5% of covered payroll for member hires after January 1, 2010.
Vesting period for normal retirement	Earlier of 20 years of credited service or age 65
Benefits	60% of average compensation, but not less than \$6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to four years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life.
Provisions for:	
Disability Benefits	Yes
Death Benefits	Yes

**CITY OF ELKINS, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Actuarial Assumptions and Rate of Return

The total pension liability was determined by an actuarial valuation as of June 30, 2014 for both plans, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2014. Additional actuarial assumptions are disclosed in the Required Supplementary Information.

Inflation rate	3.000%
Salary increases	4.5 percent on average
Investment Rate of Return	6.0% for PPRF and 7.0% for FPRF

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Rate of return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.25 percent for the PPRF. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate rates of expected future real rates of returns (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 percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2014 are summarized in the following chart:

Actuarial assumptions.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Salary increases	1.0 - 9.0 percent, including inflation
Investment rate of return	7.0 percent, net of pension plan investment expenses, including inflation

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Mortality rates for non-disabled participants were based on 85 percent of the 1994 Group Annuity Mortality Table. Mortality rates for disabled participants were based on the 1994 Group Annuity Mortality Table set forward for 4 years.

Discount rate

The discount rate used to measure the total pension liability was 7.0%. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	PPRF		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$5,041,872	\$2,383,232	\$2,658,640
Service Cost	142,861	-	142,861
Interest Cost	290,680	-	290,680
Differences in expected and actual experience	(126,966)	-	(126,966)
Assumption Changes	-	-	-
Contributions – Employer	-	569,033	(569,033)
Contributions – Employee	-	40,855	(40,855)
Net Investment Income	-	90,698	(90,698)
Benefits Paid	(278,704)	(278,704)	-
Other Changes	(4,625)	(11,070)	6,445
Net changes	23,246	410,812	(387,566)
Balances at June 30, 2015	\$5,065,118	\$2,794,044	\$2,271,074

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

	FPRF		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2014	\$1,441,318	\$1,163,258	\$278,060
Service Cost	48,141	-	48,141
Interest Cost	90,602	-	90,602
Differences in expected and actual experience	(36,801)	-	(36,801)
Assumption Changes	(85,025)	-	(85,025)
Contributions – Employer	-	97,149	(97,149)
Contributions – Employee	-	12,407	(12,407)
Net Investment Income	-	45,475	(45,475)
Benefits Paid	(69,411)	(69,411)	-
Other Changes	-	(4,074)	4,074
Net changes	(52,494)	81,546	(134,040)
Balances at June 30, 2015	\$1,388,824	\$1,244,804	\$144,020

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.0 percent for PPRF and 7.0 percent for FPRF, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 – percentage-point lower (5.0 percent for PPRF and 6.0 percent for RPRF) or 1 – percentage point higher (7.0 percent for PPRF and 8.0 percent for RPRF) than the current rate:

	1% Decrease 5.0% - PPRF 6.0% - FPRF	Current Interest Rate 6.0% - PPRF 7.0% - FPRF	1% Increase 7.0% - PPRF 8.0% - FPRF
Net Pension Liability – PPRF	\$2,893,217	\$2,271,074	\$1,757,095
Net Pension Liability – RPRF	\$322,845	\$144,020	(\$3,646)

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to PPRF and RPRF pensions from the following sources:

Deferred Outflows of Resources	PPRF	RPRF
Differences between expected and actual investment earnings	\$49,519	\$25,047
Total	\$49,519	\$25,047
 Deferred Inflows of Resources	PPRF	RPRF
Assumption changes	\$0	\$27,005
Differences between projected and actual non-investment experience	\$105,583	\$62,390
Total	\$105,583	\$89,395

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	PPRF	RPRF
Fiscal Year Ending June 30:		
2016	(\$9,003)	(\$26,169)
2017	(9,003)	(26,169)
2018	(9,003)	(18,270)
2019	(9,003)	6,260
2020	(20,052)	0
Total	(\$56,064)	(\$64,348)

Pension plan fiduciary net position

Detailed information about the pension plans' fiduciary net position is available in the separately issued City of Elkins, West Virginia Policemen's Pension and Relief Fund and West Virginia Firemen's Pension and Relief Fund, GASB Statement Nos. 67 and 68 Plan Reporting and Accounting Schedules. These reports can be obtained by visiting Gabriel Roeder Smith & Company at www.gabrielroeder.com.

For the year ended June 30, 2015, the City recognized pension expense of \$237,531 related to PPRF and \$27,457 related to RPRF.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Pension Trust Funds Financial Statements

	<u>Policemen's Pension Trust Fund</u>	<u>Firemen's Pension Trust Fund</u>
Assets		
Cash	\$ 211,479	\$ 1,606
Investments	<u>2,582,565</u>	<u>1,243,198</u>
Total assets	\$ <u>2,794,044</u>	\$ <u>1,244,804</u>
Net Position		
Held in trust for pension benefits	\$ <u>2,794,044</u>	\$ <u>1,244,804</u>
Total net position	\$ <u>2,794,044</u>	\$ <u>1,244,804</u>
Additions		
Contributions:		
Employer	\$ 503,484	\$ 67,062
Employees	40,855	12,407
Premium surtax allocation	<u>65,549</u>	<u>30,087</u>
Total contributions	609,888	109,556
Investment income	<u>90,698</u>	<u>45,475</u>
Total additions	<u>700,586</u>	<u>155,031</u>
Deductions		
General and administrative	11,070	4,074
Benefit payments	<u>278,704</u>	<u>69,411</u>
Total deductions	<u>289,774</u>	<u>73,485</u>
Net increase (decrease) in net position	410,812	81,546
Net position – beginning	<u>2,383,232</u>	<u>1,163,258</u>
Net position – ending	\$ <u>2,794,044</u>	\$ <u>1,244,804</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

7. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2015 was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities					
<i>Nondepreciable Assets</i>					
Land	\$ 53,000	\$ 28,000	\$ -0-	\$ -0-	\$ 81,000
Construction in progress	<u>-0-</u>	<u>184,765</u>	<u>-0-</u>	<u>-0-</u>	<u>184,765</u>
Total nondepreciable assets	<u>53,000</u>	<u>212,765</u>	<u>-0-</u>	<u>-0-</u>	<u>265,765</u>
<i>Depreciable Assets</i>					
Buildings and improvements	2,541,984	172,000	-0-	-0-	2,713,984
Machinery and equipment	<u>2,599,311</u>	<u>37,207</u>	<u>-0-</u>	<u>-0-</u>	<u>2,636,518</u>
Totals at historical cost	<u>5,141,295</u>	<u>209,207</u>	<u>-0-</u>	<u>-0-</u>	<u>5,350,502</u>
Less: Accumulated depreciation					
Buildings and improvements	1,614,056	39,384	-0-	-0-	1,653,440
Machinery and equipment	<u>1,622,528</u>	<u>166,346</u>	<u>-0-</u>	<u>-0-</u>	<u>1,788,874</u>
Total accumulated depreciation	<u>3,236,584</u>	<u>205,730</u>	<u>-0-</u>	<u>-0-</u>	<u>3,442,314</u>
Total depreciable assets – net	<u>1,904,711</u>	<u>3,477</u>	<u>-0-</u>	<u>-0-</u>	<u>1,908,188</u>
Governmental activities capital assets - net	\$ <u>1,957,711</u>	\$ <u>216,242</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,173,953</u>

Component Unit – Parks and Recreation Fund

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
<i>Nondepreciable Assets</i>					
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<i>Depreciable Assets</i>					
Buildings and improvements	753,554	-0-	-0-	-0-	753,554
Machinery and equipment	<u>139,683</u>	<u>18,707</u>	<u>-0-</u>	<u>-0-</u>	<u>158,390</u>
Totals at historical cost	<u>893,237</u>	<u>18,707</u>	<u>-0-</u>	<u>-0-</u>	<u>911,944</u>
Less: Accumulated depreciation					
Buildings and improvements	161,957	29,833	-0-	-0-	191,790
Machinery and equipment	<u>124,558</u>	<u>8,150</u>	<u>-0-</u>	<u>-0-</u>	<u>132,708</u>
Total accumulated depreciation	<u>286,515</u>	<u>37,983</u>	<u>-0-</u>	<u>-0-</u>	<u>324,498</u>
Total depreciable assets – net	<u>606,722</u>	<u>(19,276)</u>	<u>-0-</u>	<u>-0-</u>	<u>587,446</u>
Parks and Recreation Fund capital assets – net	\$ <u>606,722</u>	\$ <u>(19,276)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>587,446</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Landfill					
<i>Nondepreciable Assets</i>					
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<i>Depreciable Assets</i>					
Structures and improvements	42,600	-0-	-0-	-0-	42,600
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	-0-	-0-	-0-	-0-	-0-
Pumping system	-0-	-0-	-0-	-0-	-0-
Treatment and disposal system	-0-	-0-	-0-	-0-	-0-
General plant	-0-	-0-	-0-	-0-	-0-
Machinery and equipment	1,304,693	-0-	-0-	-0-	1,304,693
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Totals at historical cost	<u>4,265,963</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,265,963</u>
Less: Accumulated depreciation					
Structures and improvements	42,600	-0-	-0-	-0-	42,600
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	-0-	-0-	-0-	-0-	-0-
Pumping system	-0-	-0-	-0-	-0-	-0-
Treatment and disposal system	-0-	-0-	-0-	-0-	-0-
General plant	-0-	-0-	-0-	-0-	-0-
Machinery and equipment	1,046,211	42,979	-0-	-0-	1,089,190
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Total accumulated depreciation	<u>4,007,481</u>	<u>42,979</u>	<u>-0-</u>	<u>-0-</u>	<u>4,050,460</u>
Total depreciable assets – net	<u>258,482</u>	<u>(42,979)</u>	<u>-0-</u>	<u>-0-</u>	<u>215,503</u>
Business-type activities capital assets – net	\$ <u>258,482</u>	\$ <u>(42,979)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>215,503</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-Type Activities

Sanitation

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
<i>Nondepreciable Assets</i>					
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<i>Depreciable Assets</i>					
Structures and improvements	-0-	-0-	-0-	-0-	-0-
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	-0-	-0-	-0-	-0-	-0-
Pumping system	-0-	-0-	-0-	-0-	-0-
Treatment and disposal system	-0-	-0-	-0-	-0-	-0-
General plant	-0-	-0-	-0-	-0-	-0-
Machinery and equipment	900,206	202,219	-0-	-0-	1,102,425
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	<u>900,206</u>	<u>202,219</u>	<u>-0-</u>	<u>-0-</u>	<u>1,102,425</u>
Less: Accumulated depreciation					
Structures and improvements	-0-	-0-	-0-	-0-	-0-
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	-0-	-0-	-0-	-0-	-0-
Pumping system	-0-	-0-	-0-	-0-	-0-
Treatment and disposal system	-0-	-0-	-0-	-0-	-0-
General plant	-0-	-0-	-0-	-0-	-0-
Machinery and equipment	811,673	51,618	-0-	-0-	863,291
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total accumulated depreciation	<u>811,673</u>	<u>51,618</u>	<u>-0-</u>	<u>-0-</u>	<u>863,291</u>
Total depreciable assets – net	<u>88,533</u>	<u>150,601</u>	<u>-0-</u>	<u>-0-</u>	<u>239,134</u>
Governmental activities capital assets – net	\$ <u>88,533</u>	\$ <u>150,601</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>239,134</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Sewer					
<i>Nondepreciable Assets</i>					
Land	\$ 57,034	\$ -0-	\$ -0-	\$ -0-	\$ 57,034
Construction in progress	<u>254,127</u>	<u>57,779</u>	<u>-0-</u>	<u>-0-</u>	<u>311,906</u>
Total nondepreciable assets	<u>311,161</u>	<u>57,779</u>	<u>-0-</u>	<u>-0-</u>	<u>368,940</u>
<i>Depreciable Assets</i>					
Structures and improvements	10,656,287	-0-	-0-	-0-	10,656,287
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	4,126,382	-0-	-0-	-0-	4,126,382
Pumping system	594,661	-0-	-0-	-0-	594,661
Treatment and disposal system	2,604,598	-0-	-0-	-0-	2,604,598
General plant	1,108,568	-0-	-0-	-0-	1,108,568
Machinery and equipment	-0-	-0-	-0-	-0-	-0-
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	<u>19,090,496</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>19,090,496</u>
Less: Accumulated depreciation					
Structures and improvements	5,002,497	316,641	-0-	-0-	5,319,138
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	2,126,198	133,930	-0-	-0-	2,260,128
Pumping system	542,075	20,411	-0-	-0-	562,486
Treatment and disposal system	2,088,380	82,161	-0-	-0-	2,170,541
General plant	970,922	54,236	-0-	-0-	1,025,158
Machinery and equipment	-0-	-0-	-0-	-0-	-0-
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total accumulated depreciation	<u>10,730,072</u>	<u>607,379</u>	<u>-0-</u>	<u>-0-</u>	<u>11,337,451</u>
Total depreciable assets – net	<u>8,360,424</u>	<u>(607,379)</u>	<u>-0-</u>	<u>-0-</u>	<u>7,753,045</u>
Business-type activities capital assets – net	\$ <u>8,671,585</u>	\$ <u>(549,600)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>8,121,985</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Water					
<i>Nondepreciable Assets</i>					
Land	\$ 9,766	\$ -0-	\$ -0-	\$ -0-	\$ 9,766
Construction in progress	<u>2,995,103</u>	<u>136,780</u>	<u>-0-</u>	<u>-0-</u>	<u>3,131,883</u>
Total nondepreciable assets	<u>3,004,869</u>	<u>136,780</u>	<u>-0-</u>	<u>-0-</u>	<u>3,141,649</u>
<i>Depreciable Assets</i>					
Structures and improvements	3,781,477	-0-	-0-	47,982	3,829,459
Treatment and distribution system	3,560,642	2,569	-0-	(82,213)	3,480,998
Collecting system	-0-	-0-	-0-	-0-	-0-
Pumping system	-0-	-0-	-0-	-0-	-0-
Treatment and disposal system	-0-	-0-	-0-	-0-	-0-
General plant	-0-	-0-	-0-	-0-	-0-
Machinery and equipment	724,446	-0-	-0-	34,231	758,677
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	<u>8,066,565</u>	<u>2,569</u>	<u>-0-</u>	<u>-0-</u>	<u>8,069,134</u>
Less: Accumulated depreciation					
Structures and improvements	2,295,312	69,875	-0-	-0-	2,365,187
Treatment and distribution system	2,466,882	91,231	-0-	-0-	2,558,113
Collecting system	-0-	-0-	-0-	-0-	-0-
Pumping system	-0-	-0-	-0-	-0-	-0-
Treatment and disposal system	-0-	-0-	-0-	-0-	-0-
General plant	-0-	-0-	-0-	-0-	-0-
Machinery and equipment	608,825	24,988	-0-	-0-	633,813
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total accumulated depreciation	<u>5,371,019</u>	<u>186,094</u>	<u>-0-</u>	<u>-0-</u>	<u>5,557,113</u>
Total depreciable assets – net	<u>2,695,546</u>	<u>(183,525)</u>	<u>-0-</u>	<u>-0-</u>	<u>2,512,021</u>
Business-type activities capital assets – net	\$ <u>5,700,415</u>	\$ <u>(46,745)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>5,653,670</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities					
Total					
<i>Nondepreciable Assets</i>					
Land	\$ 66,800	\$ -0-	\$ -0-	\$ -0-	\$ 66,800
Construction in progress	<u>3,249,230</u>	<u>194,559</u>	<u>-0-</u>	<u>-0-</u>	<u>3,443,789</u>
Total nondepreciable assets	<u>3,316,030</u>	<u>194,559</u>	<u>-0-</u>	<u>-0-</u>	<u>3,510,589</u>
<i>Depreciable Assets</i>					
Structures and improvements	14,480,364	-0-	-0-	47,982	14,528,346
Treatment and distribution system	3,560,642	2,569	-0-	(82,213)	3,480,998
Collecting system	4,126,382	-0-	-0-	-0-	4,126,382
Pumping system	594,661	-0-	-0-	-0-	594,661
Treatment and disposal system	2,604,598	-0-	-0-	-0-	2,604,598
General plant	1,108,568	-0-	-0-	-0-	1,108,568
Machinery and equipment	2,929,345	202,219	-0-	34,231	3,165,795
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Totals at historical cost	<u>32,323,230</u>	<u>204,788</u>	<u>-0-</u>	<u>-0-</u>	<u>32,528,018</u>
Less: Accumulated depreciation					
Structures and improvements	7,340,409	386,516	-0-	-0-	7,726,925
Treatment and distribution system	2,466,882	91,231	-0-	-0-	2,558,113
Collecting system	2,126,198	133,930	-0-	-0-	2,260,128
Pumping system	542,075	20,411	-0-	-0-	562,486
Treatment and disposal system	2,088,380	82,161	-0-	-0-	2,170,541
General plant	970,922	54,236	-0-	-0-	1,025,158
Machinery and equipment	2,466,709	119,585	-0-	-0-	2,586,294
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Total accumulated depreciation	<u>20,920,245</u>	<u>888,070</u>	<u>-0-</u>	<u>-0-</u>	<u>21,808,315</u>
Total depreciable assets – net	<u>11,402,985</u>	<u>(683,282)</u>	<u>-0-</u>	<u>-0-</u>	<u>10,719,703</u>
Business-type activities capital assets – net	\$ <u>14,719,015</u>	\$ <u>(488,723)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>14,230,292</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 48,480
Public safety	156,206
Highways and streets	<u>1,044</u>
Total depreciation expense	\$ <u>205,730</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

8. Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2015:

	<u>Beginning</u> <u>Balance *</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Governmental Activities:						
Capital lease obligations	\$ 227,545	\$ -0-	\$(65,813)	\$ 161,732	\$ 54,523	\$ 107,209
Notes payable	35,701	-0-	(25,916)	9,785	9,785	-0-
Revenue bonds payable	402,929	-0-	(23,790)	379,139	25,194	353,945
Other post-employment benefits	948,749	56,311	-0-	1,005,060	-0-	1,005,060
Net pension liabilities	<u>3,534,654</u>	<u>-0-</u>	<u>(877,484)</u>	<u>2,657,170</u>	<u>-0-</u>	<u>2,657,170</u>
Subtotal governmental activities	<u>5,149,578</u>	<u>56,311</u>	<u>(993,003)</u>	<u>4,212,886</u>	<u>89,502</u>	<u>4,123,384</u>
Business-type Activities:						
Capital lease obligations	301,464	168,949	(119,551)	350,862	107,978	242,884
Notes payable	2,238,555	38,932	(317,417)	1,960,070	1,960,070	-0-
Revenue bonds payable	8,951,154	395,692	(533,451)	8,813,395	545,154	8,268,241
Net pension liabilities	796,444	-0-	(474,011)	322,433	-0-	322,433
Other post-employment benefits	1,014,307	58,196	(15,182)	1,057,321	-0-	1,057,321
Landfill closure liability	<u>6,000,000</u>	<u>-0-</u>	<u>-0-</u>	<u>6,000,000</u>	<u>-0-</u>	<u>6,000,000</u>
Subtotal business-type activities	<u>19,301,924</u>	<u>661,769</u>	<u>(1,459,612)</u>	<u>18,504,081</u>	<u>2,613,202</u>	<u>15,890,879</u>
Total	\$ <u>24,451,502</u>	\$ <u>718,080</u>	\$ <u>(2,452,615)</u>	\$ <u>22,716,967</u>	\$ <u>2,702,704</u>	\$ <u>20,014,263</u>

* - As restated – See Note 15

Capital Leases:

Mon Valley Bank

The General Fund of the City of Elkins entered into a lease agreement on August 19, 2004 to finance the acquisition of a fire truck. This lease qualified as a capital lease for accounting purposes and, therefore, was been recorded at the present value of the minimum lease payments as of the date of its inception. The lease was paid off during fiscal year 2015.

Chase Bank

The General Fund of the City of Elkins entered into a lease agreement on March 29, 2012 to finance the acquisition of a 2014 Sutphen SP95 Fire Apparatus. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

<u>Fiscal Year Ending June 30,</u>	
2016	\$ 25,104
2017	25,104
2018	25,104
2019	25,104
2020	<u>18,829</u>
	119,245
Less: Amount representing interest	(9,422)
Present value of future minimum lease payments	109,823
Less: Current portion	(21,591)
Noncurrent portion	\$ <u>88,232</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Avaya Financial Services

The General Fund of the City of Elkins entered into a lease agreement on October 5, 2010 to finance the acquisition of a phone system. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,

2016		\$ <u>1,326</u>
		1,326
Less: Amount representing interest		(40)
Present value of future minimum lease payments		1,286
Less: Current portion		(1,286)
Noncurrent portion		\$ <u>-0-</u>

BB&T Governmental Finance

The General Fund of the City of Elkins entered into a lease agreement on February 13, 2012 to finance the acquisition of a street sweeper. This lease qualifies as a capital lease for accounting purposes and therefore, has been recorded at the present value of the minimum lease payments as of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,

2016		\$ 32,672
2017		<u>19,059</u>
		51,731
Less: Amount representing interest		(1,108)
Present value of future minimum lease payments		50,623
Less: Current portion		(31,646)
Noncurrent portion		\$ <u>18,977</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Mon Valley Bank

The Sanitation Fund of the City of Elkins entered into a lease agreement on July 27, 2009 to finance the acquisition of a 2009 International/Heil Garbage Truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,

2016		\$ 18,251
2017		18,251
2018		18,251
2019		18,251
2020		<u>9,615</u>
		82,619
Less: Amount representing interest		<u>(6,602)</u>
Present value of future minimum lease payments		76,017
Less: Current portion		<u>(15,578)</u>
Noncurrent portion		\$ <u>60,439</u>

Citizen's Bank

The Water Fund of the City of Elkins entered into a lease agreement on November 21, 2004 to finance the acquisition of several meters and meter reading equipment. This lease qualified as a capital lease for accounting purposes and, therefore, was recorded at the present value of the minimum lease payments as of the date of its inception. The lease was paid off during fiscal year 2015.

Chase Bank

The Landfill Fund of the City of Elkins entered into a lease agreement on February 14, 2008 to finance the acquisition of a Caterpillar Tractor and a 2008 200DL Excavator. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,

2016		\$ 34,490
2017		<u>25,868</u>
		60,358
Less: Amount representing interest		<u>(1,884)</u>
Present value of future minimum lease payments		58,474
Less: Current portion		<u>(33,267)</u>
Noncurrent portion		\$ <u>25,207</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

BB & T Governmental Finance

The Landfill Fund of the City of Elkins entered into a lease agreement on September 4, 2013 to finance the acquisition of a 2013 International Truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,

2016		\$ 27,440
2017		27,440
2018		<u>4,775</u>
		59,655
Less: Amount representing interest		(1,519)
Present value of future minimum lease payments		58,136
Less: Current portion		(26,536)
Noncurrent portion		\$ <u>31,600</u>

BB & T Governmental Finance

The Sanitation Fund of the City of Elkins entered into a lease agreement on February 12, 2015 to finance the acquisition of a 2015 International Garbage Truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2015:

Fiscal Year Ending June 30,

2016		\$ 35,651
2017		35,651
2018		35,651
2019		35,651
2020		<u>23,762</u>
		166,366
Less: Amount representing interest		(8,130)
Present value of future minimum lease payments		158,236
Less: Current portion		(32,597)
Noncurrent portion		\$ <u>125,639</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Davis Trust Company

\$1,950,000 bond anticipation note from Davis Trust Company. Interest is payable monthly on outstanding principal amounts. Matures October 23, 2015. Interest rate is equal to 60% of the Wall Street Journal Prime Rate, adjusted weekly. Secured by the proceeds of revenue bonds. Current rate is 1.95%.

\$1,950,000

Future maturities of debt retirement based on current financing arrangements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>1,962,501</u>	\$ <u>1,950,000</u>	\$ <u>12,501</u>

United Bank

\$600,000 bond anticipation note from United Bank. There was an additional \$38,932 drawn on this bond anticipation note during 2015 and then the entire balance outstanding was paid off on April 15, 2015 through the issuance of Series 2015 Revenue Bonds.

Summit Community Bank

3.19% installment note from Summit Community Bank, 36 monthly payments of principal and interest. Matures November 17, 2015. Secured by software.

\$4,848

Future maturities of debt retirement based on current financing arrangements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>4,880</u>	\$ <u>4,848</u>	\$ <u>32</u>
	\$ <u>4,880</u>	\$ <u>4,848</u>	\$ <u>32</u>

Davis Trust

Installment note from Davis Trust, 36 monthly payments of principal and interest. Matures November 17, 2015. Secured by vehicle.

\$ 16,599

Future maturities of debt retirement based on current financing arrangements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>4,975</u>	\$ <u>4,937</u>	\$ <u>38</u>
	\$ <u>4,975</u>	\$ <u>4,937</u>	\$ <u>38</u>

**CITY OF ELKINS, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
 FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Solid Waste Management Board

\$300,000 loan obligation from Solid Waste Management Board.

Monthly payments of \$2,483. Matures September 2015.

Interest rate is 3.00%. Secured by net revenues and properties of the City.

\$ 10,070

Future maturities of debt retirement based on current financing arrangements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ <u>10,107</u>	\$ <u>10,070</u>	\$ <u>37</u>
	\$ <u>10,107</u>	\$ <u>10,070</u>	\$ <u>37</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Lease Revenue Bond, Series 2006

5.75%, Lease Revenue Bond due 7/10/2006. Monthly payments are \$3,861. Secured by real estate.

\$ 379,139

Future debt maturity retirement based on current financing arrangements is as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2016	\$ 46,338	\$ 25,194	\$ 21,144
2017	46,338	26,682	19,656
2018	46,338	28,257	18,081
2019	46,338	29,925	16,413
2020	46,338	30,866	15,472
2021 – 2025	231,690	183,082	48,608
2026 – 2027	<u>58,991</u>	<u>55,133</u>	<u>3,858</u>
	\$ <u>522,371</u>	\$ <u>379,139</u>	\$ <u>143,232</u>

Sewer Revenue Bonds – Bond Issue of 2009-Series A

0.00% interest, Sewer Revenue Bonds due 9/1/2040. Quarterly payments are \$7,361. Secured by physical assets and revenue of the sewerage system.

\$ 742,911

Future debt maturity retirement based on current financing arrangements is as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2016	\$ 29,444	\$ 29,444	\$ -0-
2017	29,444	29,444	-0-
2018	29,444	29,444	-0-
2019	29,444	29,444	-0-
2020	29,444	29,444	-0-
2021 – 2025	147,220	147,220	-0-
2026 – 2030	147,220	147,220	-0-
2031 – 2035	147,220	147,220	-0-
2036 – 2040	147,200	147,200	-0-
2041	<u>6,811</u>	<u>6,811</u>	<u>-0-</u>
	\$ <u>742,911</u>	\$ <u>742,911</u>	\$ <u>-0-</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Sewer Revenue Bonds - Bond Issue of 2006

2.00%, Sewer Revenue Bonds due 9/1/2028. Quarterly payments are \$130,518. Secured by physical assets and revenue of the sewerage system.

\$ 6,050,868

Future debt maturity retirement based on current financing arrangements is as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2016	\$ 522,072	\$ 404,068	\$ 118,004
2017	522,072	412,210	109,862
2018	522,072	420,516	101,556
2019	522,072	428,989	93,083
2020	522,072	437,363	84,709
2021 – 2025	2,610,360	2,322,622	287,738
2026 – 2029	<u>1,684,707</u>	<u>1,625,100</u>	<u>59,607</u>
	\$ <u>6,905,427</u>	\$ <u>6,050,868</u>	\$ <u>854,559</u>

Sewer Revenue Bonds - Bond Issue of 2004

4.25% interest, Sewer Revenue Bonds due 3/1/2019. Monthly payments are \$7,766. Secured by physical assets and revenue of the sewerage system.

\$ 322,512

Future debt maturity retirement based on current financing arrangements is as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2016	\$ 93,192	\$ 81,052	\$ 12,140
2017	93,192	84,565	8,627
2018	93,192	88,230	4,962
2019	<u>69,859</u>	<u>68,665</u>	<u>1,194</u>
	\$ <u>349,435</u>	\$ <u>322,512</u>	\$ <u>26,923</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Sewer Revenue Bonds – Supplemental Subordinate Bond Issue of 1986

0.00% interest, Sewer Revenue Bonds due 10/1/2025. Annual payments are \$12,925. Secured by physical assets and revenue of the sewerage system.

\$ 142,175

Future debt maturity retirement based on current financing arrangements is as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2016	\$ 12,925	\$ 12,925	\$ -0-
2017	12,925	12,925	-0-
2018	12,925	12,925	-0-
2019	12,925	12,925	-0-
2020	12,925	12,925	-0-
2021 – 2025	64,625	64,625	-0-
2026	<u>12,925</u>	<u>12,925</u>	<u>-0-</u>
	\$ <u>142,175</u>	\$ <u>142,175</u>	\$ <u>-0-</u>

Sewer Revenue Bonds –Bond Issue of 1996

2.00% interest, Sewer Revenue Bonds due 6/1/2017. Quarterly payments are \$4,559. Secured by physical assets and revenue of the sewerage system.

\$ 35,666

Future debt maturity retirement based on current financing arrangements is as follows:

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2016	\$ 18,236	\$ 17,655	\$ 581
2017	<u>18,237</u>	<u>18,011</u>	<u>226</u>
	\$ <u>36,473</u>	\$ <u>35,666</u>	\$ <u>807</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Water Fund – Ohio Valley Bank Company Bond

The Water Fund is currently in the process of drawing down on a \$2,000,000 2.85% bond issue financed for improvements to the water system. As of June 30, 2015 \$1,177,612 had been drawn down.

Balance 6/30/15	\$ 1,177,612
Less: Current maturities	<u> -0-</u>
Non-current maturities	\$ <u>1,177,612</u>

9. Employees Retirement System

Net Pension Liability

For fiscal year 2015, Governmental Accounting Standards Board (GASB) Statement No. 68, “Accounting and Financial Reporting for Pensions” and GASB Statement No. 71, “Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68” were effective. These GASB pronouncements had a significant effect on beginning net position as reported July 1, 2014, as more fully described in Note 12. The net pension liability has been disclosed below. The net pension liability reported on the statement of net position represents a liability to employees for pensions.

Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of the pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of the pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

The proportionate share of each plan’s unfunded benefits is presented as a long-term net pension liability on the accrual basis of accounting.

Public Employee Retirement System (PERS)

The City participates in a statewide, cost-sharing multiple employer defined benefit plan on behalf of the City employees. The system is administered by agencies of the State of West Virginia and fund by contributions from participants, employers, and State appropriations, as necessary.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

The City's cost-sharing multiple employer plan is administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate	All City full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions:	State statute
Plan member's contribution rate:	4.50%
City's contribution rate:	14.00%
Period required to vest:	5 years
Benefits and eligibility for distribution:	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provision for:	
Cost of living	No
Death benefits	Yes

Trend Information

Fiscal Year	Annual Pension Cost	Percent Contributed
2015	\$ 191,855	100%
2014	\$ 201,325	100%
2013	\$ 194,086	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At fiscal year-end, the City reported the following liabilities for its proportionate share of the net pension liability. Following is information related to the proportionate share, increases/decreases from its proportion measured as of June 30, 2013 and the pension expense:

	<u>PERS</u>
Proportionate Share of the Net Pension Liability	\$564,503
Proportion of the Net Pension Liability	0.152955%
Increase (decrease) % from prior Proportion Measured	3.7644%
Pension Expense	\$76,147

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>PERS</u>
Differences between expected and actual economic experience	\$38,741
Authority contributions subsequent to the measurement date	<u>272,824</u>
Total	<u><u>\$311,565</u></u>
Deferred Inflows of Resources	<u>PERS</u>
Differences between projected and actual investment earnings	<u>\$597,166</u>
Total	<u><u>\$597,166</u></u>

\$272,824 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>PERS</u>
Fiscal Year Ending June 30:	
2016	(\$139,606)
2017	(139,606)
2018	(139,606)
2019	<u>(139,607)</u>
Total	<u><u>(\$558,425)</u></u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013 and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System

Inflation rate	2.20%
Salary increases	4.25%-6.0%
Investment rate of return	7.50%

Mortality Rates	Healthy males – 1983 GAM
	Healthy females – 1971 GAM
	Disabled males – 1971 GAM
	Disabled females – Revenue ruling 96-7

The actuarial assumptions used in the July 1, 2013 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

The long-term expected rate of return on pension 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 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 percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash/Cash Equivalents	0.29%	0.0%
Domestic Equity	6.88%	7.6%
International Equity	44.43%	8.5%
Fixed Income Securities	39.21%	2.9%
Real Estate	9.19%	6.8%
Total	100.00%	

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Discount rate

The discount rate used to measure the total pension liability was 7.5%. 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 pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the Board, calculated using the discount rate of 7.5 percent, as well as what the Board's net pension liability would be if it were calculated using a discount rate that is 1 – percentage-point lower (6.5 percent) or 1 – percentage point higher (8.5 percent) than the current rate:

	1% Decrease 6.5%	Current Interest Rate 7.5%	1% Increase 8.5%
Net Pension Liability	\$1,595,094	\$564,503	\$(313,654)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued West Virginia Consolidated Public Retirement Board Comprehensive Annual Financial Report. That report can be obtained by visiting the West Virginia Consolidated Public Retirement Board at www.wvretirement.com.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Retiree Health Plan (RHP)

Plan Description:

The City of Elkins, West Virginia contributes to the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefit post-employment health care plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. Eligibility is primarily established through participation in certain defined benefit plans. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710.

Authority Establishing the Plan and Fund Policy:

Chapter 5, Article 16D of the West Virginia State Code assigns the authority to establish and amend benefits and provisions to the RHBT. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions of the plan (ARC), an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

Annual OPEB Cost and Net OPEB Obligation:

Annual required contribution	\$	99,325
Adjustment to required contribution		<u>-0-</u>
Annual OPEB Cost		99,325
Contributions made		<u>-0-</u>
Increase (decrease) in net OPEB obligation		99,325
Net OPEB obligation (asset) beginning of year		<u>1,963,056</u>
Net OPEB obligation (asset) end of year	\$	<u><u>2,062,381</u></u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2015	\$ 99,325	0%	\$ 2,062,381
2014	\$ 42,583	0%	\$ 1,963,056
2013	\$ 47,384	0%	\$ 1,920,473
2012	\$ 508,160	0%	\$ 1,873,089
2011	\$ 673,638	18%	\$ 1,364,929

10. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2015 are as follows:

	<u>Due From Component Unit</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due To Other Government</u>
General Fund	\$765	\$983,178	\$268,144	\$-0-
Capital Reserve Fund	-0-	458,547	-0-	-0-
Sanitation Fund	-0-	537,599	440,091	-0-
Landfill Fund	-0-	18,507	1,446,505	-0-
Water Fund	-0-	192,744	86,918	-0-
Sewer Fund	-0-	51,083	-0-	-0-
Parks and Recreation Component Unit	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>765</u>
Total	\$ <u>765</u>	\$ <u>2,241,658</u>	\$ <u>2,241,658</u>	\$ <u>765</u>

11. Deficit Net Position/Fund Balance

The landfill fund has a deficit net position balance of \$5,411,012 as of June 30, 2015. The elimination of this deficit balance is contingent on various charges for services and increasing revenues.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

12. Restricted Assets

Certain enterprise fund assets are restricted for repayment of long-term debt and for capital expenditures. Restricted assets in the governmental activities are for OPEB Savings and capital projects.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Capital asset acquisition	\$ 838,649	\$ 42,375
Depreciation fund	-0-	455,450
Reserve account	-0-	677,514
Landfill accounts	-0-	2,063,738
Revenue account	<u>-0-</u>	<u>80,104</u>
	\$ <u>838,649</u>	\$ <u>3,319,181</u>

13. Landfill Closure and Postclosure Care Costs

State and federal laws and EPA regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near to and after the date that the landfill stops accepting waste, the City reports a portion of these care costs as an operating expense in each reporting period based on landfill capacity used as of the balance sheet date. The \$6,000,000 reported as landfill closure liability at June 30, 2013, represents the cumulative amount reported to date based on 28 of 31.75 acres already used.

The City is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The City is funding a closure trust and a post closure savings, with a user fee of \$8.75 per ton, which have a balance of \$1,675,461 and \$388,277 respectively at June 30, 2015. This results in an unfunded liability in the amount of \$3,936,262. The City is working on an additional city user fee to cover the closure costs.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

14. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in a few lawsuits arising in the normal course of business. In the aggregate, these claims are not likely to have a material adverse impact on the affected funds of the City.

15. Change in Accounting Principles and Restatement of Net Position

For fiscal year 2015, the City has implemented GASB 68 and GASB 71 which is more fully described in Note 1. The City also had several other adjustments to the beginning net position/fund balances to correct several errors. Several of the errors related to misstatement of receivables and capital assets and one error was to remove the OPEB liability from a governmental fund liability as it does not meet the criteria to include as a governmental fund liability. The implementation of these statements and the correction of these errors had the following impact on the 2015 beginning net position/fund balances of the City:

	<u>Governmental Activities</u>	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Component Unit</u>
Net position – beginning of year	\$3,618,783	\$140,878	\$(5,657,161)	\$2,841,975	\$1,706,319	\$682,232
Restatements:						
Correction of Errors	(273,517)	(24,305)	14,846	(169,802)	25,400	(43,000)
Deferred Outflows	574,266	31,921	7,312	69,844	60,560	-0-
Pension Liabilities	<u>(3,534,645)</u>	<u>(149,868)</u>	<u>(34,330)</u>	<u>(327,917)</u>	<u>(284,329)</u>	<u>-0-</u>
Net position – beginning of year – restated	<u>\$ 384,887</u>	<u>\$(1,374)</u>	<u>\$(5,669,333)</u>	<u>\$2,414,100</u>	<u>\$1,507,950</u>	<u>\$639,232</u>
		<u>General Fund</u>				
Fund balance – beginning of year		\$954,850				
Restatement:						
Remove OPEB as a Governmental fund liability		948,749				
Correction of misstatement of prior year receivable		<u>(197,258)</u>				
Fund balance – beginning of year – restated		<u>\$1,706,341</u>				

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

16. Debt Covenant Compliance

The City of Elkins, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 2009 A bonds. Specifically, the City must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"...The schedule or schedules of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds and accounts created hereunder...the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient together with other revenues of the System, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2009 A Bonds, and all other obligations... including Prior Bonds: provided that, in the event that, an amount equal to or in excess of Reserve Requirements is on deposit in the Series 2009 A Bonds Reserve Account and any reserve accounts for obligations on a parity with, or subordinate to, the Series 2009 A Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2009 A Bonds, and all other obligations..."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2015.

<u>Net Gross Revenues</u>	<u>Amount Annual Debt Service</u>	<u>Percentage</u>	<u>Maximum Percentage Required</u>
\$ <u>1,069,129</u>	\$ <u>675,869</u>	158%	110%

As of June 30, 2015, the City was in compliance with the provisions of the Series 2009 A revenue bond covenant which require revenues to be 110% or above the amount of the highest principal payment plus interest due in any given year.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

17. Subsequent Events

The City of Elkins, West Virginia's management evaluated the effect that subsequent events would have on financial statements through April 8, 2016, which is the date the financial statements were available to be released.

The City has turned over the operation of their landfill to another party during fiscal year 2016 and the associated assets and liabilities have been transferred to that other party during fiscal year 2016.

18. Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Coal Severance</u>	<u>Capital Reserve</u>	<u>Other Governmental Funds</u>
Restricted for:				
Capital projects	\$ -0-	\$ -0-	\$ 838,649	\$ -0-
Committed for:				
Streets	-0-	192,141	-0-	-0-
Unassigned	<u>1,548,774</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total fund balance	<u>\$1,548,774</u>	<u>\$ 192,141</u>	<u>\$ 838,649</u>	<u>\$ -0-</u>

REQUIRED SUPPLEMENTARY INFORMATION

City of Elkins
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
West Virginia Firemen's Pension and Relief Fund
*Last Two Years **

	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 1,388,824	\$ 1,441,318
Plan net position	<u>1,244,804</u>	<u>1,163,258</u>
Net pension liability	144,020	278,060
Plan net position as a % of total pension liability	89.63%	80.71%
Covered-employee payroll	\$ 161,535	\$ 164,553
Net pension liability as a % of Covered Payroll	89.16%	168.98%

* - Information for years prior to 2014 was not available.

City of Elkins
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
West Virginia Policemen's Pension and Relief Fund
*Last Two Years **

	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 5,065,118	\$ 5,041,872
Plan net position	<u>2,794,044</u>	<u>2,383,232</u>
Net pension liability	2,271,074	2,658,640
Plan net position as a % of total pension liability	55.16%	47.27%
Covered-employee payroll	\$ 489,755	\$ 479,174
Net pension liability as a % of Covered Payroll	463.72%	554.84%

* - Information for years prior to 2014 was not available.

City of Elkins
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
West Virginia Public Employees Retirement System
*Last Two Years **

	<u>2014</u>	<u>2013</u>
City's proportion of the net pension liability	0.15295500%	0.14740600%
City's proportionate share of the net pension liability	\$ 564,503	\$ 1,343,797
City's covered-employee payroll	\$ 2,051,724	\$ 1,932,386
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.50%	69.50%
Plan fiduciary net position as a percentage of the total pension liability	93.98%	79.20%

* - Information for years prior to 2013 was not available.

Required Supplementary Information
Schedule of City Contributions
West Virginia Firemen's Pension and Relief Fund
*Last Three Years **

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 75,772	\$ 94,403	\$ 85,238
Employer contribution	67,062	58,219	63,000
State contribution	30,087	33,026	32,992
Percentage contributed	128%	97%	113%
Covered payroll	\$ 161,535	\$ 164,553	\$ 146,628
Actual contribution as a % of covered payroll	60%	55%	65%

* - Information for years prior to 2013 was not available.

City of Elkins
Required Supplementary Information
Schedule of City Contributions
West Virginia Policemen's Pension and Relief Fund
*Last Three Years **

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 364,511	\$ 359,070	\$ 320,736
Employer contribution	503,484	258,043	153,086
State contribution	65,549	97,618	76,378
Percentage contributed	156%	99%	72%
Covered payroll	\$ 489,755	\$ 479,174	\$ 419,287
Actual contribution as a % of covered payroll	116%	74%	55%

* - Information for years prior to 2013 was not available.

City of Elkins
Required Supplementary Information
Schedule of City Contributions
West Virginia Public Employees Retirement System
*Last Two Years **

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 272,824	\$ 296,993
Contributions in relation to the contractually required contribution	<u>(272,824)</u>	<u>(296,993)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	\$ 1,881,545	\$ 2,051,724
Contributions as a percentage of covered-employee payroll	14.50%	14.50%

* - Information for years prior to 2014 was not available.

City of Elkins
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
West Virginia Firemen's Pension and Relief Fund
*Last Two Years **

	2015	2014
Total pension liability		
Service cost	\$ 48,141	\$ 48,630
Interest on the total pension liability	90,602	90,062
Benefit changes	-	-
Differences between expected and actual experience	(36,801)	-
Assumption changes	(85,025)	-
Benefit changes	(69,411)	(68,625)
Refunds	-	-
Net change in total pension liability	(52,494)	70,067
Total pension liability - beginning	1,441,318	1,371,251
Total pension liability - ending	\$ 1,388,824	\$ 1,441,318

City of Elkins
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
West Virginia Policemen's Pension and Relief Fund
*Last Two Years **

	<u>2015</u>	<u>2014</u>
Total pension liability		
Service cost	\$ 142,861	\$ 140,829
Interest on the total pension liability	290,680	293,785
Benefit changes	-	-
Differences between expected and actual experience	(126,966)	-
Assumption changes	-	-
Benefit changes	(278,704)	(269,200)
Refunds	<u>(4,625)</u>	<u>(27,467)</u>
Net change in total pension liability	23,246	137,947
Total pension liability - beginning	<u>5,041,872</u>	<u>4,903,925</u>
Total pension liability - ending	<u><u>\$ 5,065,118</u></u>	<u><u>\$ 5,041,872</u></u>

MUNICIPALITY OF ELKINS
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
POLICEMEN'S PENSION AND RELIEF FUND
FIREMEN'S PENSION AND RELIEF FUND

NOTE A – PENSION DATA

Valuation date

Actuarially determined contribution rates are calculated as of June 30, twelve months prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

- a. Actuarial cost method: Entry age normal
- b. Amortization method: Level percentage of payroll, closed
- c. Asset valuation method: Market Value
- d. Inflation: 3.0%
- e. Salary Increases: 1.0-9.0%, including inflation
- f. Investment rate of return: 6.0% (Policemen) 7.0% (Firemen), net of plan investment expense, including inflation
- g. Retirement age: 45% for ages 50, 51 and 55; 30% for ages 52 - 54; 35% for age 56; 55% for age 57; and 100% at 58.
- h. Mortality: 85% of 1994 Group Annuity Mortality for non-disabled participants, 1994 Group Annuity Mortality for retirees, and 1994 Group Annuity Mortality set forward 4 years for disabled participants

ACCOMPANYING INFORMATION



Balestra, Harr & Scherer, CPAs, Inc.

Accounting, Auditing and Consulting Services for Federal, State and Local Governments

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

Municipality of Elkins
Randolph County, West Virginia
401 Davis Avenue
Elkins, West Virginia 26241

To the Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of Elkins, Randolph County, West Virginia (the Municipality) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated April 8, 2016, wherein we noted the Municipality adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27*.

Internal Control Over Financial Reporting

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

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

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

Mayor and Members of Council
Municipality of Elkins
Randolph County, West Virginia
Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by Government Auditing Standards
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

Balestra, Harr & Scherer, CPAs

Balestra, Harr & Scherer, CPAs, Inc.
Huntington, West Virginia
April 8, 2016