



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

For the Year Ended June 30, 2018  
Fiscal Year Audited Under GAGAS: 2018

**MUNICIPALITY OF ELKINS, WEST VIRGINIA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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## **INTRODUCTORY SECTION**

**CITY OF ELKINS, WEST VIRGINIA  
INDEX OF FUNDS  
JUNE 30, 2018**

**GOVERNMENTAL FUND TYPES**

***MAJOR FUNDS***

General  
Coal Severance  
Financial Stabilization

**PROPRIETARY FUND TYPE**

***MAJOR FUNDS***

Sanitation  
Landfill  
Water  
Sewer

**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**



**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, 2018 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, 2018, 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 17 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding 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 defined benefit pension plan and OPEB liabilities to 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.

#### Supplementary and Other Information

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

The introductory section presents additional analysis and is not a required part of the basic financial statements.



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

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

We did not subject the introductory section to the auditing procedures applied in the basic financial statements and, accordingly, we express no opinion or any other assurance on it.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2019, 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.



BHM CPA Group Inc.  
Huntington, West Virginia  
March 23, 2019

**City of Elkins, West Virginia**  
**Statement of Net Position**  
**June 30, 2018**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Unit Parks and Recreation Board</b>
<b>Assets:</b>				
Cash and investments	\$ 1,427,566	\$ 1,662,314	\$ 3,089,880	\$ 48,987
Receivables (net)				
Taxes	460,611	-	460,611	-
Accounts	109,559	608,244	717,803	201
Other receivables	48,859	-	48,859	-
Due to/from other activities	486,150	(504,135)	(17,985)	17,985
Inventory	-	264,113	264,113	-
Restricted Assets	-	3,305,846	3,305,846	-
Capital assets not being depreciated	99,840	66,800	166,640	-
Capital assets being depreciated (net of accumulated depreciation)	2,561,100	45,321,119	47,882,219	597,248
<i>Total assets</i>	<u>5,193,685</u>	<u>50,724,301</u>	<u>55,917,986</u>	<u>664,421</u>
<b>Deferred Outflows of Resources:</b>				
Pensions	977,221	171,060	1,148,281	-
Other post employment benefits (OPEB)	95,709	64,745	160,454	-
<i>Total deferred outflows of resources</i>	<u>1,072,930</u>	<u>235,805</u>	<u>1,308,735</u>	<u>-</u>
<b>Liabilities:</b>				
Accounts payable	169,785	213,317	383,102	2,670
Accrued wages and benefits	181,720	122,357	304,077	11,179
Accrued interest payable	-	28,194	28,194	-
Contracts payable	-	743,469	743,469	-
Retainage payable	-	504,619	504,619	-
Notes payable	131,845	-	131,845	21,355
Long-term liabilities				
Due within one year	92,848	1,417,565	1,510,413	-
Due in more than one year				
Pensions	2,316,209	320,207	2,636,416	-
Other post employment benefits (OPEB)	1,058,619	716,124	1,774,743	-
Other long-term liabilities	598,556	39,219,025	39,817,581	4,973
<i>Total liabilities</i>	<u>4,549,582</u>	<u>43,284,877</u>	<u>47,834,459</u>	<u>40,177</u>
<b>Deferred inflows of resources:</b>				
Pensions	650,448	138,907	789,355	-
Other post employment benefits (OPEB)	81,481	207,227	288,708	-
	<u>731,929</u>	<u>346,134</u>	<u>1,078,063</u>	<u>-</u>
<b>Net Position:</b>				
Net investment in capital assets	1,837,691	3,503,241	5,340,932	575,893
Restricted for:				
Other purposes	80,113	-	80,113	-
Debt service	-	685,934	685,934	-
Capital expenditures	851,811	885,098	1,736,909	-
Unrestricted (deficit)	(1,784,511)	2,254,822	470,311	48,351
<i>Total net position</i>	<u>\$985,104</u>	<u>\$7,329,095</u>	<u>\$8,314,199</u>	<u>\$624,244</u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

<b>Functions/programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 1,079,773	\$ 565,734	\$ -	\$ 36,707
Public safety	1,831,720	913,160	-	-
Highway and Streets	937,068	-	-	-
Culture and recreation	143,246	-	-	-
Health and Sanitation	11,126	-	-	-
Contribution Expense	225,000	-	-	-
Interest and fiscal charges	74,750	-	-	-
Total governmental activities	4,302,683	1,478,894	-	36,707
Business-type activities:				
Sanitation	1,202,134	1,402,400	-	-
Landfill	45,385	1,175	-	-
Water	2,752,111	2,894,415	-	-
Sewer	2,064,243	1,955,266	-	-
Total business-type activities	6,063,873	6,253,256	-	-
Total primary government	10,366,556	7,732,150	-	36,707
<b>Component unit:</b>				
Parks and Recreation Board	296,467	56,557	226,375	-
Total component unit	296,467	56,557	226,375	-

General revenues and transfers:

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

Transfers

- Total general revenues and transfers
- Changes in net position
- Net position, beginning of the year - as restated
- Net position, end of the year

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Parks & Recreation Board
\$ (477,332)	\$ -	\$ (477,332)	\$ -
(918,560)	-	(918,560)	-
(937,068)	-	(937,068)	-
(143,246)	-	(143,246)	-
(11,126)	-	(11,126)	-
(225,000)	-	(225,000)	-
(74,750)	-	(74,750)	-
<u>(2,787,082)</u>	<u>-</u>	<u>(2,787,082)</u>	<u>-</u>
-	200,266	200,266	-
-	(44,210)	(44,210)	-
-	142,304	142,304	-
-	(108,977)	(108,977)	-
-	189,383	189,383	-
<u>(2,787,082)</u>	<u>189,383</u>	<u>(2,597,699)</u>	<u>-</u>
			<u>(13,535)</u>
			(13,535)
1,012,172	-	1,012,172	-
1,349,507	-	1,349,507	-
120,248	-	120,248	-
410,268	-	410,268	-
2,182	-	2,182	-
191,508	-	191,508	-
9,309	-	9,309	-
138,506	-	138,506	-
93,607	-	93,607	-
33,818	-	33,818	-
54,327	-	54,327	-
33,935	-	33,935	-
3,385	22,555	25,940	39
44,887	-	44,887	1,150
<u>(761,576)</u>	<u>761,576</u>	<u>-</u>	<u>-</u>
<u>2,736,083</u>	<u>784,131</u>	<u>3,520,214</u>	<u>1,189</u>
(50,999)	973,514	922,515	(12,346)
1,036,103	6,355,581	7,391,684	636,590
<u>\$ 985,104</u>	<u>\$ 7,329,095</u>	<u>\$ 8,314,199</u>	<u>\$ 624,244</u>

**City of Elkins, West Virginia**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General	Coal Severance	Financial Stabilization	Total Governmental Funds
<b>Assets:</b>				
Cash and investments	\$ 668,397	\$ 74,292	\$ 684,877	\$ 1,427,566
Receivables (net of allowances for uncollectibles)				
Taxes	460,611	-	-	460,611
Accounts	109,559	-	-	109,559
Other receivables	43,038	5,821	-	48,859
Due from:				
Other funds	416,321	-	166,934	583,255
Component unit	765	-	-	765
<i>Total assets</i>	<u>1,698,691</u>	<u>80,113</u>	<u>851,811</u>	<u>2,630,615</u>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances:</b>				
<b>Liabilities:</b>				
Accounts payable	169,785	-	-	169,785
Accrued wages and benefits	181,720	-	-	181,720
Interfund payable	79,120	-	-	79,120
Due to component unit	18,750	-	-	18,750
Notes payable	131,845	-	-	131,845
<i>Total liabilities</i>	581,220	-	-	581,220
<b>Deferred Inflows of Resources:</b>				
Property taxes not levied to finance current year operations	74,066	-	-	74,066
<i>Total deferred inflows of resources</i>	74,066	-	-	74,066
<b>Fund Balances:</b>				
Restricted for Capital Outlay	-	-	851,811	851,811
Restricted	-	80,113	-	80,113
Unassigned	1,043,405	-	-	1,043,405
<i>Total fund balances</i>	<u>1,043,405</u>	<u>80,113</u>	<u>851,811</u>	<u>1,975,329</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 1,698,691</u>	<u>\$ 80,113</u>	<u>\$ 851,811</u>	<u>\$ 2,630,615</u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2018**

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<b>Total Governmental Fund Balances</b>	\$ 1,975,329
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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.	2,660,940
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The net pension/OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in the funds.

Deferred outflows of resources related to pensions	977,221	
Deferred outflows of resources related to OPEB	95,709	
Deferred inflows of resources related to pensions	(650,448)	
Deferred inflows of resources related to OPEB	(81,481)	
Net Pension Liability	(2,316,209)	
Net OPEB Liability	<u>(1,058,619)</u>	
 Total		 (3,033,827)

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.

Revenue Bonds Payable	(299,006)	
Notes Payable	<u>(392,398)</u>	
 Total		 <u>(691,404)</u>

<b>Net Position of Governmental Activities</b>	<b>\$ <u>985,104</u></b>
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The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General	Coal Severance	Financial Stabilization	Total Governmental Funds
<b>Revenues:</b>				
Taxes (including interest and penalties)				
Ad valorem	\$ 938,106	\$ -	\$ -	\$ 938,106
Business and occupation	1,349,507	-	-	1,349,507
Alcoholic beverage	120,248	-	-	120,248
Utility services	410,268	-	-	410,268
Animal control	2,182	-	-	2,182
Hotel occupancy	191,508	-	-	191,508
Gas and Oil Severance	9,309	-	-	9,309
Licenses and permits	138,506	-	-	138,506
Franchise fees	93,607	-	-	93,607
Intergovernmental revenue				
State	21,681	12,137	-	33,818
Charges for services	437,788	-	-	437,788
Investment earnings	1,252	87	2,046	3,385
Fire service fees and penalties	913,160	-	-	913,160
Reimbursements	54,327	-	-	54,327
Parking revenues	13,849	-	-	13,849
Court costs and fees	114,097	-	-	114,097
Video lottery and gaming income	33,935	-	-	33,935
Miscellaneous revenue	44,747	140	-	44,887
<i>Total revenues</i>	<u>4,888,077</u>	<u>12,364</u>	<u>2,046</u>	<u>4,902,487</u>
<b>Expenditures:</b>				
Current:				
General government	1,094,709	-	-	1,094,709
Public safety	1,855,960	9,234	-	1,865,194
Highway and Streets	962,739	-	-	962,739
Culture and recreation	146,520	-	-	146,520
Health and Sanitation	11,126	-	-	11,126
Capital outlay	676,156	-	-	676,156
Debt service:				
Principal retirement	61,851	-	-	61,851
Interest and fiscal charges	24,432	-	-	24,432
<i>Total expenditures</i>	<u>4,833,493</u>	<u>9,234</u>	<u>-</u>	<u>4,842,727</u>
<i>Excess of revenues over (under) expenditures</i>	54,584	3,130	2,046	59,760
<b>Other financing sources (uses):</b>				
Issuance of debt	424,504			424,504
Transfers in	6,000	-	-	6,000
Transfers out	(475,976)	-	(291,600)	(767,576)
Contributions to Park Board	(225,000)	-	-	(225,000)
<i>Total other financing sources (uses)</i>	<u>(270,472)</u>	<u>-</u>	<u>(291,600)</u>	<u>(562,072)</u>
Net change in fund balance	(215,888)	3,130	(289,554)	(502,312)
Fund balance, January 1 - As Restated	1,259,293	76,983	1,141,365	2,477,641
Fund balance, December 31	<u>\$ 1,043,405</u>	<u>\$ 80,113</u>	<u>\$ 851,811</u>	<u>\$ 1,975,329</u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**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, 2018**

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**Net Change in Fund Balances - Total Governmental Funds** \$ (502,312)

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	712,865	
Current Year Depreciation	<u>(232,521)</u>	
Total		480,344

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

Taxes		74,066
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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.

61,851

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

641,918

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

(382,362)

Total		<u>480,344</u>
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**Net Change in Net Position of Governmental Activities** \$ (50,999)

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.



**City of Elkins, West Virginia**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund - Budgetary Basis**  
**For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Modified Accrual Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Taxes (including interest and penalties)				
General property tax	\$ 1,003,337	\$ 1,003,337	\$ 938,106	\$ (65,231)
Gas and oil severance tax	9,000	9,000	9,309	309
Business and occupation tax	1,272,247	1,272,247	1,349,507	77,260
Alcoholic beverage tax	120,000	120,000	120,248	248
Utility services tax	352,000	352,000	410,268	58,268
Hotel occupancy tax	180,100	180,100	191,508	11,408
Animal control tax	1,600	1,600	2,182	582
Total taxes	2,938,284	2,938,284	3,021,128	82,844
Licenses and permits	83,450	83,450	138,506	55,056
Franchise fees	97,000	97,000	93,607	(3,393)
Intergovernmental:				
State	15,500	15,500	21,681	6,181
Charges for services	446,262	446,262	437,788	(8,474)
Interest	2,000	2,000	1,252	(748)
Fire service fees and penalties	735,866	735,866	913,160	177,294
Parking revenues	18,000	18,000	13,849	(4,151)
Court costs and fees	91,000	91,000	114,097	23,097
Video lottery and gaming income	34,000	34,000	33,935	(65)
Rents and concessions	23,000	23,000	-	(23,000)
Reimbursements	13,000	13,000	54,327	41,327
Miscellaneous	13,100	13,100	44,747	31,647
Total revenues	4,510,462	4,510,462	4,888,077	377,615
<b>Expenditures</b>				
General government	1,231,281	1,383,728	1,094,709	289,019
Public safety	1,746,358	1,990,452	1,855,960	134,492
Highways and streets	974,315	964,315	962,739	1,576
Health and sanitation	4,000	4,000	11,126	(7,126)
Culture and recreation	164,534	164,534	146,520	18,014
Debt service	-	86,283	86,283	-
Capital projects	264,974	264,974	676,156	(411,182)
Total expenditures	4,385,462	4,858,286	4,833,493	24,793
(Deficiency) excess of revenues (under) over expenditures	125,000	(347,824)	54,584	402,408

**City of Elkins, West Virginia**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance - Budget and Actual**  
**General Fund - Budgetary Basis (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

	Budgeted Amounts		Actual Modified Accrual Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Other Financing Sources (Uses):				
Issuance of Debt	-	-	424,504	424,504
Transfers In	-	-	6,000	6,000
Transfers Out	-	-	(475,976)	(475,976)
Contributions to Park Board	(225,000)	(225,000)	(225,000)	-
Total other financing uses	(225,000)	(225,000)	(270,472)	(45,472)
Net change in fund balance	(100,000)	(572,824)	(215,888)	356,936
Fund balance at beginning of year - as restated	100,000	1,259,293	1,259,293	-
Fund balance at end of year	\$ -	\$ 686,469	\$ 1,043,405	\$ 356,936

**Explanation of Differences:**

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

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**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, 2018**

	Budgeted Amounts		Actual Modified Accrual Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental:				
State	9,000	9,000	12,137	3,137
Interest	-	-	87	87
Miscellaneous revenue	-	-	140	140
Total revenues	<u>9,000</u>	<u>9,000</u>	<u>12,364</u>	<u>3,364</u>
Expenditures				
Public safety	<u>80,943</u>	<u>73,076</u>	<u>9,234</u>	<u>63,842</u>
Total expenditures	<u>80,943</u>	<u>73,076</u>	<u>9,234</u>	<u>63,842</u>
Net change in fund balance	(71,943)	(64,076)	3,130	67,206
Fund balance at beginning of year	<u>76,983</u>	<u>76,983</u>	<u>76,983</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,040</u>	<u>\$ 12,907</u>	<u>\$ 80,113</u>	<u>\$ 67,206</u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Sanitation</b>	<b>Landfill</b>	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Assets:</b>					
Current assets:					
Equity in pooled cash and investments	\$ 725,309	\$ 139,117	\$ 538,063	\$ 259,825	\$ 1,662,314
Receivables (net of allowances for uncollectibles)	119,754	107	311,427	176,956	608,244
Due from other funds	-	-	22,875	-	22,875
Materials and supplies inventory	-	-	211,141	52,972	264,113
<i>Total current assets</i>	<u>845,063</u>	<u>139,224</u>	<u>1,083,506</u>	<u>489,753</u>	<u>2,557,546</u>
Restricted assets:					
Reserve account	-	-	-	601,496	601,496
Revenue account	-	-	-	84,438	84,438
Depreciation account	-	-	308,881	300,001	608,882
Renewal and replacement account	-	-	95,676	180,540	276,216
Landfill escrow	-	1,734,814	-	-	1,734,814
<i>Total restricted assets</i>	<u>-</u>	<u>1,734,814</u>	<u>404,557</u>	<u>1,166,475</u>	<u>3,305,846</u>
Capital Assets					
Land	-	-	9,766	57,034	66,800
Structures and improvements	-	42,600	20,009,016	10,625,991	30,677,607
Treatment and distribution system	-	-	21,488,944	-	21,488,944
Collecting system	-	-	-	7,106,239	7,106,239
Pumping system	-	-	-	594,661	594,661
Treatment and disposal system	-	-	-	2,617,308	2,617,308
General plant	-	-	-	1,215,009	1,215,009
Machinery and equipment	1,343,940	1,304,693	796,247	-	3,444,880
Landfill cell	-	2,918,670	-	-	2,918,670
Construction in progress	-	-	-	66,940	66,940
Less: accumulated depreciation and amortization	(1,020,129)	(4,175,994)	(6,641,863)	(12,971,153)	(24,809,139)
<i>Total capital assets</i>	<u>323,811</u>	<u>89,969</u>	<u>35,662,110</u>	<u>9,312,029</u>	<u>45,387,919</u>
<i>Total assets</i>	<u>1,168,874</u>	<u>1,964,007</u>	<u>37,150,173</u>	<u>10,968,257</u>	<u>51,251,311</u>
<b>Deferred Outflows of Resources:</b>					
Pensions	38,099	-	75,596	57,365	171,060
OPEB	15,449	-	28,826	20,470	64,745
<i>Total deferred outflows of resources</i>	<u>53,548</u>	<u>-</u>	<u>104,422</u>	<u>77,835</u>	<u>235,805</u>
<b>Liabilities:</b>					
Current liabilities (payable from current assets):					
Accounts payable	78,113	12	77,212	57,980	213,317
Accrued wages, benefits and vacation	27,111	-	45,690	49,556	122,357
Due to other funds	440,091	-	86,919	-	527,010
Retainage payable	-	-	504,619	-	504,619
Contracts payable	-	-	743,469	-	743,469
Notes payable - current portion	-	-	33,007	45,380	78,387
Current portion of obligations under capital leases	31,879	-	-	24,270	56,149
<i>Total current liabilities (payable from current assets)</i>	<u>577,194</u>	<u>12</u>	<u>1,490,916</u>	<u>177,186</u>	<u>2,245,308</u>
Current liabilities (payable from restricted assets):					
Revenue bonds payable	-	-	751,133	531,896	1,283,029
Accrued interest	-	-	28,194	-	28,194
<i>Total current liabilities (payable from restricted assets)</i>	<u>-</u>	<u>-</u>	<u>779,327</u>	<u>531,896</u>	<u>1,311,223</u>
Noncurrent liabilities:					
Notes payable-noncurrent	-	-	-	8,483	8,483
Obligations under capital leases-noncurrent	26,447	-	-	109,571	136,018
Accrued other post employment benefits	170,875	-	318,839	226,410	716,124
Net pension liability	71,317	-	141,509	107,381	320,207
Revenue bonds payable-noncurrent	-	-	31,483,740	7,590,784	39,074,524
<i>Total noncurrent liabilities</i>	<u>268,639</u>	<u>-</u>	<u>31,944,088</u>	<u>8,042,629</u>	<u>40,255,356</u>
<i>Total liabilities</i>	<u>845,833</u>	<u>12</u>	<u>34,214,331</u>	<u>8,751,711</u>	<u>43,811,887</u>
<b>Deferred Inflows of Resources:</b>					
Pensions	22,529	-	65,668	50,710	138,907
OPEB	70,677	-	89,633	46,917	207,227
<i>Total deferred inflows of resources</i>	<u>93,206</u>	<u>-</u>	<u>155,301</u>	<u>97,627</u>	<u>346,134</u>
<b>Net Position:</b>					
Net investment in capital assets	265,485	89,969	2,146,142	1,001,645	3,503,241
Restricted:					
Debt service	-	-	-	685,934	685,934
Depreciation and replacement	-	-	308,881	480,541	789,422
Capital acquisition	-	-	95,676	-	95,676
Unrestricted (deficit)	17,898	1,874,026	334,264	28,634	2,254,822
<i>Total net position (deficit)</i>	<u>\$283,383</u>	<u>\$1,963,995</u>	<u>\$2,884,963</u>	<u>\$2,196,754</u>	<u>\$7,329,095</u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Sanitation</b>	<b>Landfill</b>	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
Operating revenues:					
Charges for services	\$ 1,376,603	\$ -	\$ 2,823,261	\$ 1,902,693	\$ 6,102,557
Discounts and penalties	-	58	27,241	20,721	48,020
Tap fees	-	-	8,800	3,600	12,400
<b>Total operating revenues</b>	<b>1,376,603</b>	<b>58</b>	<b>2,859,302</b>	<b>1,927,014</b>	<b>6,162,977</b>
Operating expenses:					
Personal services	416,791	-	714,194	630,539	1,761,524
Contractual services	577,407	-	120,738	276,069	974,214
Administrative and general	10,686	-	2,025	17,342	30,053
Rents	21,600	-	-	-	21,600
Miscellaneous	-	5,170	363,349	78,846	447,365
Fuel and oil	47,815	-	25,505	18,142	91,462
Liability insurance	14,628	-	21,804	14,628	51,060
Materials and supplies	14,108	-	230,608	223,267	467,983
Utilities	8,089	173	270,987	8,845	288,094
Depreciation	56,696	40,042	773,780	554,127	1,424,645
Maintenance	32,842	-	149,391	103,361	285,594
<b>Total operating expenses</b>	<b>1,200,662</b>	<b>45,385</b>	<b>2,672,381</b>	<b>1,925,166</b>	<b>5,843,594</b>
<b>Operating income (loss)</b>	<b>175,941</b>	<b>(45,327)</b>	<b>186,921</b>	<b>1,848</b>	<b>319,383</b>
Nonoperating revenues (expenses):					
Interest income	760	9,572	1,475	10,748	22,555
Miscellaneous income	25,797	1,117	35,113	28,252	90,279
Interest expense	(1,472)	-	(79,730)	(139,077)	(220,279)
Transfer In	-	1,356,505	-	-	1,356,505
Transfer Out	(488,400)	-	(106,529)	-	(594,929)
<b>Total nonoperating revenues (expenses)</b>	<b>(463,315)</b>	<b>1,367,194</b>	<b>(149,671)</b>	<b>(100,077)</b>	<b>654,131</b>
<b>Changes in net position</b>	<b>(287,374)</b>	<b>1,321,867</b>	<b>37,250</b>	<b>(98,229)</b>	<b>973,514</b>
Net position, beginning of the year - as restated	570,757	642,128	2,847,713	2,294,983	6,355,581
<b>Net position, end of the year</b>	<b>\$ 283,383</b>	<b>\$ 1,963,995</b>	<b>\$ 2,884,963</b>	<b>\$ 2,196,754</b>	<b>\$ 7,329,095</b>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Business-Type Activities - Enterprise Funds</b>				
	<b>Sanitation</b>	<b>Landfill</b>	<b>Water</b>	<b>Sewer</b>	<b>Totals</b>
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 1,373,849	\$ 1,012	\$ 2,805,692	\$ 2,080,062	\$6,260,615
Cash received from tap fees	0	0	8,800	3,600	12,400
Cash paid to suppliers	(221,088)	(1,363,380)	(1,017,704)	(752,843)	(3,355,015)
Cash paid to employees and for fringe benefits	(388,786)	0	(765,415)	(704,306)	(1,858,507)
Net cash provided by (used for) operating activities	763,975	(1,362,368)	1,031,373	626,513	1,059,493
<b>Cash flows from non-capital financing activities:</b>					
Transfer of monies to/from restricted cash	0	(9,401)	(95,390)	47,625	(57,166)
Transfer in	0	1,356,505	0	0	1,356,505
Transfer out	(488,400)	0	(106,529)	0	(594,929)
Miscellaneous non-operating receipts	25,797	1,117	35,113	28,252	90,279
Net cash provided by non-capital financing activities	(462,603)	1,348,221	(166,806)	75,877	794,689
<b>Cash flows from capital and related financing activities:</b>					
Principal payments - capital lease	(31,207)	0	0	(23,729)	(54,936)
Interest paid	(1,472)	0	(59,339)	(149,862)	(210,673)
Proceeds from issuance of debt and capital leases	0	0	3,797,564	31,044	3,828,608
Purchases of assets	(27,110)	0	(4,047,969)	(31,045)	(4,106,124)
Principal payments - bonds and notes payable	0	0	(353,328)	(693,665)	(1,046,993)
Net cash used for capital and related financing activities	(59,789)	0	(663,072)	(867,257)	(1,590,118)
<b>Cash flows from investing activities:</b>					
Interest received	760	9,572	1,475	10,748	22,555
Net cash provided by investing activities	760	9,572	1,475	10,748	22,555
Net increase (decrease) in cash and cash equivalents	242,343	(4,575)	202,970	(154,119)	286,619
Cash and cash equivalents, beginning of the year	482,966	143,692	335,093	413,944	1,375,695
Cash and cash equivalents, end of the year	<u>\$725,309</u>	<u>\$139,117</u>	<u>\$538,063</u>	<u>\$259,825</u>	<u>\$1,662,314</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</b>					
Operating income (loss)	\$175,941	(\$45,327)	\$186,921	\$1,848	\$319,383
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	56,696	40,042	773,780	554,127	1,424,645
(Increase) decrease in operating assets and deferred outflows:					
Accounts receivable	(2,754)	954	(44,810)	156,648	110,038
Inventory	0	0	76,490	(5,680)	70,810
Due from other funds	486,937	8,847	106,529	7,634	609,947
Deferred outflows - pension	57,954	0	135,256	103,485	296,695
Deferred outflows - OPEB	(1,176)	0	(2,194)	(1,557)	(4,927)
Increase (decrease) in operating liabilities and deferred inflows:					
Accounts payable	19,150	(10,379)	(16,317)	(14,297)	(21,843)
Due to other funds	0	(1,356,505)	1	0	(1,356,504)
Accrued wages, benefits and vacation	1,249	0	(64,828)	(66,371)	(129,950)
Net pension liability	(81,339)	0	(193,597)	(148,256)	(423,192)
Net OPEB liability	(32,784)	0	(61,173)	(43,448)	(137,405)
Deferred outflows - pension	13,424	0	45,682	35,463	94,569
Deferred outflows - OPEB	70,677	0	89,633	46,917	207,227
Total adjustments	588,034	(1,317,041)	844,452	624,665	740,110
Net cash provided by (used for) operating activities	<u>\$763,975</u>	<u>(\$1,362,368)</u>	<u>\$1,031,373</u>	<u>\$626,513</u>	<u>\$1,059,493</u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**June 30, 2018**

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	<b>Pension Trust Fund</b>
<b>Assets:</b>	
Current assets:	
Segregated cash accounts	\$77,445
Segregated investments	5,101,142
	<hr/>
<i>Total assets</i>	<u><u>\$5,178,587</u></u>
<b>Net Position:</b>	
Held in trust for pension benefits	<hr/> 5,178,587
	<hr/>
<i>Total net position</i>	<u><u>\$5,178,587</u></u>

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.

**City of Elkins, West Virginia**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2018**

	<b>Pension Trust Fund</b>
Additions	
Contributions:	
Employer	\$ 251,357
Employees	33,355
Premium surtax allocation	153,213
Total contributions	437,925
Investment income	372,388
Total additions	810,313
Deductions:	
General and administrative	13,553
Benefit payments	380,663
Total deductions	394,216
Changes in net position	416,097
Net position, beginning of the year	4,762,490
Net position, end of the year	\$ 5,178,587

The notes to the basic financial statements are an integral part of this statement.  
No assurance is provided on these financial statements.



**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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 a ten member council, which 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, 2018.

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.

**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.

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 is 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.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

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.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

***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.

***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 \$19,000 for an operating grant for the Airport Authority and \$21,000 for the Library Board for the fiscal year.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**(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.

**(c) Funds – Fund 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**

Governmental funds are accounted for using the current financial resources measurement focus. Only current assets, current liabilities, and deferred inflows of resources 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.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

*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.

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 *Financial Stabilization Fund* accounts 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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.

The City 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.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

**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.

Additionally, the City 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.

**(d) 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.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

- (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.

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.

**(e) Receivables**

All receivables are shown net of allowance for uncollectibles.

**(f) 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 increases (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:

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Asset	Straight-line Years
<b><u>Governmental Funds:</u></b>	
Buildings & Improvements	20 to 50 years
Infrastructure	20 to 65 years
Machinery & Equipment	5 to 25 years
Vehicles	5 years
<b><u>Proprietary Funds:</u></b>	
Buildings	25 to 50 years
Improvements	10 to 20 years
Utility Plant	10 to 20 years
Equipment	5 to 25 years

**(g) 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 FISCAL YEAR ENDED JUNE 30, 2018**

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.

**(h) 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 FISCAL YEAR ENDED JUNE 30, 2018**

**(i) 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.

**(j) 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.

**(k) 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.

**(l) 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 FISCAL YEAR ENDED JUNE 30, 2018**

**(m) 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.

**(n) 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 FISCAL YEAR ENDED JUNE 30, 2018**

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

**(o) 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.

**(p) 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.

**(q) 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 and OPEB in the amounts of \$1,148,281 and \$160,454, respectively, as of June 30, 2018. The deferred outflows of resources related to the pension are explained in Notes 6 and 8 and the deferred outflows of resources related to OPEB are explained in Note 9. 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 2018, the City reported a total of \$789,355 and \$288,708 of deferred inflows related to pensions and OPEB, respectively, on the statement of financial position. The deferred inflows of resources related to the pension are explained in Notes 6 and 8 and the deferred inflows of resources related to OPEB are explained in Note 9.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**(r) 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.

**(s) Other Post-Employment Benefits**

Net OPEB Liability – For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to other post-employment benefits, and other post-employment benefit expenses, information about the fiduciary net position of the County's Other Post-Employment Benefits Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the RHBTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Detailed information on the investment valuation can be found in the plans' financial statements.

**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.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018. 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.

	Bank Balance	Category			Carrying Amount
		<u>1</u>	<u>2</u>	<u>3</u>	
Primary Government	\$ 5,646,369	\$ 5,646,369	\$ -	\$ -	\$ 5,546,926
Component Unit	48,987	48,987	-	-	48,987
Total Deposits					<u>\$ 5,589,913</u>

	Bank Balance	Category			Carrying Amount
		<u>1</u>	<u>2</u>	<u>3</u>	
Fiduciary Funds	\$ 77,445	\$ 77,445	\$ -	\$ -	\$ 77,445
Total Deposits					<u>\$ 77,445</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.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The tables on the following pages identify the City's recurring fair value measurements as of June 30, 2018. All investments of the City are valued using quoted market prices (Level 1 inputs).

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

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.

	Category			Market Value	Cost	Unrecognized Gain/(Loss)
	<u>1</u>	<u>2</u>	<u>3</u>			
<b>Restricted</b>						
Municipal Bond Commission	\$ 805,813	\$ -	\$ -	\$ 805,813	\$ 805,813	\$ -
	<u>\$ 805,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 805,813</u>	<u>\$ 805,813</u>	<u>\$ -</u>

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

Total deposits	\$ 5,589,913
Investments - restricted	805,813
Total deposits and investments	<u>\$ 6,395,726</u>
Statement of Net Position:	
Cash	\$ 3,089,880
Restricted Assets	3,305,846
Total deposits and investments	<u>\$ 6,395,726</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Fiduciary Funds**

<u>Investment Type</u>	<u>Category</u>			<u>Market</u>	<u>Unrecognized</u>	
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Value</u>	<u>Cost</u>	<u>Gain/(Loss)</u>
Certificates of Deposit	\$ 1,829,553	\$ -	\$ -	\$ 1,829,553	\$ 1,859,930	\$ (30,377)
US Government Agencies	266,121	-	-	266,121	279,508	(13,387)
Mutual Funds	3,005,469	-	-	3,005,469	1,801,422	1,204,047
	<u>\$ 5,101,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,101,142</u>	<u>\$ 3,940,860</u>	<u>\$ 1,160,283</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, 2018, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2018, the City had the following investments:

<u>Investment Type</u>	<u>Fair</u>	<u>Credit Risk Rating</u>	
		<u>Value</u>	<u>Standard &amp; Poor's and Fitch</u>
Certificates of Deposit	\$ 1,829,553	N/A	N/A
US Government Agencies	266,121	AA	AA
Mutual Funds	3,005,469	Not Rated	Not Rated
	<u>\$ 5,101,142</u>		



**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Interest Rate Risk**

As of June 30, 2018, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	Fair Value	Less than 1	1-5	6-10	More than 10
Certificates of Deposit	\$ 1,829,553	\$ 49,902	\$ 1,689,651	\$ 90,000	\$ -
US Government Agencies	266,121	-	100,105	166,016	-
	<u>\$ 2,095,674</u>	<u>\$ 49,902</u>	<u>\$ 1,789,756</u>	<u>\$ 256,016</u>	<u>\$ -</u>

**4. Accounts Receivable, Business-Type Activities**

Accounts receivable and its allowance at June 30, 2018 are as follows:

	<u>Sanitation</u> <u>Fund</u>	<u>Landfill</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>
Accounts receivable	\$ 179,754	\$ 4,907	\$ 389,427	\$ 267,956
Less: Allowance for doubtful accounts	60,000	4,800	78,000	91,000
	<u>\$ 119,754</u>	<u>\$ 107</u>	<u>\$ 311,427</u>	<u>\$ 176,956</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 distraint for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

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.

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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, 2018 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes Expense</u>	<u>Current</u>
Class I	\$ -	\$ 0.125
Class II	\$ 108,790,436	\$ 0.250
Class IV	\$ 165,104,867	\$ 0.500

**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, 2016.

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, 2016.

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.

Memberships of the plans are as follows:

<u>Group</u>	<u>PPRF</u>	<u>FPRF</u>	<u>Totals</u>
Active Employees	7	3	10
Retirees & Beneficiaries currently receiving benefits	10	3	13
<b>Total</b>	<b>17</b>	<b>6</b>	<b>23</b>

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 for PPRF and commencing on July 1, 2010, with level dollar payments for FPRF. 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 for PPRF and FPRF is fully funded as of year end.
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 age 50 with 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, 2018**

**Actuarial Assumptions and Rate of Return**

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016 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, 2009, through July 1, 2014. Additional actuarial assumptions are disclosed in the Required Supplementary Information.

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, 2016 are summarized in the following chart:

Inflation rate	2.75% on first \$15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years.
Salary increases	1.00% plus service based increases ranging from 0% to 20% based on years of service
Investment Rate of Return	6.0% for PPRF and 6.0% for FPRF

Mortality rates were based on the RP-2014 Blue Collar Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on MP-2014 two-dimensional mortality improvement scales.

Rate of Return

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 6.00 percent for the PPRF and 6.50 percent for the FPRF. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Changes in Net Pension Liability**

	PPRF		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 5,239,162	\$ 3,004,879	\$ 2,234,283
Service Cost	126,132	-	126,132
interest Cost	306,843	-	306,843
Difference in expected and actual experience	(1,159)	-	(1,159)
Assumption Changes	-	-	-
Contributions - Employer	-	325,462	(325,462)
Contributions - Employee	-	28,137	(28,137)
Net Investment Income	-	296,717	(296,717)
Benefits Paid	(334,747)	(334,747)	-
Other Changes	(39,275)	(47,343)	8,068
<b>Net Changes</b>	<b>57,794</b>	<b>268,226</b>	<b>(210,432)</b>
Balances At June 30, 2018	<b>\$ 5,296,956</b>	<b>\$ 3,273,105</b>	<b>\$ 2,023,851</b>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

	FPRF		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2017	\$ 1,704,797	\$ 1,307,000	\$ 397,797
Service Cost	62,148	-	62,148
Interest Cost	85,450	-	85,450
Difference in expected and actual experience	(292,745)	-	(292,745)
Assumption Changes	(101,401)	-	(101,401)
Contributions - Employer	-	89,080	(89,080)
Contributions - Employee	-	11,438	(11,438)
Net Investment Income	-	124,235	(124,235)
Benefits Paid	(37,911)	(37,911)	-
Other Changes	-	(4,458)	4,458
<b>Net Changes</b>	<b>(284,459)</b>	<b>182,384</b>	<b>(466,843)</b>
Balances At June 30, 2018	<b>\$ 1,420,338</b>	<b>\$ 1,489,384</b>	<b>\$ (69,046)</b>

**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 6.5 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 5.5 percent for FPRF) or 1 – percentage point higher (7.0 percent for PPRF and 7.5 percent for FPRF) than the current rate:

	<u>1% Decrease</u>	<u>Current Interest Rate</u>	<u>1% Increase</u>
	5.0% - PPRF	6.0% - PPRF	7.0% - PPRF
	5.5% - FPRF	6.5% - FPRF	7.5% - FPRF
Net Pension Liability (Asset) - PPRF	\$ 2,720,482	\$ 2,023,851	\$ 1,453,538
Net Pension Liability (Asset) - FPRF	\$ 145,482	\$ (69,046)	\$ (242,645)

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to PPRF and RPRF pensions from the following sources:

	<b>PPRF</b>	<b>FPRF</b>
<b>Deferred Outflows of Resources:</b>		
Changes of assumptions	\$ 164,544	\$ 157,230
City contributions subsequent to the measurement date	311,259	93,311
Total	\$ 475,803	\$ 250,541
	<b>PPRF</b>	<b>FPRF</b>
<b>Deferred Inflows of Resources:</b>		
Differences between expected and actual economic experience	\$ 165,323	\$ 227,993
Differences between projected and actual investment earnings	18,043	35,257
Changes of assumptions	-	92,300
Total	\$ 183,366	\$ 355,550

\$404,570 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<b>PPRF</b>	<b>FPRF</b>
Fiscal Year Ending June 30:		
2019	\$ 5,487	\$ (51,900)
2020	5,487	(50,679)
2021	(6,125)	(86,926)
2022	(23,671)	(8,815)
Total	\$ (18,822)	\$ (198,320)

**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](http://www.gabrielroeder.com).

For the year ended June 30, 2018, the City recognized pension expense of \$238,955 related to PPRF and \$655 related to RPRF.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Pension Trust Funds Financial Statements**

	<u>Policemen's</u> <u>Pension Trust</u> <u>Fund</u>	<u>Firemen's</u> <u>Pension Trust</u> <u>Fund</u>
<b>Assets</b>		
Cash	\$ 46,400	\$ 31,045
Investments	<u>3,474,141</u>	<u>1,627,001</u>
Total assets	<u>\$ 3,520,541</u>	<u>\$ 1,658,046</u>
<b>Net Position</b>		
Held in trust for pension benefits	<u>\$ 3,520,541</u>	<u>\$ 1,658,046</u>
Total Net Position	<u>\$ 3,520,541</u>	<u>\$ 1,658,046</u>
<b>Additions</b>		
Contributions :		
Employer	\$ 207,074	\$ 44,283
Employees	19,671	13,684
Premium surtax allocation	<u>104,185</u>	<u>49,028</u>
Total Contributions	<u>\$ 330,930</u>	<u>\$ 106,995</u>
Investment income	<u>269,320</u>	<u>103,068</u>
Total additions	<u>600,250</u>	<u>210,063</u>
<b>Deductions</b>		
General and administrative	8,698	4,855
Benefit payments	<u>344,116</u>	<u>36,547</u>
Total deductions	<u>352,814</u>	<u>41,402</u>
Net increase (decrease) in net position	247,436	168,661
Net position - beginning	<u>3,273,105</u>	<u>1,489,385</u>
Net position - ending	<u>\$ 3,520,541</u>	<u>\$ 1,658,046</u>



**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**7. Capital Assets and Capital Assets Net of Depreciation**

Capital asset activity for the year ended June 30, 2018 was as follows:

<u>Governmental Activities</u>	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance</u>
<b>Nondepreciable Assets</b>					
Land	\$ 81,000	\$ -	\$ -	\$ -	\$ 81,000
Construction in progress	25,415	-	6,575	-	18,840
Total nondepreciable assets	106,415	-	6,575	-	99,840
<b>Depreciable Assets</b>					
Buildings & Improvements	2,948,014	82,531	-	165,925	3,196,470
Machinery & Equipment	2,948,153	630,334	35,982	(165,925)	3,376,580
Totals at historical cost	5,896,167	712,865	42,557	-	6,573,050
Less: Accumulated depreciation:					
Buildings & Improvements	1,737,255	67,698	-	-	1,804,953
Machinery & Equipment	2,078,156	164,823	35,982	-	2,206,997
Total Accumulated depreciation	3,815,411	232,521	114,521	-	4,011,950
Total depreciable assets - net	2,080,756	480,344	(71,964)	-	2,561,100
Governmental Activities:					
Capital assets - net	\$ 2,187,171	\$ 480,344	\$ (65,389)	\$ -	\$ 2,660,940

<u>Component Unit - Parks &amp; Recreation Fund</u>	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance</u>
<b>Nondepreciable Assets</b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total nondepreciable assets	-	-	-	-	-
<b>Depreciable Assets</b>					
Buildings & Improvements	795,216	18,327	-	-	813,543
Machinery & Equipment	241,885	-	-	-	241,885
Totals at historical cost	1,037,101	18,327	-	-	1,055,428
Less: Accumulated depreciation:					
Buildings & Improvements	254,867	35,793	-	-	290,660
Machinery & Equipment	153,136	14,384	-	-	167,520
Total Accumulated depreciation	408,003	50,177	-	-	458,180
Total depreciable assets - net	629,098	(31,850)	-	-	597,248
Parks & Recreation Fund:					
Capital assets - net	\$ 629,098	\$ (31,850)	\$ -	\$ -	\$ 597,248

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Business-Type Activities</b>	<u>Beginning</u>				<u>Ending</u>
<u>Landfill</u>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance</u>
<b>Nondepreciable Assets</b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total nondepreciable assets	-	-	-	-	-
<b>Depreciable Assets</b>					
Structures & Improvements	42,600	-	-	-	42,600
Machinery & Equipment	1,304,693	-	-	-	1,304,693
Landfill Cell	2,918,670	-	-	-	2,918,670
Totals at historical cost	4,265,963	-	-	-	4,265,963
Less: Accumulated depreciation:					
Structures & Improvements	42,600	-	-	-	42,600
Machinery & Equipment	1,174,682	40,042	-	-	1,214,724
Landfill Cell	2,918,670	-	-	-	2,918,670
Total Accumulated depreciation	4,135,952	40,042	-	-	4,175,994
Total depreciable assets - net	130,011	(40,042)	-	-	89,969
Landfill Fund:					
Capital assets - net	\$ 130,011	\$ (40,042)	\$ -	\$ -	\$ 89,969

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Business-Type Activities</b> <u>Sanitation</u>	<u>Beginning</u>				<u>Ending</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance</u>
<b>Nondepreciable Assets</b>					
Land	\$ -	\$ -	\$ -	\$ -	\$ -
Construction in progress	-	-	-	-	-
Total nondepreciable assets	-	-	-	-	-
<b>Depreciable Assets</b>					
Structures & Improvements	-	-	-	-	-
Machinery & Equipment	1,316,830	27,110	-	-	1,343,940
Totals at historical cost	1,316,830	27,110	-	-	1,343,940
Less: Accumulated depreciation:					
Structures & Improvements	-	-	-	-	-
Machinery & Equipment	963,433	56,696	-	-	1,020,129
Total Accumulated depreciation	963,433	56,696	-	-	1,020,129
Total depreciable assets - net	353,397	(29,586)	-	-	323,811
Sanitation Fund:					
Capital assets - net	\$ 353,397	\$ (29,586)	\$ -	\$ -	\$ 323,811

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Business-Type Activities</b>	<u>Beginning</u>				<u>Ending</u>
<b>Sewer</b>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance</u>
<b>Nondepreciable Assets</b>					
Land	\$ 57,034	\$ -	\$ -	\$ -	\$ 57,034
Construction in progress	3,000,340	31,044	2,964,444	-	66,940
Total nondepreciable assets	<u>3,057,374</u>	<u>31,044</u>	<u>2,964,444</u>	<u>-</u>	<u>123,974</u>
<b>Depreciable Assets</b>					
Structures & Improvements	10,625,991	-	-	-	10,625,991
Collecting System	4,141,795	2,964,444	-	-	7,106,239
Pumping System	594,661	-	-	-	594,661
Treatment & Disposal System	2,617,308	-	-	-	2,617,308
General Plant	1,215,009	-	-	-	1,215,009
Totals at historical cost	<u>19,194,764</u>	<u>2,964,444</u>	<u>-</u>	<u>-</u>	<u>22,159,208</u>
Less: Accumulated depreciation:					
Structures & Improvements	5,942,497	296,149	-	-	6,238,646
Collecting System	2,479,574	171,126	-	-	2,650,700
Pumping System	586,042	6,152	-	-	592,194
Treatment & Disposal System	2,319,164	51,322	-	-	2,370,486
General Plant	1,089,750	29,377	-	-	1,119,127
Total Accumulated depreciation	<u>12,417,027</u>	<u>554,126</u>	<u>-</u>	<u>-</u>	<u>12,971,153</u>
Total depreciable assets - net	6,777,737	2,410,318	-	-	9,188,055
<b>Sewer Fund:</b>					
Capital assets - net	<u>\$ 9,835,111</u>	<u>\$ 2,441,362</u>	<u>\$ 2,964,444</u>	<u>\$ -</u>	<u>\$ 9,312,029</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Business-Type Activities</b>					<u>Ending</u>
<u>Water</u>	<u>Beginning</u>			<u>Reclassifications</u>	<u>Balance</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>		
<b>Nondepreciable Assets</b>					
Land	\$ 9,766	\$ -	\$ -	\$ -	\$ 9,766
Construction in progress	30,469,232	3,658,464	34,127,696	-	-
Total nondepreciable assets	30,478,998	3,658,464	34,127,696	-	9,766
<b>Depreciable Assets</b>					
Structures & Improvements	3,829,459	16,179,557	-	-	20,009,016
Treatment & Distribution System	3,503,632	17,980,370	-	4,942	21,488,944
Collecting System	-	-	-	-	-
Pumping System	-	-	-	-	-
Treatment & Disposal System	-	-	-	-	-
General Plant	-	-	-	-	-
Machinery & Equipment	796,906	4,283	-	(4,942)	796,247
Landfill Cell	-	-	-	-	-
Totals at historical cost	8,129,997	34,164,210	-	-	42,294,207
Less: Accumulated depreciation:					
Structures & Improvements	2,603,273	256,982	-	-	2,860,255
Treatment & Distribution System	2,569,018	486,349	-	-	3,055,367
Collecting System	-	-	-	-	-
Pumping System	-	-	-	-	-
Treatment & Disposal System	-	-	-	-	-
General Plant	-	-	-	-	-
Machinery & Equipment	695,792	30,449	-	-	726,241
Landfill Cell	-	-	-	-	-
Total Accumulated depreciation	5,868,083	773,780	-	-	6,641,863
Total depreciable assets - net	2,261,914	33,390,430	-	-	35,652,344
<b>Water Fund:</b>					
Capital assets - net	\$ 32,740,912	\$ 37,048,894	\$ 34,127,696	\$ -	\$ 35,662,110

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

<b>Business-Type Activities</b>	<u>Beginning</u>				<u>Ending</u>
<b>Grand Total</b>	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Balance</u>
<b>Nondepreciable Assets</b>					
Land	\$ 66,800	\$ -	\$ -	\$ -	\$ 66,800
Construction in progress	33,469,572	3,689,508	37,092,140	-	66,940
Total nondepreciable assets	<u>33,536,372</u>	<u>3,689,508</u>	<u>37,092,140</u>	<u>-</u>	<u>133,740</u>
<b>Depreciable Assets</b>					
Structures & Improvements	14,498,050	16,179,557	-	-	30,677,607
Treatment & Distribution System	3,503,632	17,980,370	-	4,942	21,488,944
Collecting System	4,141,795	2,964,444	-	-	7,106,239
Pumping System	594,661	-	-	-	594,661
Treatment & Disposal System	2,617,308	-	-	-	2,617,308
General Plant	1,215,009	-	-	-	1,215,009
Machinery & Equipment	3,418,429	31,393	-	(4,942)	3,444,880
Landfill Cell	2,918,670	-	-	-	2,918,670
Totals at historical cost	<u>32,907,554</u>	<u>37,155,764</u>	<u>-</u>	<u>-</u>	<u>70,063,318</u>
Less: Accumulated depreciation:					
Structures & Improvements	8,588,370	553,131	-	-	9,141,501
Treatment & Distribution System	2,569,018	486,349	-	-	3,055,367
Collecting System	2,479,574	171,126	-	-	2,650,700
Pumping System	586,042	6,152	-	-	592,194
Treatment & Disposal System	2,319,164	51,322	-	-	2,370,486
General Plant	1,089,750	29,377	-	-	1,119,127
Machinery & Equipment	2,833,907	127,187	-	-	2,961,094
Landfill Cell	2,918,670	-	-	-	2,918,670
Total Accumulated depreciation	<u>23,384,495</u>	<u>1,424,644</u>	<u>-</u>	<u>-</u>	<u>24,809,139</u>
Total depreciable assets - net	9,523,059	35,731,120	-	-	45,254,179
Total Business-Type Activities:					
Capital assets - net	<u>\$ 43,059,431</u>	<u>\$ 39,420,628</u>	<u>\$ 37,092,140</u>	<u>\$ -</u>	<u>\$ 45,387,919</u>

Depreciation expense was charged to governmental activities as follows:

General Government	\$ 29,859
Public Safety	136,948
Highways & Streets	56,341
Culture & Recreation	9,373
Total depreciation expense	<u>\$ 232,521</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**8. Long-Term Debt**

The following is a summary of long-term debt for the year ended June 30, 2018:

	Balance at 06/30/17	Additions	Reductions	Balance at 06/30/18	Amounts Due in One Year	Amounts Due after One Year
<b><i>Governmental Activities:</i></b>						
Capital Lease Obligations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Payable	-	424,504	(32,106)	392,398	62,923	329,475
Revenue Bonds Payable	328,751	-	(29,745)	299,006	29,925	269,081
Net Pension Liabilities	3,312,845	-	(996,636)	2,316,209	-	2,316,209
Other Post-employment Benefits(OPEB)	1,261,731	-	(203,112)	1,058,619	-	1,058,619
Subtotal Governmental Activities	<u>4,903,327</u>	<u>424,504</u>	<u>(1,261,599)</u>	<u>4,066,232</u>	<u>92,848</u>	<u>3,973,384</u>
<b><i>Business-type Activities:</i></b>						
Capital Lease Obligations	247,102	-	(54,935)	192,167	56,149	136,018
Notes Payable	36,756	67,560	(17,446)	86,870	78,387	8,483
Revenue Bonds Payable	37,626,052	3,761,048	(1,029,547)	40,357,553	1,283,029	39,074,524
Net Pension Liabilities	743,399	-	(423,192)	320,207	-	320,207
Other Post-employment Benefits(OPEB)	1,027,505	-	(311,381)	716,124	-	716,124
Subtotal Business-type Activities	<u>39,680,814</u>	<u>3,828,608</u>	<u>(1,836,501)</u>	<u>41,672,921</u>	<u>1,417,565</u>	<u>40,255,356</u>
<b><i>Total</i></b>	<u>\$ 44,584,141</u>	<u>\$ 4,253,112</u>	<u>\$ (3,098,100)</u>	<u>\$ 45,739,153</u>	<u>\$ 1,510,413</u>	<u>\$ 44,228,740</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Capital Leases:**

**BB&T Governmental Finance**

The Sewer Fund of the City of Elkins entered into a lease agreement on September 27, 2016 to finance the acquisition of sewer aeration equipment. 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, 2018:

<u>Fiscal Year Ending June 30,</u>	
2019	\$ 27,081
2020	27,081
2021	27,081
2022	27,081
2023	27,081
2024	<u>4,512</u>
Total	139,917
Less: Amount Representing Interest	<u>(6,075)</u>
Present value of future minimum lease payments	133,842
Less: Current portion	<u>(24,270)</u>
Noncurrent portion	<u>\$ 109,572</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, 2018:

<u>Fiscal Year Ending June 30,</u>	
2019	\$ 35,651
2020	<u>23,762</u>
Total	59,413
Less: Amount Representing Interest	<u>(1,088)</u>
Present value of future minimum lease payments	58,325
Less: Current portion	<u>(31,879)</u>
Noncurrent portion	<u>\$ 26,446</u>



**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Lease Revenue Bond, Series 2006**

3.50%, Lease Revenue Bond due 7/10/2006. Monthly payments are \$3,484. Secured by real estate.

\$ 299,006

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

<u>Fiscal Year Ending June 30.</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 46,338	\$ 29,925	\$ 16,413
2020	\$ 46,338	30,866	15,472
2021	\$ 46,338	32,641	13,697
2022	\$ 46,338	34,517	11,821
2023	\$ 46,338	36,502	9,836
2024-2027	\$ 151,667	134,555	17,112
	<u>\$ 383,357</u>	<u>\$ 299,006</u>	<u>\$ 84,351</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.

\$ 654,579

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

<u>Fiscal Year Ending June 30.</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 29,444	\$ 29,444	\$ -
2020	29,444	29,444	-
2021	29,444	29,444	-
2022	29,444	29,444	-
2023	29,444	29,444	-
2024-2028	147,220	147,220	-
2029-2033	147,220	147,220	-
2034-2038	147,220	147,220	-
2039-2041	65,699	65,699	-
	<u>\$ 654,579</u>	<u>\$ 654,579</u>	<u>\$ -</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**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.

\$ 4,814,053

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 522,072	\$ 428,989	\$ 93,083
2020	522,072	437,363	84,709
2021	522,072	446,177	75,895
2022	522,072	455,168	66,904
2023	522,072	464,340	57,732
2024-2028	2,610,360	2,465,874	144,486
2029	118,491	116,142	2,349
	<u>\$ 5,339,211</u>	<u>\$ 4,814,053</u>	<u>\$ 525,158</u>

**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.

\$ 103,400

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

<u>Fiscal Year Ending June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 12,925	\$ 12,925	\$ -
2020	12,925	12,925	-
2021	12,925	12,925	-
2022	12,925	12,925	-
2023	12,925	12,925	-
2024-2026	38,775	38,775	-
	<u>\$ 103,400</u>	<u>\$ 103,400</u>	<u>\$ -</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Sewer Revenue Bonds – Bond Issue of 2015-Series 2015 A**

1.00% interest, Sewer Revenue Bonds due 3/1/2055.

Quarterly payments will be \$21,765. Secured by physical assets and revenue of the sewerage system.

\$ 2,550,648

The authorized bond issue amount to be drawn down is \$2,793,855. The project was completed during 2017; however, no amortization schedule was available so none is shown below.

**Water Revenue Bonds – Bond Issue of 2017-Series 2015 A-1**

2.625% interest, Water Revenue Bonds due 12/9/2055.

Monthly payments are estimated to be \$27,760. Secured by physical assets and revenue of the water system.

\$ 7,937,812

The authorized bond issue amount to be drawn down is \$8,000,000; The project was completed during 2018; however, no amortization schedule was available so none is shown below.

**Water Revenue Bonds – Bond Issue of 2017-Series 2015 A-2**

2.625% interest, Water Revenue Bonds due 12/9/2055.

Monthly payments are estimated to be \$26,025. Secured by physical assets and revenue of the water system.

\$7,441,692

The authorized bond issue amount to be drawn down is \$7,500,000; The project was completed during 2018; however, no amortization schedule was available so none is shown below.

**Water Revenue Bonds – Bond Issue of 2017-Series 2015 B**

2.625% interest, Water Revenue Bonds due 12/9/2055.

Monthly payments are estimated to be \$21,074. Secured by physical assets and revenue of the water system.

\$3,288,573

The authorized bond issue amount to be drawn down is \$6,073,000; The project was completed during 2018; however, no amortization schedule was available so none is shown below.

**Water Revenue Bonds – Bond Issue of 2017-Series 2015 C**

1.00% interest, Water Revenue Bonds due 12/1/2055.

Quarterly payments are estimated to be \$122,920. Secured by physical assets and revenue of the water system.

\$ 13,566,796

The authorized bond issue amount to be drawn down is \$15,500,000; The project was completed during 2018; however, no amortization schedule was available so none is shown below.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Sewer Fund – Davis Trust Note - Vehicle**

The Sewer Fund acquired \$55,977 in notes payable which had been issued during 2016 to finance the purchase of a 2016 Ford F550 truck. The note was issued at a 2.56% interest rate. The outstanding balance at June 30, 2018 was \$22,819.

**Sewer Fund – Line of Credit**

The Sewer Fund acquired \$31,044 in notes payable during 2018 as a Line of Credit. The note was issued at a 2.54% interest rate. The outstanding balance at June 30, 2018 was \$31,044.

**Water Fund – Vehicle**

The Water Fund acquired \$36,516 in notes payable during 2018 to finance the purchase of a 2017 Ford F550 truck. The note was issued at a 2.64% interest rate. The outstanding balance at June 30, 2018 was \$33,007.

**General Fund – Vehicle - Police**

The General Fund acquired \$32,935 in notes payable during 2018 to finance the purchase of a 2018 Ford Explorer. The note was issued at a 1.98 % interest rate. The outstanding balance at June 30, 2018 was \$29,757.

**General Fund – Vehicle - Police**

The General Fund acquired \$32,935 in notes payable during 2018 to finance the purchase of a 2018 Ford Explorer. The note was issued at a 1.98% interest rate. The outstanding balance at June 30, 2018 was \$29,757.

**General Fund – Vehicle - Fire**

The General Fund acquired \$333,634 in notes payable during 2018 to finance the purchase of a 2018 International fire truck. The note was issued at a 1.98% interest rate. The outstanding balance at June 30, 2018 was \$311,028.

**General Fund – Software - Court**

The General Fund acquired \$25,000 in notes payable during 2018 to finance the purchase of a UCC computer software. The note was issued at a 2.82% interest rate. The outstanding balance at June 30, 2018 was \$21,856.

**Short-term Note Payable - General Fund – Vehicle - Streets**

The General Fund acquired \$47,265 in notes payable during 2018 to finance the purchase of a 2017 Ford F550 truck. The note was issued at a 2.64% interest rate. The outstanding balance at June 30, 2018 was \$38,984.

**Short-term Note Payable - General Fund – Vehicle**

The General Fund acquired \$32,441 in notes payable during 2018 to finance the purchase of a 2017 Ford F250 truck. The note was issued at a 2.64% interest rate. The outstanding balance at June 30, 2018 was \$26,699.

**Short-term Note Payable -General Fund**

The City entered into a note payable during fiscal year 2016 for the acquisition of and improvements to the armory with a maximum draw amount of \$200,000 with an interest rate of 2.19%; however, during 2018 only \$130,002 was drawn down. The balance of the note was paid off during 2018.

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**9. Employees Retirement System**

**Net Pension Liability**

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 funded 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, 2018**

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](http://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% for employees hired before July 1, 2015 and 6.00% for employees hired after July 1, 2015.
City's contribution rate:	11.00%
Period required to vest:	5 years
Benefits and eligibility for distribution:	A member hired on or before July 1, 2015 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. A member hired after July 1, 2015 who has attained age 62 and has earned 10 or more years of contributing service. For members hired on or before July 1, 2015, the calculation for final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit. For members hired after July 1, 2015, the calculation for final average salary (60 highest consecutive months 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

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, 2018**

**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. The net pension liabilities were measured as of June 30, 2017, and the total pension liability used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The City's proportion of the net pension liabilities was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2018, the City reported the following proportions and increase/decreases from its proportion measured as of June 30, 2017:

	<u>PERS</u>
Proportionate Share of the Net Pension Liability	\$ 681,611
Proportion of the Net Pension Liability - Current Year	0.157910%
Proportion of the Net Pension Liability - Prior Year	0.154949%
% Change in Proportion of the Net Pension Liability	0.002961%
Pension Expense	\$ 157,883

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>PERS</u>
<b>Deferred Outflows of Resources:</b>	
Differences between expected and actual economic experience	\$ 60,658
Changes in proportion and differences between City contributions and proportionate share of contributions	94,147
City contributions subsequent to the measurement date	<u>267,132</u>
Total	<u>\$ 421,937</u>

	<u>PERS</u>
<b>Deferred Inflows of Resources:</b>	
Differences between expected and actual economic experience	\$ 1,508
Differences between projected and actual investment earnings	165,711
Deferred difference in assumptions	\$ 35,355
Differences between City contributions and proportionate share of contributions	<u>47,865</u>
Total	<u>\$ 250,439</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

\$267,132 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, 2018. 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:		
2019	\$	(54,504)
2020		79,438
2021		3,594
2022		<u>(124,162)</u>
	\$	<u>(95,634)</u>

**Actuarial Assumptions**

The total pension liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement.

**Public Employees Retirement System**

Inflation rate	3.0%
Salary increases	3.35%-6.0%
Investment rate of return	7.50%

Mortality Rates Active – 100% of R.P.-2000 Non-annuitant, Scale AA fully generational

Healthy males – 110% of R.P. 2000 Non-annuitant, Scale AA fully generational

Healthy females – 101% of R.P. 2000 Non-annuitant, Scale AA fully generational

Disabled males – 96% of R.P. 2000 Disabled Annuitant, Scale AA fully generational

Disabled females – 107% of R.P. 2000 Disabled Annuitant, Scale AA fully generational

The actuarial assumptions used in the June 30, 2017 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

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.



**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

The target allocation and best estimates of arithmetic real rates of return for each asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
US Equity	27.50%	7.0%
International Equity	27.50%	7.7%
Core Fixed Income Securities	15.00%	2.7%
High Yield	0.00%	5.5%
TIPS	0.00%	2.7%
Real Estate	10.00%	7.0%
Private Equity	10.00%	9.4%
Hedge Funds	10.00%	4.7%
Total	<u>100.00%</u>	

**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 City, calculated using the discount rate of 7.5 percent, 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 (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	<u>\$1,886,998</u>	<u>\$681,611</u>	<u>(\$337,534)</u>

**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 (WVCPRB) Comprehensive Annual Financial Report. That report can be obtained by visiting the WVCPRB at [www.wvretirement.com](http://www.wvretirement.com).

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Other Post Employment Benefits**

The City participates in the West Virginia Other Post-Employment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. Employees hired prior to July 1, 1985 are the only employees eligible to participate.

The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304, or by calling 1-888-680-7342.

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

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

The net OPEB liability reported as of June 30, 2018 was measured as of June 30, 2016 and rolled forward to June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of contributions to the OPEB plan relative to the projected contributions of all participating entities.

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Following is information related to the proportionate share as well as the OPEB expense:

Proportionate Share of the Net OPEB – Current Year	0.072173901%
Proportionate Share of the Net OPEB – Prior Year	0.085178536%
Change in Proportionate Share	(0.013004635%)
Proportion of the Net OPEB Liability	\$1,774,743
OPEB Expense	\$96,087

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Deferred Outflows of Resources**

City contributions subsequent to the measurement date	<u>\$160,454</u>
Total	<u>\$160,454</u>

**Deferred Inflows of Resources**

Differences between expected and actual economic experience	\$ 5,943
Difference from a change in proportion	254,439
Differences between projected and actual investment earnings	<u>28,326</u>
Total	<u>\$288,708</u>

\$160,454 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:	
2019	\$ 77,190
2020	77,190
2021	77,190
2022	<u>57,138</u>
Total	<u>\$288,708</u>

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Actuarial assumptions**

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the West Virginia Board of Treasury Investments (WVBTI). Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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

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

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2016 is a 0.45% increase from the June 30, 2015 valuation.

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Sensitivity of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the RHBT, as well as what the RHBT's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage-point higher (8.15%) than the current discount rate:

	<u>1% Decrease</u> <u>(6.15%)</u>	<u>Discount Rate</u> <u>(7.15%)</u>	<u>1% Increase</u> <u>(8.15%)</u>
Net OPEB liability	\$2,066,491	\$1,774,743	\$1,532,229

**Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.**

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or higher:

	<u>1% Decrease</u>	<u>Healthcare Cost</u> <u>Trend Rates</u>	<u>1% Increase</u>
Net OPEB liability	\$1,490,814	\$1,774,743	\$2,122,016

**Other key assumptions**

The projection assumes that the capped subsidy aggregate contribution limit of \$150 million for 2017 would increase by \$10 million per year on and after 2018. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2035, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Members hired on or after July 1, 2010 are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**10. Interfund Balances**

Individual fund interfund receivable and payable balances at June 30, 2018 are as follows:

	<u>Due from (to)</u> <u>Component</u> <u>Unit</u>	<u>Due From</u> <u>Other</u> <u>Funds</u>	<u>Due To</u> <u>Other</u> <u>Funds</u>	<u>Due from (to)</u> <u>General</u> <u>Fund</u>
General Fund	\$ 765	\$ 416,321	\$ 79,120	\$ 18,750
Financial Stabilization Fund	-	166,934	-	-
Sanitation Fund	-	-	440,091	-
Landfill Fund	-	-	-	-
Water Fund	-	22,875	86,919	-
Sewer Fund	-	-	-	-
Parks & Recreation Component Unit	(18,750)	-	-	(765)
	<u>\$ (17,985)</u>	<u>\$ 606,130</u>	<u>\$ 606,130</u>	<u>\$ 17,985</u>

**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**11. Restricted Assets**

Certain enterprise fund assets are restricted for repayment of long-term debt and for capital expenditures.

	<u>Business-Type</u>
	<u>Activities</u>
Renewal and replacement account	\$ 276,216
Depreciation fund	608,882
Reserve account	601,496
Landfill account	1,734,814
Revenue account	84,438
	<u>\$ 3,305,846</u>

**12. Landfill Closure and Postclosure Care Costs**

The City turned over certain obligations related to the closure and post-closure costs of the landfill to the State of West Virginia. The City is still required to maintain trust funds which originally were established to fund closure and postclosure care. The balances of \$1,686,370 and \$48,444, respectively at June 30, 2018 are reported as restricted assets and restricted net position until a final determination has been made regarding the disposition of these assets.

**13. 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.



**CITY OF ELKINS, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**14. Debt Covenant Compliance**

**Sewer**

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 therefore, 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, 2018.

<u>Net Gross</u> <u>Revenues</u>	<u>Amount of Annual</u> <u>Debt Service</u>	<u>Percentage</u>	<u>Maximum</u> <u>Percentage</u> <u>Required</u>
<u>\$ 596,887</u>	<u>\$ 693,665</u>	86%	110%

As of June 30, 2018, the City was not 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, 2018**

**Water**

The City of Elkins, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 2015 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 2015 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 2015 A Bonds Reserve Account and any reserve accounts for obligations on a parity with, or subordinate to, the Series 2015 A Bonds are funded at least at the requirement therefore, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2015 A Bonds, and all other obligations..."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2018.

<u>Net Gross</u> <u>Revenues</u>	<u>Amount of Annual</u> <u>Debt Service</u>	<u>Percentage</u>	<u>Maximum</u> <u>Percentage</u> <u>Required</u>
<u>\$1,023,555</u>	<u>\$ 353,328</u>	290%	110%

As of June 30, 2018, the City was in compliance with the provisions of the Series 2015 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, 2018**

**15. Subsequent Events**

The City of Elkins, West Virginia's management evaluated the effect that subsequent events would have on financial statements through March 23, 2019, which is the date the financial statements were available to be released.

**16. 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 are presented below:

<u>Fund Balance</u>	<u>General</u>	<u>Coal</u> <u>Severance</u>	<u>Financial</u> <u>Stabilization</u>
Restricted for:			
Capital Projects	\$ -	\$ -	\$ 851,811
Committed for:			
Safety	-	80,113	-
Unassigned	1,043,405	-	-
	<u>\$ 1,043,405</u>	<u>\$ 80,113</u>	<u>\$ 851,811</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**17. New Accounting Principles/Correction of Error**

For the fiscal year ended June 30, 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 did have an effect on the financial statements of the City as denoted below and certain additional disclosures have been made in the notes to the basic financial statements.

The City also made a correction of an error in reporting from prior years which resulted in a reduction of net position in governmental activities and a reduction of fund balance in the General Fund. The implementation of GASB 75 and the correction of the error in reporting had the following effect on beginning net position/fund balance:

	<u>Governmental Activities</u>	<u>General Fund</u>			
Net position/Fund Balance, June 30, 2017	\$1,292,316	\$1,558,388			
Adjustments:					
Correction of Error	(299,095)	(299,095)			
Adjustments for GASB 75 Implementation:					
Net OPEB Liability	(45,544)	-0-			
Deferred Outflows	<u>88,426</u>	<u>-0-</u>			
Restated net position/fund balance, June 30, 2017	<u>\$1,036,103</u>	<u>\$1,259,293</u>			
	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Business-Type Activities</u>
Net Position, Beginning of Year	\$486,388	\$642,128	\$2,747,163	\$2,246,108	\$6,121,787
Adjustments for GASB 75 Implementation:					
Net OPEB Liability	70,096	-0-	73,918	29,962	173,976
Deferred Outflows	<u>14,273</u>	<u>-0-</u>	<u>26,632</u>	<u>18,913</u>	<u>59,818</u>
Net Position, Beginning of Year, As Restated	<u>\$570,757</u>	<u>\$642,128</u>	<u>\$2,847,713</u>	<u>\$2,294,983</u>	<u>\$6,355,581</u>

**CITY OF ELKINS, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the Board.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the Board.

**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 Four Years \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 1,420,338	\$ 1,704,797	\$ 1,388,824	\$ 1,441,318
Plan net position	<u>1,489,384</u>	<u>1,307,000</u>	<u>1,244,804</u>	<u>1,163,258</u>
Net pension liability	(69,046)	397,797	144,020	278,060
Plan net position as a % of total pension liability	104.86%	76.67%	89.63%	80.71%
Covered-employee payroll	\$ 163,492	\$ 163,506	\$ 161,535	\$ 164,553
Net pension liability as a % of Covered Payroll	-42.23%	243.29%	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 Four Years \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 5,296,956	\$ 5,239,162	\$ 5,065,118	\$ 5,041,872
Plan net position	<u>3,273,105</u>	<u>3,004,879</u>	<u>2,794,044</u>	<u>2,383,232</u>
Net pension liability	2,023,851	2,234,283	2,271,074	2,658,640
Plan net position as a % of total pension liability	61.79%	57.35%	55.16%	47.27%
Covered-employee payroll	\$ 359,239	\$ 336,918	\$ 489,755	\$ 479,174
Net pension liability as a % of Covered Payroll	563.37%	663.15%	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 Five Years \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 6,816,742,000	\$ 6,616,588,000	\$ 6,130,174,000	\$ 6,130,174,000	\$ 6,130,174,000
Plan net position	<u>6,385,097,000</u>	<u>5,697,470,000</u>	<u>5,761,109,000</u>	<u>5,761,109,000</u>	<u>5,761,109,000</u>
Net pension liability	\$ 431,645,000	\$ 919,118,000	\$ 558,404,000	\$ 369,065,000	\$ 369,065,000
City's proportion of the net pension liability	0.15791000%	0.15494900%	0.14885800%	0.15295500%	0.14740600%
City's proportionate share of the net pension liability	\$ 681,611	\$ 1,424,164	\$ 831,229	\$ 564,503	\$ 544,024
City's covered-employee payroll	\$ 2,428,473	\$ 2,379,625	\$ 2,211,652	\$ 1,948,743	\$ 2,051,724
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.10%	59.80%	37.60%	29.00%	26.50%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	91.29%	91.29%	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 Five Years \**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Actuarially determined contribution	\$ 89,861	\$ 52,661	\$ 75,772	\$ 94,403	\$ 85,238
Employer contribution	57,179	26,198	67,062	58,219	63,000
State contribution	31,901	60,020	30,087	33,026	32,992
Percentage contributed	99%	164%	128%	97%	113%
Covered payroll	\$ 163,492	\$ 163,506	\$ 161,535	\$ 164,553	\$ 146,628
Actual contribution as a % of covered payroll	54%	53%	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 Five Years \**

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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Actuarially determined contribution	\$ 322,452	\$ 343,902	\$ 364,511	\$ 359,070	\$ 320,736
Employer contribution	239,857	247,173	503,484	258,043	153,086
State contribution	85,605	179,859	65,549	97,618	76,378
Percentage contributed	101%	124%	156%	99%	72%
Covered payroll	\$ 359,239	\$ 336,918	\$ 489,755	\$ 479,174	\$ 419,287
Actual contribution as a % of covered payroll	91%	127%	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 Four Years \**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 267,132	\$ 285,555	\$ 298,573	\$ 272,824	\$ 296,993
Contributions in relation to the contractually required contribution	<u>(267,132)</u>	<u>(285,555)</u>	<u>(298,573)</u>	<u>(272,824)</u>	<u>(296,993)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	\$ 2,428,473	\$ 2,379,625	\$ 2,211,652	\$ 1,948,743	\$ 2,051,724
Contributions as a percentage of covered-employee payroll	11.00%	12.00%	13.50%	14.00%	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 Four Years \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>				
Service cost	\$ 62,148	\$ 43,854	\$ 48,141	\$ 48,630
Interest on the total pension liability	85,450	95,832	90,602	90,062
Benefit changes	-	-	-	-
Differences between expected and actual experience	(292,745)	(7,827)	(36,801)	-
Assumption changes	(101,401)	251,893	(85,025)	-
Benefit payments	(37,911)	(67,779)	(69,411)	(68,625)
Refunds	-	-	-	-
Net change in total pension liability	(284,459)	315,973	(52,494)	70,067
Total pension liability - beginning	<u>1,704,797</u>	<u>1,388,824</u>	<u>1,441,318</u>	<u>1,371,251</u>
Total pension liability - ending	<u>\$ 1,420,338</u>	<u>\$ 1,704,797</u>	<u>\$ 1,388,824</u>	<u>\$ 1,441,318</u>

**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 Four Years \**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total pension liability</b>				
Service cost	\$ 126,132	\$ 105,989	\$ 142,861	\$ 140,829
Interest on the total pension liability	306,843	287,160	290,680	293,785
Benefit changes	-	-	-	-
Differences between expected and actual experience	(1,159)	(169,907)	(126,966)	-
Assumption changes	-	275,217	-	-
Benefit payments	(334,747)	(324,415)	(278,704)	(269,200)
Refunds	(39,275)	-	(4,625)	(27,467)
Net change in total pension liability	57,794	174,044	23,246	137,947
Total pension liability - beginning	<u>5,239,162</u>	<u>5,065,118</u>	<u>5,041,872</u>	<u>4,903,925</u>
Total pension liability - ending	<u>\$ 5,296,956</u>	<u>\$ 5,239,162</u>	<u>\$ 5,065,118</u>	<u>\$ 5,041,872</u>

**City of Elkins**  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net OPEB Liability*  
*West Virginia Retiree Health Benefit Trust Fund*  
*Last Two Years \**

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	<u>2017</u>	<u>2016</u>
Total plan OPEB liability	\$ 3,282,900,408	\$ 3,168,993,251
Plan net position	<u>823,911,315</u>	<u>685,668,000</u>
Net OPEB liability	\$ 2,458,989,093	\$ 2,483,325,251
City's proportion of the net OPEB liability	0.07217390%	0.08517854%
City's proportionate share of the net OPEB liability	\$ 1,774,748	\$ 2,115,260
City's covered payroll (1)	N/A	N/A
City's proportionate share of the net OPEB liability as a percentage of its covered payroll (1)	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%	21.64%

\* - Information for years prior to 2016 was not available.

(1) This is not applicable as the City does not have payroll for these employees as they are already retired.

**City of Elkins**  
*Required Supplementary Information*  
*Schedule of City Contributions*  
*West Virginia Retiree Health Benefit Trust Fund*  
*Last Three Years \**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 160,454	\$ 148,244	\$ 112,209
Contributions in relation to the contractually required contribution	<u>(160,454)</u>	<u>(148,244)</u>	<u>(112,209)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered payroll (1)	N/A	N/A	N/A
Contributions as a percentage of covered payroll (1)	N/A	N/A	N/A

\* - Information for years prior to 2016 was not available.

(1) This is not applicable as the City does not have payroll for these employees as they are already retired.



**SUPPLEMENTARY INFORMATION**

City of Elkins  
 Randolph County, West Virginia  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2018

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Passed Through to Subrecipients	Disbursements
<b>United States Department of Agriculture</b>				
<i>Direct</i>				
Water and Waste Disposal Systems for Rural Communities, 16-17		10.760	\$	- \$ <u>2,233,230</u>
<b>Total United States Department of Agriculture</b>				= <u>2,233,230</u>
<b>Total Federal Financial Assistance</b>			<u>\$</u>	= <u>\$ 2,233,230</u>

See accompanying notes to the schedule of expenditures of federal awards.

**MUNICIPALITY OF ELKINS  
RANDOLPH COUNTY, WEST VIRGINIA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the Municipality of Elkins (the Municipality) under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Municipality, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Municipality.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Municipality has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



**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, 2018, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 23, 2019 wherein the Municipality adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***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.

***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.



BHM CPA Group Inc.  
Huntington, West Virginia  
March 23, 2019



**Report on Compliance with Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

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

To the Mayor and Members of Council:

***Report on Compliance for the Major Federal Program***

We have audited the Municipality of Elkins' (the Municipality) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Municipality's major federal program for the year ended June 30, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Municipality's major federal program.

***Management's Responsibility***

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

***Auditor's Responsibility***

Our responsibility is to opine on the Municipality's compliance for the Municipality's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements to Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Municipality's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on the Major Federal Program***

In our opinion, the Municipality complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2018.

***Report on Internal Control Over Compliance***

The Municipality's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Municipality's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Municipality's internal control over compliance.

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

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

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

*BHM CPA Group*

BHM CPA Group Inc.  
Huntington, West Virginia  
March 23, 2019

**Municipality of Elkins**  
*Randolph County, West Virginia*

*Schedule of Findings*  
*2 CFR §200.515*  
*June 30, 2018*

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>
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(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Water and Waste Disposal Systems for Rural Communities CFDA# 10.760
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes



**Municipality of Elkins**  
*Randolph County, West Virginia*

*Schedule of Findings*  
*2 CFR §200.515*  
*June 30, 2018*

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

**None noted**

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**3. FINDINGS FOR FEDERAL AWARDS**

**None noted**