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Wheeling, WV 26003  
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**BECKLEY SANITARY BOARD**  
A Component Unit of the Municipality of Beckley, West Virginia  
**Regular Audit**  
**For the Year Ended June 30, 2016**  
**RFP #16-103**  
**Raleigh County**

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- Association of Certified Anti - Money Laundering Specialists •

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**

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## INDEPENDENT AUDITOR'S REPORT

August 31, 2017

Beckley Sanitary Board  
301 S. Heber Street  
Beckley, West Virginia 25801

To the Board:

### Report on the Financial Statements

We have audited the accompanying financial statements of the **Beckley Sanitary Board**, a component unit of the Municipality of Beckley, West Virginia, (the Board) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

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## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Beckley Sanitary Board, as of June 30, 2016, and the changes in its financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include the Schedule of City's Proportionate Share of Net Pension Liability and the Schedule of Contributions and the notes to the required supplementary information listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

The Board has omitted the management discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### *Supplementary and Other Information*

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

The supplementary information of the Schedules of Rate Covenant Compliance are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Board.

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

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



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

**BECKLEY SANITARY BOARD**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business Type Activities- Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 1,470,101	\$ 256,080	\$ 1,726,181
Receivables:			
Accounts, net	365,269	222,576	587,845
Taxes	2,274	-	2,274
Prepaid Expenses	10,085	12,941	23,026
Interfund Balances	30,506	8,826	39,332
Inventory, at cost	65,091	-	65,091
Total current assets	<u>1,943,326</u>	<u>500,423</u>	<u>2,443,749</u>
Noncurrent Assets			
Restricted:			
Regular account	348,499	24,118	372,617
Reserve account	1,500,343	-	1,500,343
Customer Deposits	122,015	-	122,015
Renewal and replacement	493,010	90,378	583,388
Total restricted assets:	<u>2,463,867</u>	<u>114,496</u>	<u>2,578,363</u>
Capital assets:			
Nondepreciable:			
Land	403,272	-	403,272
Construction in progress	3,249,228	87,365	3,336,593
Depreciable:			
Buildings	13,690,513	-	13,690,513
Structures and improvements	37,230,041	4,320,116	41,550,157
Machinery and equipment	4,239,253	237,913	4,477,166
Less: accumulated depreciation	(27,408,231)	(631,725)	(28,039,956)
Total capital assets (net of accumulated depreciation)	<u>31,404,076</u>	<u>4,013,669</u>	<u>35,417,745</u>
Total assets	<u>35,811,269</u>	<u>4,628,588</u>	<u>40,439,857</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow - Refunding	104,150	-	104,150
Deferred Outflow - Pension	241,749	74,020	315,769
<b>Deferred Outflow of Resources</b>	<u>345,899</u>	<u>74,020</u>	<u>419,919</u>
Total assets and deferred outflow of resources	<u>\$ 36,157,168</u>	<u>\$ 4,702,608</u>	<u>\$ 40,859,776</u>
<b>LIABILITIES</b>			
Current liabilities payable from current assets:			
Accounts payable	\$ 608,999	\$ 63,436	\$ 672,435
Payroll liabilities payable	56,117	15,661	71,778
Other accrued expenses	62,827	(200)	62,627
Benefits payable	8,494	-	8,494
Compensated absences payable	30,343	5,337	35,680
Due to other funds	26,194	13,098	39,292
Customer deposits	139,558	-	139,558
Total current liabilities payable from current assets	<u>932,532</u>	<u>97,332</u>	<u>1,029,864</u>
Noncurrent liabilities due within one year:			
Bonds payable	1,306,521	75,113	1,381,634
Leases payable	78,340	-	78,340
Total noncurrent liabilities due within one year:	<u>1,384,861</u>	<u>75,113</u>	<u>1,459,974</u>
Noncurrent liabilities due within more than one year:			
Bonds payable	10,477,773	1,526,952	12,004,725
Leases payable	163,214	-	163,214
Compensated absences payable	218,796	39,175	257,971
Net Pension Liability	385,617	118,237	503,854
Total noncurrent liabilities due within more than one year	<u>12,630,261</u>	<u>1,684,364</u>	<u>14,314,625</u>
Total liabilities	<u>13,562,793</u>	<u>1,856,809</u>	<u>15,419,602</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow	91,559	48,145	139,704
Total Deferred inflows and Liabilities	<u>13,654,352</u>	<u>1,904,954</u>	<u>15,484,193</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,482,378	2,411,604	21,893,982
Restricted for debt service	1,848,842	24,118	1,872,960
Restricted for renewal and replacement	493,010	90,378	583,388
Unrestricted	678,586	271,554	950,140
Total net position	<u>22,502,816</u>	<u>2,797,654</u>	<u>25,300,470</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 36,157,168</u>	<u>\$ 4,702,608</u>	<u>\$ 40,859,776</u>

See accompanying notes to the basic financial statements.

**BECKLEY SANITARY BOARD**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET POSITION-PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Business Type Activities-Enterprise Funds		Totals
	Sewage	Stormwater Utility	
<b>OPERATING REVENUES</b>			
Sales and services to customers	\$ 5,883,508	\$ 1,163,723	\$ 7,047,231
Discount and penalties	130,680	-	130,680
Miscellaneous	89,792	1,605	91,397
Excise tax on utilities	53,348	-	53,348
Total revenue	<u>6,157,328</u>	<u>1,165,328</u>	<u>7,322,656</u>
<b>OPERATING EXPENSES</b>			
Personal Services	1,988,174	522,077	2,510,251
Contractual Services	366,204	55,344	421,548
Administrative and general	108,171	27,411	135,582
Rents	16,065	25,790	41,855
Miscellaneous	130,962	35,906	166,868
Fuel and Oil	32,324	12,013	44,337
Insurance	190,750	42,540	233,290
Materials and supplies	291,326	110,021	401,347
Utilities	322,623	12,137	334,760
Depreciation	1,431,089	149,268	1,580,357
Maintenance	267,136	8,234	275,370
Amortization	26,037	-	26,037
Bad Debt	-	-	-
Total operating expenses	<u>5,170,861</u>	<u>1,000,741</u>	<u>6,171,602</u>
Operating income (loss)	<u>986,467</u>	<u>164,587</u>	<u>1,151,054</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenues	4,945	74	5,019
Interest and fiscal charges	(187,857)	(63,742)	(251,599)
Grants	107,997	-	107,997
Total nonoperating revenues (expenses)	<u>(74,915)</u>	<u>(63,668)</u>	<u>(138,583)</u>
Income (loss) before operating transfers	<u>911,552</u>	<u>100,919</u>	<u>1,012,471</u>
Intergovernmental transfer	(83,906)	-	(83,906)
Change in net assets	<u>827,646</u>	<u>100,919</u>	<u>928,565</u>
Net position-beginning of the year	21,675,170	2,696,735	24,371,905
Net position-end of year	<u>\$ 22,502,816</u>	<u>\$ 2,797,654</u>	<u>\$ 25,300,470</u>

See accompanying notes to the basic financial statements.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Statement of Cash Flows*  
For the Fiscal Year Ended June 30, 2016

	Business Type Activities-Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
<b>Increase (Decrease) in Cash and Cash Equivalents</b>			
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 6,154,165	\$ 1,122,704	\$ 7,276,869
Cash Payments for Employee Services and Benefits	(1,932,132)	(518,372)	(2,450,504)
Cash Payments to Suppliers for Goods and Services	(1,240,188)	(417,285)	(1,657,473)
Other Operating Revenues	(6,986)	(8,826)	(15,812)
Other Operating Expenses	141,629	34,403	176,032
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>3,116,488</u>	<u>212,624</u>	<u>3,153,080</u>
<b>Cash Flows from Noncapital Financing Activities:</b>			
Operating Grants	107,997	-	107,997
Transfers Out	(83,906)	-	(83,906)
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>24,091</u>	<u>-</u>	<u>24,091</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition of Capital Assets	(3,356,117)	(408,535)	(3,764,652)
Proceeds from Sale of Capital Assets	-	-	-
Proceeds of General Obligation Bonds	2,223,798	-	2,223,798
Principal Paid on Debt	(1,293,216)	(80,322)	(1,373,538)
Interest Paid on Debt	(203,125)	(63,741)	(266,866)
<i>Net Cash Used for Capital and Related Financing Activities</i>	<u>(2,628,660)</u>	<u>(552,598)</u>	<u>(3,181,258)</u>
<b>Cash Flows from Investing Activities:</b>			
Investment Earnings	4,945	74	5,019
<i>Net Increase in Cash and Cash Equivalents</i>	516,864	(339,900)	932
<i>Cash and Cash Equivalents Beginning of Year - Includes \$2,029,491 in Restricted Cash</i>	<u>3,417,104</u>	<u>710,476</u>	<u>4,127,580</u>
<i>Cash and Cash Equivalents End of Year - Includes \$2,578,363 in Restricted Cash</i>	<u>\$ 3,933,968</u>	<u>\$ 370,576</u>	<u>\$ 4,304,544</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
<i>Operating Income (Loss)</i>	\$ 986,467	\$ 164,587	\$ 1,151,054
Adjustments:			
Depreciation and Amortization	1,457,126	149,268	1,606,394
(Increase)/Decrease in Assets:			
Accounts Receivable	(2,536)	(42,624)	(45,160)
Taxes Receivable	(627)	-	(627)
Due from Other Funds	(6,986)	(8,826)	(15,812)
Due from Other Governments	-	-	-
Inventory	(2,264)	-	(2,264)
Prepaid Items	49,240	(1,324)	47,916
Increase/(Decrease) in Liabilities:			
Accounts Payable	396,392	(99,663)	296,729
Payroll Payable	14,166	6,860	21,026
Other Accrued Expenses	57,451	-	57,451
Compensated Absences Payable	41,876	(3,155)	38,721
Due to Others	(33,173)	13,098	(20,075)
Customer Deposits	17,727	-	17,727
Pension	141,629	34,403	176,032
<i>Net Cash Provided/(Used) by Operating Activities</i>	<u>\$ 3,116,488</u>	<u>\$ 212,624</u>	<u>\$ 3,329,112</u>

See accompanying notes to the basic financial statements.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Beckley Sanitary Board (“the Board”) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies.

**A. Reporting Entity**

The Board, a component unit of the Municipality of Beckley, West Virginia is governed by a three member board with the mayor as the chairman. Board members are approved by the Beckley Council. The Board is a legally separate organization for which elected officials of the primary government are financially accountable. The Board is a discretely presented component unit of the primary government based upon the criteria stipulated by the Governmental Accounting Standards Board (GASB).

**B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Board reports the following major proprietary funds:

The *Sewerage* fund consists of facilities that provide sewerage service to the public. The sewerage fund serves the citizens by providing sewerage 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 Board.

The *Stormwater Utility* fund consists of facilities that provide storm water services to the public. The storm water fund serves the citizens by providing storm 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 Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenue of the sewerage and storm water utility (enterprise funds) are charges to customers for services. Operating expenses for the enterprise funds include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Board’s policy to use restricted resources first, then unrestricted resources as they are needed.



**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Change in Accounting Principle**

For 2016, the Board has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement 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. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the Board.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the Board.

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the Board.

GASB Statement No. 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. The implementation of GASB Statement No. 79 did not have an effect on the financial statements of the Board.

**C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**Deposits and Investments**

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of less than three months from the date of acquisition. For purpose of Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, the Board reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements), which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in operating statement. Fair value is determined by quoted market prices.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

State statutes authorize the government to invest in the State Investment Pool for Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

**Receivables and Payables**

*Interfund Transactions*

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

*Trade Receivables*

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The government analyzes delinquent accounts and determines if the provision for total uncollectible accounts is inadequate. Accounts in excess of the provision for uncollectibles are written off.

**Inventories**

The cost of inventories are recorded as expenses when consumed rather than when purchased and consist of expendable supplies.

**Restricted Assets**

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

- The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.
- The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.
- The "renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets and Depreciation**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of \$5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of the proprietary fund capital assets are reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

The Board's capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Structures and Improvements	25-50
Machinery and Equipment	3-10

**Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Board recognizes deferred outflows for charges on refunding and pension. A deferred charge on the refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows for refunding were \$104,150 as of June 30, 2016. See Note 8 for additional information on deferred outflows related to pension.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Board recognizes deferred inflows for pension. See Note 8 for additional information on deferred inflows related to pension.

**Compensated Absences**

The Board's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the financial statements.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Long-Term Obligations**

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the proprietary fund statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium of discount.

**Net Position**

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulation of other governments.

The Municipality applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**NOTE 2 – DEPOSITS**

At year end, the Board had the following investments:

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Investment Services
Municipal Bond Commission	\$ 1,872,960	Not Rated	Not Rated

**Custodial Credit Risk**

For deposits, the Board could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Board's bank balances were \$2,696,110, which were fully collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

For investments, the Board could be exposed to risk in the event of the failure of the counter party where the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Board's investments were \$1,634,268, which was all held at the Municipal Bond Commission and fully collateralized by the State of West Virginia.

**BECKLEY SANITARY BOARD**  
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*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 2 – DEPOSITS (CONTINUED)**

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash and cash equivalents	\$ 2,431,584
Investments - collateralized and secured	1,872,960
Total	<u>\$ 4,304,544</u>
Cash and cash equivalents	\$ 1,726,181
Cash and cash equivalents - restricted	705,403
Investments - restricted	1,872,960
Total	<u>\$ 4,304,544</u>

**NOTE 3 – RECEIVABLES**

Receivables at year end for the government's individual major funds, including applicable allowances for uncollectible accounts, are as follows:

	<u>Sewerage</u>	<u>Stormwater Utility</u>	<u>Total</u>
Receivables:			
Accounts	\$ 412,507	\$ 275,968	\$ 688,475
Taxes	2,274	-	2,274
Gross Receivable	414,781	275,968	690,749
Less: Allowance for Uncollectible	(47,238)	(53,392)	(100,630)
Net Total Receivable	<u>\$ 367,543</u>	<u>\$ 222,576</u>	<u>\$ 590,119</u>

Capital Assets activity for the fiscal year ended June 30, 2016 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Adjustments/ Decreases</u>	<u>Ending Balance</u>
Capital Assets, not being depreciated				
Land	\$ 410,891	\$ -	\$ (7,619)	403,272
Construction in progress	1,133,086	3,202,469	(998,962)	3,336,593
Total capital assets not being depreciated	<u>1,543,977</u>	<u>3,202,469</u>	<u>(1,006,581)</u>	<u>3,739,865</u>
Capital assets being depreciated				
Buildings	13,690,513	-	-	13,690,513
Structures and improvements	40,451,562	1,098,595	-	41,550,157
Machinery and equipment	4,275,789	201,377	-	4,477,166
Less accumulated depreciation	(26,459,598)	(1,580,358)	-	(28,039,956)
Total capital assets being depreciated, net	<u>31,958,266</u>	<u>(280,386)</u>	<u>-</u>	<u>31,677,880</u>
Total capital assets, net	<u>\$ 33,502,243</u>	<u>\$ 2,922,083</u>	<u>\$ (1,006,581)</u>	<u>\$ 35,417,745</u>

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 4 – CAPITAL ASSETS**

Depreciation expense was charged to the funds of the Board as follows:

**Business-type activities:**

Sewerage	\$1,431,089
Stormwater Utility	<u>149,269</u>
Total depreciation expense business-type activities	<u>\$1,580,358</u>

*Construction in Progress*

The Board has active construction projects as of June 30, 2016. The projects include system upgrades, line expansions, and storm water projects. At year end, the amounts spent-to-date are as follows:

<u>Sewer Projects</u>	<u>Spent-to-Date</u>
Red Brush Sewer III	\$ 3,159,001
Koch Avenue	1,721
Woodlawn	27,048
City Avenue	33,769
Overflow Parking Lot	10,999
Enterprise	240
Bojangles	6,810
Harper Rd	1,536
Plant Rd	7,727
Woodlawn	134
Terrill	243
	<u>\$ 3,249,228</u>

<u>Stormwater Projects</u>	<u>Spent-to-Date</u>
106 Janescrest Drive	\$ 2,258
N. Eisenhower Dr. & WV DOH	11,037
Franklin & Granville	1,997
Oakley Road	10,243
Houston/Huffman/Eisenhower	5,500
202 West Locust Street	9,432
3611 RC Byrd/Calacinos	4,515
301 Ridge Street	17,705
Beaver Avenue Redbrush III	15,422
237 Hubbard Street	3,248
1318 Harper Rd Westwood	863
124 Jonathan Drive	5,145
	<u>\$ 87,365</u>

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

**NOTE 5 – LONG-TERM DEBT**

*Revenue Bonds*

The Board issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service.

Series	Maturity Date	Interest Rate	Issued	Retired	Balance June 30, 2016
1998-A	3/1/2020	2.00%	\$ 11,000,000	\$ 8,590,011	\$ 2,409,989
2004-A	6/1/2026	2.00%	9,039,000	4,070,166	4,968,834
2005-A	7/1/2020	3.91%	2,405,000	1,607,423	797,577
2009-A	3/1/2030	2.00%	679,316	183,976	495,340
2009-C	9/1/2049	0.00%	1,035,783	147,026	888,757
2010-A	1/1/2031	3.87%	2,000,000	397,936	1,602,064
2015-A	6/1/2046	0.50%	2,223,798	-	2,223,798
Total revenue bonds			<u>\$ 28,382,897</u>	<u>\$ 14,996,538</u>	<u>\$ 13,386,359</u>

Revenue bond debt service requirement to maturity are as follows. The bond issued in October 2015 is not included in this amortization schedule.

Year Ending <u>June 30,</u>	<u>Stormwater Utility</u>		<u>Sanitary Board</u>	
	Principal	Interest	Principal	Interest and fees
2017	\$ 75,113	\$ 55,408	\$ 1,306,521	\$ 291,605
2018	86,473	57,570	1,351,358	264,493
2019	89,880	54,163	1,381,825	234,084
2020	93,420	50,623	1,245,943	187,831
2021	97,101	46,942	580,859	123,054
2022-2026	545,985	174,231	2,915,184	451,815
2026-2031	614,093	46,104	291,020	45,854
2032-2036	-	-	133,640	26,060
2037-2041	-	-	133,640	26,060
2042-2046	-	-	133,640	26,060
2047-2050	-	-	86,866	1,303
Subtotal	<u>\$ 1,602,065</u>	<u>\$ 485,041</u>	<u>\$ 9,560,496</u>	<u>\$ 1,678,219</u>

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

*Utility Pledge Revenue*

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$11,000,000 in sewerage system revenue bonds issued in March 1998. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through March 2020. Annual principal and interest payments on the bonds are expected to require less than 31 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$2,409,989. Principal and interest paid for the current year and total customer net revenues were \$668,670 and \$2,169,412, respectively.

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$9,039,000 in water system revenue bonds issued in September 2004. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through June 2026. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal remaining to be paid on the bonds is \$4,968,834. Principal and interest paid for the current year and total customer net revenues were \$549,464 and \$2,169,412, respectively.

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$2,405,000 in sewerage system revenue bonds issued in August 2005. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through July 2020. Annual principal and interest payments on the bonds are expected to require less than 10 percent of net revenues. The total principal remaining to be paid on the bonds is \$797,577. Principal and interest paid for the current year and total customer net revenues were \$213,261 and \$2,169,412, respectively.

The Board has pledged future sewer revenues, net of specified operating expenses, to repay \$679,316 in sewerage system revenue bonds issued September 2009. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through March 2030. Annual principal and interest payments on the bonds are expected to require less than 2 percent of net revenues. The total principal remaining to be paid on the bonds is \$495,340. Principal and interest paid for the current year and total customer net revenues were \$41,295 and \$2,169,412, respectively.

The Board has pledged future sewer revenues, net of specified operating expenses, to repay \$1,035,783 in sewerage system revenue bonds issued September 2009. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through September 2049. Annual principal and interest payments on the bonds are expected to require less than 1 percent of net revenues. The total principal remaining to be paid on the bonds is \$888,757. Principal and interest paid for the current year and total customer net revenues were \$26,732 and \$2,169,412, respectively.



**BECKLEY SANITARY BOARD**  
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*Notes to the Financial Statements*  
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**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

The Board has pledged future storm water utility customer revenues, net of specified operating expenses, to repay \$2,000,000 in storm water utility revenue bonds issued December 2010. Proceeds from the bonds provided financing for the construction and maintenance of the storm water drainage system. The bonds are payable solely from storm water customer net revenues and are payable through January 2031. Annual principal and interest payments on the bonds are expected to require less than 29 percent of net revenues. The total principal remaining to be paid on the bonds is \$1,602,065. Principal and interest paid for the current year and total customer net revenues were \$144,043 and \$254,302, respectively.

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$3,740,214 in sewer system revenue bonds issued in October 2015. Proceeds from the bonds provide funding for construction of certain extensions, additions, betterments and improvements to the existing sewer system. The bonds are payable solely from sewerage customer net revenues and are payable through June 2046. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total amount of the bond issue has not been drawn yet, and the balance as of June 30, 2016 is \$2,223,798. No payments have been made as of June 30, 2016. This bond is not included in the previous amortization schedule.

*Capital Leases*

The future minimum lease obligation and net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>		
2017	\$ 78,340	\$ 8,489
2018	81,707	5,121
2019	51,635	1,618
2020	22,836	434
2021	7,036	43
	<u>\$ 241,554</u>	<u>\$ 15,705</u>

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

<u>Description and Purpose</u>	<u>Balance</u> <u>July 1, 2015</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Revenue Bonds:					
Sanitary Board	\$ 10,853,713	\$ 2,223,798	\$ (1,293,217)	11,784,294	\$ 1,306,521
Stormwater Utility	1,682,387	-	(80,322)	1,602,065	75,113
Less: deferred amounts	(130,188)	-	26,038	(104,150)	(26,037)
<b>Total Revenue Bonds</b>	<b>12,405,912</b>	<b>2,223,798</b>	<b>(1,347,501)</b>	<b>13,282,209</b>	<b>1,355,597</b>
Lease Obligations Payable	155,589	156,863	(70,898)	241,554	78,340
Compensated Absences	254,930	168,720	(129,999)	293,651	35,680
Net Pension Liability	327,822	176,032	-	503,854	-
<b>Total Component Unit</b>					
Long-Term Debt	<b>\$ 12,816,431</b>	<b>\$ 2,549,381</b>	<b>\$ (1,548,398)</b>	<b>\$ 13,817,414</b>	<b>\$ 1,469,617</b>

**NOTE 6 – RESTRICTED ASSETS**

The balances of the restricted assets account for the Board are as follows:

Revenue bond debt service account	\$ 1,872,960
Revenue bonds renewal and replacement account	583,388
Customer Deposits	122,015
<b>Total restricted assets</b>	<b>\$ 2,578,363</b>

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 7 – OTHER INFORMATION**

**A. Risk Management**

The Board is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Commercial Insurance Agency for umbrella (general liability) insurance for these various risks. Settled claims have not exceeded coverage in any of the past three years. There has not been a reduction in coverage from the prior year.

Workers' Compensation Fund (WCF): West Virginia utilizes a single private insurance company, Brick Street Insurance, to provide workers' compensation coverage to all employers in the state. For the most part, all employers in the State, including governmental entities, must have coverage. The cost of all coverage, as determined by Brick Street, is paid by the employers. The WCF risk pool retains the risk related to the compensation of injured employees under the program.

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

**B. 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.

**C. Litigation**

The Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Board's counsel that resolution of these matters will not have a material effect on the financial condition of the Board.

**D. Deferred Compensation Plan**

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held for the exclusive benefit of the participants and their beneficiaries.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

**Public Employees Retirement System (PERS)**

The Board's personnel are employees of the Municipality of Beckley, West Virginia (the "Municipality"), which participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality 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.

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

**Public Employees Retirement System (PERS)**

Eligibility to participate	All Municipality full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefits provisions	State Statute
Tier 1 Plan members' contribution rate	4.5% (Employees hired before July 1, 2015)
Tier 2 Plan members' contribution rate	6.0% (Employees hired after July 1, 2015)
Municipality's contribution rate	13.50%
Period required to vest	Five Years
Benefits and eligibility for distribution	<p><u>Tier 1</u></p> <p>A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 is the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.</p> <p><u>Tier 2</u></p> <p>Qualification for normal retirement age is 62 with 10 years of services or at least age 55 with and service equal to 80 or greater. The average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings times the years of service times 2% equals the retirement benefit.</p>
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)**

**Public Employees Retirement System (PERS) – Trend Information**

Fiscal Year	Annual Pension Cost	Percentage Contributed
2016	\$ 218,710	99%
2015	\$ 215,311	99%
2014	\$ 214,437	99%

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 Ave. S.E., Charleston, WV 25304.

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

At June 30, 2016, the Board reported the following liabilities for its proportionate share of the net pension liabilities. The Board's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2016, the Board reported the following proportions and increases/decreases from its proportion measure as of June 30, 2015.

	PERS
Amount for proportionate share of net pension liability	\$ 503,854
Percentage for proportionate share of net pension liability - current year	0.355762%
Percentage for proportionate share of net pension liability - prior year	0.384947%
Increase/(Decrease) % from prior proportion measured	-0.029185%

For the year ended June 30, 2016, the Board recognized the following pension expense.

	Business-Type Activities
Pension expense	\$ 63,671

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)**

The Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in proportionate share percentage	\$ 15,865	\$ 27,627
Change in expected and actual experience	81,194	-
Contributions made after measurement date	218,710	-
Net difference between projected and actual investment experience	-	72,376
Difference in assumptions	-	39,701
Total	<u>\$ 315,769</u>	<u>\$ 139,704</u>

The amount reported as deferred outflows related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	
2017	\$ (19,258)
2018	(19,258)
2019	(22,324)
2020	18,195
Total	<u>\$ (42,645)</u>

*Actuarial Assumptions* - The total pension liability was determined by an actuarial valuation as of June 30, 2015 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation rate	1.90%
Salary increases	3.00% - 6.00%
Investment rate of return	7.50%
Mortality rates	Healthy males - 1983 GAM Healthy females - 1971 GAM Disabled males - 1971 GAM Disabled females - Revenue ruling 96-7

The actuarial assumptions used in the June 30, 2014 valuation rolled forward to June 30, 2015, were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Notes to the Financial Statements*  
*For the Fiscal Year Ended June 30, 2016*

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**NOTE 8 – EMPLOYEE RETIREMENT SYSTEMS AND PLANS (CONTINUED)**

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 target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of long-term geometric of return for each major asset class included are summarized in the following chart:

Investment	Long-term Expected Real Rate of Return	Target Asset Allocation
US Equity	7.00%	27.5%
International Equity	7.70%	27.5%
Core Fixed Income	2.70%	7.5%
High Yield	5.50%	7.5%
Real Estate	5.60%	10.0%
Private Equity	9.40%	10.0%
Hedge Funds	4.70%	10.0%
Inflation (CPI)	1.90%	0.0%
		<u>100%</u>

*Discount rate* – The discount rate used to measure the total pension liability was 7.5% from PERS. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the Municipality contributions to all plans will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plans' fiduciary net position were 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 were applied to all periods of projected benefit payments to determine the total pension liability.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Board's proportionate share of PER's net pension liability	\$ 1,162,016	\$ 503,854	\$ 52,197

*Pension plans' fiduciary net position* – Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Schedule of City's Proportionate Share of Net Pension Liability*  
*For the Fiscal Year Ended June 30, 2016*

Last 10 Fiscal Years

**West Virginia Public Employees' Retirement System\***

Information presented is for the entire Municipality. Amounts specific to the Beckley Sanitary Board were not actuarially determined.

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Municipality's proportion of the net pension liability (asset) (percentage)	0.355762%	0.384947%	0.368565%
Municipality's proportionate share of the net pension liability (asset)	\$ 1,986,589	\$ 1,420,705	\$ 3,359,948
Municipality's covered-employee payroll	\$ 4,840,474	\$ 5,167,339	\$ 4,554,516
Municipality's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.04%	27.49%	73.77%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%	79.70%

\*The amounts presented for each fiscal year were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information for those years for which information is available.



**BECKLEY SANITARY BOARD**  
**Municipality of Beckley, West Virginia**  
*Schedule of Contributions*  
*For the Fiscal Year Ended June 30, 2016*

Last 10 Fiscal Years

**West Virginia Public Employees' Retirement System**

Information presented is for the entire Municipality. Amounts specific to the Beckley Sanitary Board were not actuarially determined.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 703,179	\$ 673,639	\$ 747,453
Contributions in relation to contractually required contribution	<u>(703,179)</u>	<u>(673,639)</u>	<u>(747,453)</u>
Contribution deficit (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 5,216,947	\$ 4,840,474	\$ 5,167,339
Contributions as a percentage of covered-employee payroll	13.48%	13.92%	14.46%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Schedule of Rate Covenant Compliance*  
*For the Year Ended June 30, 2016*

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**Beckley Sanitary Board**

The Beckley Sanitary Board is subject to rate covenant compliance associated with the issuance of the Sewerage Series 2009 Bonds. Specifically, the Board must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

“...The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than one hundred fifteen percent (115%) of the annual debt service on the Bonds and to make the payments required herein into the Reserve Account and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees, and other changes shall not be reduced so as to be insufficient to provide adequate revenues for such purposes...”

The following schedule summarizes the provisions for the fiscal year ended June 30, 2016.

*Rate Covenant*

	Maximum		
Net Gross	Amount Annual		Percentage
<u>Revenues</u>	<u>Debt Service</u>	<u>Percentage</u>	<u>Required</u>
\$ 2,349,487	\$ 1,754,437	134%	115%

As of June 30, 2016, the Board was in compliance with the provisions of the 2009 revenue bond covenant which require revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2009 revenue bond covenant require that assets to be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year’s debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year.

**Storm Water Utility Fund**

The Storm Water Utility is subject to rate covenant compliance associated with the issuance of the Series 2010 Bonds. Specifically, the Utility must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

“...The Issuer will, in the manner provided in the Act, fix and collect such rates, fees or other charges for the services and facilities of the System, and revise the same from time to time whenever necessary, as will always provide revenues in each fiscal year sufficient to produce net revenues equal to not less than one hundred fifteen percent (115%) of the annual debt service on the Bonds and to make the payments required herein into the Reserve Account and the Depreciation Reserve and all the necessary expenses of operating and maintaining the System during such fiscal year and such rates, fees, and other changes shall not be reduced so as to be insufficient to provide adequate revenues for such purposes...”

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
 Schedule of Rate Covenant Compliance (Continued)  
 For the Year Ended June 30, 2015

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**Storm Water Utility Fund (Continued)**

The following schedule summarizes the provisions for the fiscal year ended June 30, 2016.

*Rate Covenant*

Net Gross	Maximum		Percentage
<u>Revenues</u>	<u>Amount Annual</u>	<u>Debt Service</u>	<u>Percentage</u>
<u>Revenues</u>	<u>Debt Service</u>	<u>Percentage</u>	<u>Required</u>
\$ 284,740	\$	144,043	198%
			115%

As of June 30, 2016, the Board was in compliance with the provisions of the 2010 revenue bond covenant which require the revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2010 revenue bond covenant require that assets to be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one tenth of one twelfth of the highest debt service payment in any given year.



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740.695.1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304.232.1358

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

August 31, 2017

Beckley Sanitary Board  
301 S. Heber Street  
Beckley, West Virginia 25801

To the Board:

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 **Beckley Sanitary Board**, a component unit of the Municipality of Beckley, West Virginia (the Board) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated August 31, 2017.

***Internal Control Over Financial Reporting***

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

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

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



**...“bringing more to the table”**

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- Association of Certified Anti - Money Laundering Specialists •



***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

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

**BECKLEY SANITARY BOARD**  
**A Component Unit of the Municipality of Beckley, West Virginia**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2016*

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Fully Corrected?</b>	<b>Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i></b>
2015-001	Controls Over Financial Statement Preparation	Yes	Corrected