

Raleigh County

RFP# 19-118

# **Beckley Sanitary Board**

**A Component Unit of the Municipality of Beckley, West Virginia**

---

## **Financial Statements and Independent Auditor's Report**

**For the Fiscal Year Ended June 30, 2019**

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
SCHEDULE OF FUNDS INCLUDED IN REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**PROPRIETARY FUND TYPE**

MAJOR FUNDS

Sewer Fund  
Stormwater Utility Fund

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

<b>Introductory Section</b>	
Board Officials .....	1
<b>Financial Section</b>	
Independent Auditor's Report.....	2
Basic Financial Statements:	
Statement of Net Position.....	5
Statement of Revenues, Expenses, and Changes in Net Position .....	6
Statement of Cash Flows .....	7
<i>Notes to the Financial Statements</i> .....	8
<b>Required Supplementary Information</b>	
Schedule of Board's Proportionate Share of the Net Pension Liability .....	24
Schedule of Contributions – Retirement Systems.....	25
Schedule of Board's Proportionate Share of the OPEB Liability.....	26
Schedule of Contributions – OPEB .....	27
<b>Supplementary Information</b>	
Schedule of Rate Covenant Compliance .....	28
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	30
Schedule of Findings and Responses .....	32
Summary Schedule of Prior Audit Findings .....	33

## ***Introductory Section***

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
BOARD OFFICIALS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

OFFICE	NAME	TERM ENDS
	<u>Elected</u>	
Chairman:	Robert Rappold	June 30, 2020
Board Members:	John Sadowski	June 30, 2020
	Wayne Davis	June 30, 2020
	<u>Appointed</u>	
General Manager:	Jeremiah Johnson	

## ***Financial Section***

# Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Beckley Sanitary Board (the Board), a component unit of the Municipality of the City of Beckley, West Virginia, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Beckley Sanitary Board, as of June 30, 2019, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

## Other Matters

### *Required Supplementary Information*

The Board has omitted the management's 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 GASB, 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.

Accounting principles generally accepted in the United States of America require this presentation to include the Schedule of the Board's Proportionate Share of the Net Pension Liability, Schedule of Contributions – Retirement Systems, Schedule of the Board's Proportionate Share of the Net OPEB Liability, Schedule of Contributions – OPEB, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, GASB 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The Schedule of Rate Covenant Compliance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Rate Covenant Compliance is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Rate Covenant Compliance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.



# Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2020, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

*Ferrari & Associates, PLLC*

**Morgantown, West Virginia  
January 24, 2020**

**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Business Type Activities- Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 841,604	\$ 144,593	\$ 986,197
Receivables:			
Accounts, net	1,129,359	275,512	1,404,871
Taxes	1,703	-	1,703
Prepaid expenses	43,684	9,864	53,548
Due from other funds	17,011	-	17,011
Inventory, at cost	42,458	-	42,458
Total current assets	<u>2,075,819</u>	<u>429,969</u>	<u>2,505,788</u>
Noncurrent Assets			
Restricted:			
Regular account	1,012,105	25,016	1,037,121
Reserve account	2,545,939	-	2,545,939
Customer deposits	157,288	-	157,288
Renewal and replacement	553,196	83,764	636,960
Total restricted assets	<u>4,268,528</u>	<u>108,780</u>	<u>4,377,308</u>
Capital assets:			
Nondepreciable:			
Land	403,272	-	403,272
Construction in progress	13,540,659	102,089	13,642,748
Depreciable:			
Buildings	23,094,011	-	23,094,011
Structures and improvements	33,416,476	5,147,750	38,564,226
Machinery and equipment	3,861,173	198,363	4,059,536
Less: accumulated depreciation	(31,100,752)	(1,082,402)	(32,183,154)
Total capital assets (net of accumulated depreciation)	<u>43,214,839</u>	<u>4,365,800</u>	<u>47,580,639</u>
Total assets	<u>49,559,186</u>	<u>4,904,549</u>	<u>54,463,735</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow - OPEB	66,351	14,162	80,513
Deferred outflow - PERS	146,741	65,862	212,603
Total deferred outflows	<u>213,092</u>	<u>80,024</u>	<u>293,116</u>
<b>Total assets and deferred outflows</b>	<b><u>\$ 49,772,278</u></b>	<b><u>\$ 4,984,573</u></b>	<b><u>\$ 54,756,851</u></b>
<b>LIABILITIES</b>			
Current liabilities payable from current assets:			
Accounts payable	\$ 861,153	\$ 86,789	\$ 947,942
Payroll liabilities payable	56,185	11,269	67,454
Other accrued expenses	46,721	-	46,721
Benefits payable	9,782	1,992	11,774
Compensated absences payable	19,522	4,943	24,465
Due to other funds	10,304	12,187	22,491
Customer deposits	159,872	-	159,872
Total current liabilities payable from current assets	<u>1,163,539</u>	<u>117,180</u>	<u>1,280,719</u>
Noncurrent liabilities due within one year:			
Bonds payable	1,472,148	93,722	1,565,870
Leases payable	42,580	-	42,580
Total noncurrent liabilities due within one year	<u>1,514,728</u>	<u>93,722</u>	<u>1,608,450</u>
Noncurrent liabilities due within more than one year:			
Bonds payable	21,832,285	1,247,957	23,080,242
Leases payable	114,555	-	114,555
Compensated absences payable	189,661	30,522	220,183
Net pension liability	121,673	101,519	223,192
OPEB liability	1,394,839	297,724	1,692,563
Total noncurrent liabilities due within more than one year	<u>23,653,013</u>	<u>1,677,722</u>	<u>25,330,735</u>
Total liabilities	<u>26,331,280</u>	<u>1,888,624</u>	<u>28,219,904</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow - PERS	80,847	26,205	107,052
Deferred inflow - OPEB	5,770	1,232	7,002
Total deferred inflows	<u>86,617</u>	<u>27,437</u>	<u>114,054</u>
<b>NET POSITION</b>			
Net investment in capital assets	19,753,271	3,024,122	22,777,393
Restricted for debt service	3,558,044	25,016	3,583,060
Restricted for renewal and replacement	553,196	83,764	636,960
Restricted for customer deposits	157,288	-	157,288
Unrestricted (deficit)	(667,418)	(64,390)	(731,808)
Total net position	<u>23,354,381</u>	<u>3,068,512</u>	<u>26,422,893</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b><u>\$ 49,772,278</u></b>	<b><u>\$ 4,984,573</u></b>	<b><u>\$ 54,756,851</u></b>

**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	Business Type Activities-Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
<b>OPERATING REVENUES</b>			
Sales and services to customers	\$ 6,595,893	\$ 1,192,975	\$ 7,788,868
Discount and penalties	106,435	-	106,435
Intergovernmental:			
Federal	134,340	-	134,340
State	44,780	-	44,780
Miscellaneous	72,791	973	73,764
<b>Total revenues</b>	<u>6,954,239</u>	<u>1,193,948</u>	<u>8,148,187</u>
<b>OPERATING EXPENSES</b>			
Personnel services	2,133,249	404,344	2,537,593
Contractual services	446,283	117,202	563,485
Administrative and general	140,447	13,383	153,830
Rents	100,430	30,721	131,151
Miscellaneous	98,915	26,811	125,726
Fuel and oil	134,179	35,823	170,002
Insurance	236,683	12,865	249,548
Materials and supplies	503,167	94,305	597,472
Utilities	360,702	10,247	370,949
Depreciation	1,564,695	164,842	1,729,537
Maintenance	246,131	7,938	254,069
Bad debt	170,476	189,778	360,254
<b>Total operating expenses</b>	<u>6,135,357</u>	<u>1,108,259</u>	<u>7,243,616</u>
<b>Operating income</b>	<u>818,882</u>	<u>85,689</u>	<u>904,571</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest revenues	72,059	2,166	74,225
Interest and fiscal charges	(641,066)	(53,874)	(694,940)
Sale of capital assets	58,210	-	58,210
<b>Total nonoperating revenues (expenses)</b>	<u>(510,797)</u>	<u>(51,708)</u>	<u>(562,505)</u>
<b>Change in net position</b>	308,085	33,981	342,066
<b>Net position-beginning of the year (see note XI)</b>	<u>23,046,296</u>	<u>3,034,531</u>	<u>26,080,827</u>
<b>Net position-end of year</b>	<u>\$ 23,354,381</u>	<u>\$ 3,068,512</u>	<u>\$ 26,422,893</u>

**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

	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	\$ 6,428,075	\$ 1,136,732	\$ 7,564,807
Cash payments for employee services and benefits	(2,219,969)	(424,258)	(2,644,227)
Cash payments to suppliers for goods and services	(2,810,181)	(369,107)	(3,179,288)
Other operating revenues	251,834	973	252,807
<b>Net cash provided/(used) by operating activities</b>	<b>1,649,759</b>	<b>344,340</b>	<b>1,994,099</b>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition of capital assets	(2,593,385)	(184,146)	(2,777,531)
Proceeds from sale of capital assets	58,210	-	58,210
Principal paid on bonds	(2,003,486)	(90,169)	(2,093,655)
Principal paid on capital leases	(61,917)	-	(61,917)
Interest paid on debt	(641,066)	(53,874)	(694,940)
<b>Net cash used for capital and related financing activities</b>	<b>(5,241,644)</b>	<b>(328,189)</b>	<b>(5,569,833)</b>
<b>Cash flows from investing activities:</b>			
Investment earnings	72,059	2,166	74,225
<b>Net increase in cash and cash equivalents</b>	<b>(3,519,826)</b>	<b>18,317</b>	<b>(3,501,509)</b>
<i>Cash and cash equivalents beginning of year - includes \$7,683,787 in restricted cash</i>	8,629,958	235,056	8,865,014
<i>Cash and cash equivalents end of year - includes \$4,377,308 in restricted cash</i>	<u>\$ 5,110,132</u>	<u>\$ 253,373</u>	<u>\$ 5,363,505</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>			
Operating Income	\$ 818,882	\$ 85,689	\$ 904,571
Adjustments:			
Depreciation	1,564,695	164,842	1,729,537
(Increase)/decrease in assets:			
Accounts receivable	(100,637)	140,535	39,898
Taxes receivable	(77)	-	(77)
Due from other funds	61,277	736	62,013
Inventory	3,394	-	3,394
Prepaid items	2,073	(4,943)	(2,870)
Deferred outflows	(10,541)	(4,750)	(15,291)
Increase/(decrease) in liabilities:			
Accounts payable	(624,824)	39,605	(585,219)
Payroll payable	116	4,913	5,029
Other accrued expenses	5,299	-	5,299
Benefits Payable	9,782	883	10,665
Compensated absences payable	22,611	455	23,066
Due to other funds	9,537	(55,210)	(45,673)
Customer deposits	(3,140)	(7,000)	(10,140)
Pension	(165,088)	(29,937)	(195,025)
OPEB	56,400	8,522	64,922
<b>Net cash provided/(used) by operating activities</b>	<b>\$ 1,649,759</b>	<b>\$ 344,340</b>	<b>\$ 1,994,099</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, 2019**

---

**NOTE I – 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 Municipality of 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 authorization are approved by the Board.

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

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

**1. 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.

**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, 2019**

---

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 the operating statement. Fair value is determined by quoted market prices.

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 trust (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.

## **2. 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.

## **3. Inventories**

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

## **4. Restricted Assets**

Certain proceeds of the sewerage and stormwater 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.
- The "customer deposit" account is used to report the segregation of returnable cash deposits from customers of the utility upon initial receipt of the service.

**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, 2019**

---

**5. 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 acquisition 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

**6. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net 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 or resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net 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.

**7. Compensated Absences**

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

**8. 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 applicable bond premium or discount.

**9. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expense, information about the Retiree Healthcare Plan have been determined on the same basis as they are actuarially determined. The plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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, 2019**

---

**10. Pensions**

For purposes of measuring net pension liability and deferred outflows/inflows of the resources to pensions and pension expense, information about the fiduciary net position of the Municipality's Public Employee Retirement System (PERS) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by PERS. 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.

**11. 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 Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**12. 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 certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE II – DEPOSITS AND INVESTMENTS**

At year end, the Board had the following investments:

	Fair Value	Credit Risk Rating	
		Standard & Poor's and Fitch	Moody's Service
Municipal Bond Commission	\$ 1,740,108	Not Rated	Not Rated
Investments in Bank Accounts	\$ 1,116,083	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 cash bank balances were \$2,507,314 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 \$2,856,191 of which \$1,740,108 were held at the Municipal Bond Commission and fully collateralized by the State of West Virginia. A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash and cash equivalents	\$2,507,314
Investments – collateralized and secured	2,856,191
Total	<u>\$5,363,505</u>
Cash and cash equivalents	\$ 986,197
Cash and cash equivalents – restricted	1,521,117
Investments - restricted	2,856,191
Total	<u>\$5,363,505</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, 2019**

**NOTE III – RECEIVABLES**

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

	Sewerage	Stormwater Utility	Total
Receivables:			
Accounts	\$ 1,151,359	\$ 450,512	\$ 1,601,871
Taxes	1,703	-	1,703
Other	-	-	-
Gross receivables	1,153,062	450,512	1,603,574
Less: Allowance for Uncollectible	(22,000)	(175,000)	(197,000)
Net Total Receivables	<u>\$ 1,131,062</u>	<u>\$ 275,512</u>	<u>\$ 1,406,574</u>

**NOTE IV – CAPITAL ASSETS**

Capital asset activity for the fiscal year end June 30, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 271,900	\$ 131,372	\$ -	\$ 403,272
Construction in progress	11,156,718	2,569,389	(83,359)	13,642,748
Total capital assets not being depreciated	<u>11,428,618</u>	<u>2,700,761</u>	<u>(83,359)</u>	<u>14,046,020</u>
Capital assets being depreciated:				
Buildings	23,033,197	60,814	-	23,094,011
Structures and improvements	38,327,715	236,511	-	38,564,226
Machinery and equipment	4,224,993	168,034	(455,527)	3,937,500
Software	103,581	24,610	(6,155)	122,036
Total accumulated depreciation	<u>(30,723,115)</u>	<u>(1,729,537)</u>	<u>269,498</u>	<u>(32,183,154)</u>
Total capital assets being depreciated, net	<u>34,966,371</u>	<u>(1,239,568)</u>	<u>(192,184)</u>	<u>33,534,619</u>
Governmental activities capital assets, net	<u>\$ 46,394,989</u>	<u>\$ 1,461,193</u>	<u>\$ (275,543)</u>	<u>\$ 47,580,639</u>

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

Sewerage	\$ 1,564,695
Stormwater Utility	164,842
Total Depreciation	<u>\$ 1,729,537</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, 2019**

---

*Construction in Progress*

The Board has active construction projects as of June 30, 2019. The projects include system upgrades, line expansions, and stormwater projects. At year end, the amounts spent-to-date are as follows:

Sewer Projects	Spent-to-date
200 Armory Dr	\$ 9,067
Piney Creek Plant Upgrade 2017	13,526,331
Hartley Ave	5,261
Total Sewer Projects	\$ 13,540,659
<b>Stormwater Projects</b>	
Oakley Rd	\$ 65,976
Jonathan Dr	2,280
Jamescrest Phase I	21,547
Ewart Ave	76
Deepwood Ave	9,495
Chesla Ave	2,715
Total Stormwater Projects	\$ 102,089
Total Sewer and Stormwater Projects	\$ 13,642,748

**NOTE V – 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	Issued	Retired	Balance June 30, 2019
1998-A Sanitary	\$ 11,000,000	\$ (11,000,000)	\$ -
2004-A Sanitary	9,039,000	(5,458,186)	3,580,814
2009-A Sanitary	679,316	(280,771)	398,545
2009-C Sanitary	1,035,783	(227,222)	808,561
2010 Stormwater	2,000,000	(658,322)	1,341,678
2015-A Sanitary	3,614,914	(143,400)	3,471,514
2017 Sanitary	15,450,000	(405,000)	15,045,000
Total revenue bonds	\$ 42,819,013	\$ (18,172,901)	\$ 24,646,112

**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, 2019**

Revenue bond debt service requirement to maturity are as follows:

Year Ending June 30,	Stormwater Utility		Sanitary Board	
	Principal	Interest	Principal	Interest & Fees
2020	\$ 93,722	\$ 50,321	\$ 1,472,148	\$ 595,590
2021	97,414	46,629	1,503,128	558,764
2022	101,251	42,792	1,609,320	519,766
2023	105,240	38,803	1,650,731	477,339
2024	109,386	34,657	1,697,356	433,746
2025-2029	615,062	105,153	7,489,783	1,512,250
2030-2034	219,604	7,192	5,873,503	480,398
2035-2039	-	-	789,011	31,049
2040-2044	-	-	805,592	15,692
2045-2049	-	-	407,156	1,541
2050-2054	-	-	6,705	-
<b>Total</b>	<b>\$ 1,341,679</b>	<b>\$ 325,547</b>	<b>\$ 23,304,433</b>	<b>\$ 4,626,135</b>

*Additional Debt Disclosure*

Outstanding Bonds, Maturity Dates, and Interest Rates

Description and Purpose	Issue Date	Maturity Date	Interest Rate(s)	Original Issue
Sanitary Board (Series 1998-A)	3/18/1998	3/1/2020	2.00%	\$11,000,000
Sanitary Board (Series 2004-A)	9/29/2004	6/1/2026	2.00%	9,039,000
Sanitary Board (Series 2009-A WV CWSRF Program)	9/18/2009	3/1/1930	2.00%	679,316
Sanitary Board (Series 2009-C WV CWSRF Program)	9/18/2009	9/1/1949	0.00%	1,035,783
Sanitary Board (Series 2015-A)	10/22/2015	6/1/1946	0.50%	3,614,914
Sanitary Board (Series 2017)	6/22/2017	6/1/2020	2.75%	620,000
Sanitary Board (Series 2017)	6/22/2017	6/1/1933	3.35%	14,830,000
Stormwater Utility (Series 2010)	12/15/2010	1/1/1931	3.87%	2,000,000
<b>Total</b>				<b>\$42,819,013</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, 2019**

---

*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. However, in June 2019 this bond was paid in full early. Annual principal and interest payments on the bonds are expected to require less than 31 percent of net revenues. The total principal remaining to be paid on the bonds is \$0. Principal and interest paid for the current year and total customer net revenues were \$668,669 and \$2,383,577, 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 \$3,580,814. Principal and interest paid for the current year and the total customer net revenues were \$549,464 and \$2,383,577, 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 \$398,545. Principal and interest paid for the current year and the total customer net revenues were \$41,293 and \$2,383,577, 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 \$808,561. Principal and interest paid for the current year and total customer net revenues were \$26,732 and \$2,383,577, respectively.

The Board has pledged future stormwater utility customer revenues, net of specified operating expenses, to repay \$2,000,000 in stormwater 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 \$1,341,678. Principal and interest paid for the current year and total customer net revenues were \$144,043 and \$250,531, respectively.

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$3,614,914 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 principal remaining to be paid on the bonds is \$3,471,514. Principal and interest paid for the current year and total customer net revenues were \$137,528 and \$2,383,577, respectively.

**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, 2019**

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay \$15,450,000 in sewer system revenue bonds issued in June 2017. Proceeds from the bonds provide funding for construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through June 2033. The total principal remaining to be paid on the bonds is \$15,045,000. Principal and interest paid for the current year and total customer net revenues were \$713,355 and \$2,383,577, respectively.

*Changes in Long-Term Debt*

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

Description and Purpose	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019	Due Within One Year
Revenue Bonds:					
Sanitary Board	\$ 25,307,919	\$ -	\$ (2,003,486)	\$ 23,304,433	\$ 1,472,148
Stormwater Utility	1,431,848	-	(90,169)	1,341,679	93,722
Less: deferred amounts	-	-	-	-	-
<b>Total Revenue Bonds</b>	<b>26,739,767</b>	<b>-</b>	<b>(2,093,655)</b>	<b>24,646,112</b>	<b>1,565,870</b>
Lease Obligations Payable	81,396	128,588	(52,849)	157,135	42,580
Compensated Absences	221,582	108,838	(85,772)	244,648	24,465
Net Pension Liability	414,062	-	(190,870)	223,192	-
OPEB Liability	1,625,940	66,623	-	1,692,563	-
<b>Total Long-Term Debt</b>	<b>\$ 29,082,747</b>	<b>\$ 304,049</b>	<b>\$ (2,423,146)</b>	<b>\$ 26,963,650</b>	<b>\$ 1,632,915</b>

**NOTE VI – LEASE COMMITMENTS**

**A. Capital Leases**

The future minimum lease obligation and net present value of these minimum lease payments as of June 30, 2019, were as follows:

	Principal	Interest
2020	\$ 42,580	\$ 5,084
2021	30,328	3,843
2022	22,891	2,915
2023	23,811	1,995
2024	24,769	1,037
2025	12,756	148
<b>Totals</b>	<b>\$ 157,135</b>	<b>\$ 15,022</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, 2019**

---

**B. Operating Leases**

The Board leased certain vehicles and other equipment under noncancelable operating leases. Total cost for such leases approximated \$97,731 for the year ended June 30, 2019.

**NOTE VII – RESTRICTED ASSETS**

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

Revenue bond debt service account	\$	3,583,060
Revenue bonds renewal and replacement account		636,960
Customer deposits		157,288
Total restricted assets	\$	<u>4,377,308</u>

**NOTE VIII – 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 Traveler's Insurance and Cincinnati Insurance for umbrella (general liability) insurance for these various risks. The Board uses Traveler's Insurance for workers compensation insurance.

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

**B. 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.

**C. 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.

**NOTE IX – 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.

**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, 2019**

---

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 members' contribution rate	4.5% (Employees hired before July 1, 2015)
Tier 2 members' contribution rate	6.0% (Employees hired after July 1, 2015)
Municipality's contribution rate	10.00%
Period require to vest	Tier 1 - Five Years; Tier 2 – Ten Years
Benefits and eligibility for distribution	Tier 1 – A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 and the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary is the three highest consecutive years in the last 15 times the years of service times 2% equals the annual retirement benefit. Tier 2- Qualification for normal retirement age is 62 with 10 years of services or at least 55 and the sum of his/her age plus years of credited service is equal to or greater than 80. 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.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

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

Fiscal Year	Annual Pension Cost	Percentage Contributed
2019	166,114	100%
2018	174,037	100%
2017	190,929	100%
2016	218,710	100%
2015	215,311	100%
2014	214,437	100%

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

**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, 2019**

---

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

At June 30, 2019, 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, 2019, the Board reported the following proportions and increases/decreases from its proportion measure as of June 30, 2018.

	PERS
Amount for proportionate share of net pension liability	\$ 223,192
Percentage for proportionate share of net pension liability – current year	.086424%
Percentage for proportionate share of net pension liability – prior year	.095927%
Increase/(Decrease) % from prior proportion measured	(.009503)%

For the year ended June 30, 2019, the Board recognized the following pension expense:

Pension expense     \$    26,089

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Change in proportionate share percentage	\$ 27,159	\$ 70
Difference between expected and actual experience	19,330	448
Contributions made after measurement date	166,114	-
Net difference between projected and actual investment earnings	-	106,534
Difference in assumptions	-	-
Total	\$ 212,603	\$ 107,052

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, 2019. 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:

2020	\$ 17,200
2021	(8,694)
2022	(56,877)
2023	(12,192)
Total	\$ (60,563)

*Actuarial Assumptions*

The total pension liability was determined by an actuarial valuation as of July 1, 2017, rolled forward to June 30, 2018, which is the measurement date, using the following actuarial assumptions:



**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, 2019**

Inflation rate	3.00%
Salary increases	3.35 -4.60%, including inflation
Investment rate of return	7.50%, net of pension plan investment expenses, including inflation
Mortality rates	Active – 100% of RP-2000 Non-Annuitant, Scale AA Healthy Males – 110% of RP – 2000 Healthy-Annuitant table, Scale AA Healthy Females – 101% of RP – 2000 Health-Annuitant table, Scale AA Disabled Males – 96% of RP – 2000 Disabled Annuitant table, Scale AA Disabled Females – 107% of RP- 2000 Disabled Annuitant table, Scale AA

The actuarial assumptions used in the 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 were determined using a building-block method in which estimated of expected 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. Rates summarized in the following table include the inflation component and were used for the following defined benefit plans:

Investment	Long-term Expected Real Rate of Return	Target Asset Allocation
US Equity	4.5%	27.5%
International Equity	8.6%	27.5%
Fixed Income	3.3%	15.0%
Real Estate	6.0%	10.0%
Private Equity	6.4%	10.0%
Hedge Funds	4.0%	10.0%
Inflation (CPI)	2.1%	0.0%
		100%

*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%
Municipality's proportionate share of PERS net pension (liability) asset	\$ (898,837)	\$ (223,191)	\$ 348,395

**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, 2019**

---

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at [www.wvretirement.com](http://www.wvretirement.com). That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

**NOTE X – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**General Information about the OPEB plan:**

*Plan description*

The Board provides healthcare benefits to retirees and their dependents. The insurance premiums are paid fully by the retiree. The Board also contributes up to \$4,000 per year towards the deductible for each retiree. In addition, there is a group of retirees who receive a monthly payment from the Board, to be used towards the cost of health insurance. Therefore, the Board's liability equals the value of the implicit subsidy, the (up to) \$4,000 payment, and the monthly payments. All full-time active employees who retire or qualify for retirement directly from the Board, and meet the eligibility criteria, may participate. The Municipality plan had approximately 269 participants with 229 being active employees and 40 being retirees and their beneficiaries of which the Board is a member of.

*Benefits provided*

The Plan provides medical and prescription drug insurance and dental and vision insurance.

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

At fiscal year-end, the Board reported a liability of \$1,692,563 for its share of net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of July 1, 2018, and a measurement date of June 30, 2019.

For this fiscal year, the Board recognized OPEB expense of \$119,035. The government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred difference in assumptions	\$ 80,513	\$ (7,002)
	\$ 80,513	\$ (7,002)

The amount reported as deferred inflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as an increase in the net OPEB liability in the year ended 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:

**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, 2019**

---

Year Ended June 30:

2020	\$	9,062
2021		9,062
2022		9,062
2023		9,062
2024		9,062
2025-2027		28,201
<b>Total</b>	<b>\$</b>	<b>73,511</b>

*Actuarial assumptions*

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.750%
Salary Increases	3.50%
Healthcare Trend	6.50% initially, grading down to 4.50 ultimate
Discount Rate	3.13%
Mortality Rates – Police and Firefighters	Pre-Retirement: RP-2014 blue collar healthy employee tables, projected with MP-2014 generational scales Post-Retirement – healthy retirees: RP-2014 blue collar healthy annuitant tables, projected with MP-2014 generational scales. Post-Retirement – disabled retirees: RP-2014 blue collar healthy annuitant tables, set forward 4 years, projected with MP-2014 generational scales.
Mortality Rates – Others	Pre-Retirement: RP-2000 non-annuitant tables, projected with Scale AA generational Post-Retirement – healthy males: 110% RP-2000 healthy annuitant table, projected with Scale AA generational. Post-Retirement – healthy females: 101% RP-2000 healthy annuitant table, projected with Scale AA generational. Post-Retirement – disabled males: 96% RP-2000 disabled annuitant table, projected with Scale AA generational. Post-Retirement – disabled females: 107% RP-2000 disabled annuitant table, projected with Scale AA generational.

*Changes in actuarial assumptions*

The discount rate changed from 3.62% to 3.13%.

*Actuarial Methods for Determining Employer Contributions*

The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

**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, 2019**

---

The Entry Age method is used for accounting /GASB purposes; therefore, all of the actuarial figures within the report are based on it. Although there is no prefunding of benefits at this time, an actuarially determined contribution is computed based on a 30-year amortization, level % of pay approach, of the unfunded actuarial liability.

*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.13%. There is no prefunding of benefits in an OPEB trust for this plan; therefore, the discount rate is equal to the yield on a 20-year municipal bond Aa index as of June 30, 2019.

Sensitivity of the Board's net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the plan, calculated using the discount rate of 3.13%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 2.1300%	Current Discount Rate Assumption 3.1300%	1% Increase 4.1300%
Net OPEB Liability	\$ 1,893,283	\$ 1,692,563	\$ 1,520,163

Sensitivity of the Board's net OPEB liability to changes in the healthcare trend rate. The follow presents the net OPEB liability of the plan, calculated using the healthcare trend rate of 6.50% to an ultimate rate of 4.50%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rates:

	1% Decrease 3.50%	Current Ultimate Trend Rate 4.50%	1% Increase 5.50%
Net OPEB Liability	\$ 1,486,890	\$ 1,692,563	\$ 1,940,511

**NOTE XI – PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2019, the Board discovered that it had not recognized unbilled accounts receivable during all previous fiscal year ends. The correction of this error increased net assets for the Sanitary Board by \$527,182 and the Stormwater Fund by \$200,440. A summary of the restatement activity at June 30, 2018 is as follows:

Net Position as Previously Reported	\$ 25,353,205
Prior Period Adjustment	<u>727,622</u>
Beginning Net Position, Restated	<u>\$ 26,080,827</u>

**NOTE XII – SUBSEQUENT EVENTS**

The Board's management has evaluated the effect that subsequent events would have on the Board's financial statements through January 24, 2020, which is the date the financial statements were available to be released.

\*\*\*

***Required Supplementary Information***

**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Public Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Board's proportionate share of the net pension liability (asset) (%)	0.086424%	0.095927%	0.102662%	0.090231%	0.088825%	0.066027%
Board's proportionate share of the net pension liability (asset)	\$ 223,192	\$ 414,062	\$ 943,582	\$ 503,854	\$ 327,822	\$ 601,922
Board's covered payroll	\$ 1,661,140	\$ 1,582,155	\$ 1,591,075	\$ 1,620,074	\$ 1,173,643	\$ 1,189,462
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	13.44%	26.17%	59.30%	31.10%	27.93%	50.60%
Plan fiduciary net position as a percentage of the total pension liability	96.33%	93.67%	86.11%	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 is available.

**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**SCHEDULE OF CONTRIBUTIONS - RETIREMENT SYSTEMS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Public Employees' Retirement System**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 166,114	\$ 174,037	\$ 190,929	\$ 218,710	\$ 164,310	\$ 172,472
Contributions in relation to the contractually required contribution	<u>\$ (166,114)</u>	<u>\$ (174,037)</u>	<u>\$ (190,929)</u>	<u>\$ (218,710)</u>	<u>\$ (164,310)</u>	<u>\$ (172,472)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 1,661,140	\$ 1,582,155	\$ 1,591,075	\$ 1,620,074	\$ 1,173,643	\$ 1,189,462
Contributions as a percentage of covered payroll	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%

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 is available.

**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**SCHEDULE OF BOARD'S PROPORTIONATE SHARE OF THE OPEB LIABILITY**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Retiree Healthcare Plan of the City of Beckley, West Virginia**

	<u>2019</u>	<u>2018</u>
Board's proportionate share of the net OPEB liability (%)	100.00%	100.00%
Board's proportionate share of the net OPEB liability	\$ 1,692,563	\$ 1,625,940
Board's covered payroll	\$ 1,707,748	\$ 1,511,115
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	99.11%	107.60%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

The amounts presented for each fiscal year were determined by 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 is available.



**BECKLEY SANITARY BOARD**  
**A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA**  
**SCHEDULE OF CONTRIBUTIONS - OPEB**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

---

**Retiree Healthcare Plan of the City of Beckley, West Virginia**

	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 118,610	\$ 124,507
Contributions in relation to the contractually required contribution	<u>\$ 18,173</u>	<u>\$ 19,827</u>
Contribution deficiency (excess)	<u>\$ 100,437</u>	<u>\$ 104,680</u>
Board's covered payroll	\$ 1,707,748	\$ 1,511,115
Contributions as a percentage of covered payroll	1.06%	1.31%

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 is available.

***Supplementary Information***

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
SCHEDULE OF RATE COVENANT COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**Beckley Sanitary Board**

The Beckley Sanitary Board is subject to rate covenant compliance associated with the issuance of the Sewerage Series 2017 Bonds. Specifically, the Board must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond documents as follows:

“...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, to meet the coverage requirements set forth in the Prior Ordinance so long as the Prior Bonds are Outstanding and thereafter, (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 2017 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2017 Bonds including the Prior Bonds; provided, that in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2017 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2017 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2017 Bonds.”

The following schedule summarizes the provisions for the fiscal year ended June 30, 2019:

*Rate Covenant*

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
\$2,383,577	\$2,067,738	115%	115%

As of June 30, 2019, the Board was in compliance with the provisions of the 2017 revenue bond covenant which requires revenue to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2017 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. As of June 30, 2019, the Board was in compliance with the provisions of this requirement.

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
SCHEDULE OF RATE COVENANT COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

---

**Stormwater Utility Fund**

The Stormwater 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 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, to meet the coverage requirements set forth in the Prior Ordinance so long as the Prior Bonds are Outstanding and thereafter, (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 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2010 Bonds including the Prior Bonds; provided, that in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2010 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2010 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2010 Bonds.”

The following schedule summarizes the provisions for the fiscal year ended June 30, 2019:

*Rate Covenant*

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
\$250,531	\$144,043	174%	115%

As of June 30, 2019, the Board was in compliance with the provisions of the 2010 revenue bond covenant which requires revenue 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. As of June 30, 2019, the Board was in compliance with the provisions of this requirement.

# Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

## **Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Beckley Sanitary Board, a component unit of the Municipality of Beckley, West Virginia, (Board) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated January 24, 2020.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

# Ferrari & Associates, PLLC

616 Schubert Place | Morgantown, WV 26505

## **Purpose of this Report**

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

*Ferrari & Associates, PLLC*

**Morgantown, West Virginia  
January 24, 2020**

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2019**

---

There were no audit findings for the year ended June 30, 2019.

**BECKLEY SANITARY BOARD  
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

---

There were no audit findings for the year ended June 30, 2018.