

**DRAFT
FOR REVIEW**

Raleigh County

RFP# 20-245

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, 2020

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**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, 2020**

PROPRIETARY FUND TYPE

MAJOR FUNDS

Sewer Fund
Stormwater Utility Fund

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
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FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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Introductory Section

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BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
BOARD OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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	

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Financial Section

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 and each major fund 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, 2020, 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 and each major fund of the Beckley Sanitary Board as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the Government Accounting Standards Board (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 that 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, and Schedule of Changes in the Total OPEB Liability and Related Rations listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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. We have 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 express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 introductory section and Schedule of Rate Covenant Compliance are presented for purposes of additional analysis and are 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 as a whole.

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.

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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 25, 2021, 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 solely 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 the effectiveness of the Board's 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 25, 2021**

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**BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Business Type Activities- Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
ASSETS			
Current:			
Cash and cash equivalents	\$ 468,873	\$ 84,648	\$ 553,521
Receivables:			
Accounts, net	965,466	282,768	1,248,234
Taxes	838	-	838
Prepaid expenses	61,197	5,014	66,211
Due from other funds	226,642	21,427	248,069
Inventory, at cost	35,643	-	35,643
Total current assets	<u>1,758,659</u>	<u>393,857</u>	<u>2,152,516</u>
Noncurrent assets:			
Restricted:			
Regular account	528,712	25,404	554,116
Reserve account	2,571,838	-	2,571,838
Customer deposits	154,769	-	154,769
Renewal and replacement	713,309	45,835	759,144
Total restricted assets	<u>3,968,628</u>	<u>71,239</u>	<u>4,039,867</u>
Capital assets:			
Nondepreciable:			
Land	605,566	-	605,566
Construction in progress	53,032	214,083	267,115
Depreciable:			
Buildings	36,665,533	-	36,665,533
Structures and improvements	33,453,855	5,304,082	38,757,937
Machinery and equipment	4,031,362	198,363	4,229,725
Less: accumulated depreciation	(33,051,762)	(1,252,181)	(34,303,943)
Total capital assets (net of accumulated depreciation)	<u>41,757,586</u>	<u>4,464,347</u>	<u>46,221,933</u>
Total assets	<u>47,484,873</u>	<u>4,929,443</u>	<u>52,414,316</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - OPEB multi employer plan	25,740	6,070	31,810
Deferred outflow - OPEB single employer plan	130,531	29,383	159,914
Deferred outflow - PERS	148,783	66,350	215,133
Total deferred outflows	<u>305,054</u>	<u>101,803</u>	<u>406,857</u>
Total assets and deferred outflows	\$ 47,789,927	\$ 5,031,246	\$ 52,821,173
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	\$ 221,790	\$ 47,848	\$ 269,638
Payroll liabilities payable	65,925	17,182	83,107
Other accrued expenses	71,017	-	71,017
Benefits payable	11,587	2,995	14,582
Compensated absences payable	19,002	4,712	23,714
Due to other funds	15,157	119,592	134,749
Customer deposits	151,358	-	151,358
Total current liabilities payable from current assets	<u>555,836</u>	<u>192,329</u>	<u>748,165</u>
Noncurrent liabilities due within one year:			
Bonds payable	1,503,128	97,414	1,600,542
Leases payable	22,006	-	22,006
Total noncurrent liabilities due within one year	<u>1,525,134</u>	<u>97,414</u>	<u>1,622,548</u>
Noncurrent liabilities due within more than one year:			
Bonds payable	20,329,157	1,150,543	21,479,700
Leases payable	84,227	-	84,227
Compensated absences payable	195,312	30,452	225,764
Net pension liability	88,787	93,659	182,446
OPEB liability - multi employer plan	215,716	38,067	253,783
OPEB liability - single employer plan	1,229,892	276,850	1,506,742
Total noncurrent liabilities due within more than one year	<u>22,143,091</u>	<u>1,589,571</u>	<u>23,732,662</u>
Total liabilities	<u>24,224,061</u>	<u>1,879,314</u>	<u>26,103,375</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow - PERS	69,450	23,481	92,931
Deferred inflow - OPEB multi employer plan	134,990	23,822	158,812
Deferred inflow - OPEB single employer plan	198,936	44,781	243,717
Total deferred inflows	<u>403,376</u>	<u>92,084</u>	<u>495,460</u>
NET POSITION			
Net investment in capital assets	19,819,068	3,216,390	23,035,458
Restricted for debt service	3,100,550	25,404	3,125,954
Restricted for renewal and replacement	713,309	45,835	759,144
Restricted for customer deposits	154,769	-	154,769
Unrestricted (deficit)	(625,206)	(227,781)	(852,987)
Total net position	<u>23,162,490</u>	<u>3,059,848</u>	<u>26,222,338</u>
Total liabilities, deferred inflows, and net position	\$ 47,789,927	\$ 5,031,246	\$ 52,821,173

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**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, 2020**

	Business Type Activities-Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
OPERATING REVENUES			
Sales and services to customers	\$ 6,781,599	\$ 1,193,942	\$ 7,975,541
Discount and penalties	75,105	-	75,105
Intergovernmental:			
Federal	26,261	-	26,261
Miscellaneous	42,175	5,383	47,558
Total revenues	6,925,140	1,199,325	8,124,465
OPERATING EXPENSES			
Personnel services	2,401,319	612,259	3,013,578
Contractual services	492,852	-	492,852
Administrative and general	131,989	10,543	142,532
Rents	51,049	49,566	100,615
Miscellaneous	58,132	29,378	87,510
Fuel and oil	113,011	30,313	143,324
Insurance	206,193	24,365	230,558
Materials and supplies	391,188	137,873	529,061
Utilities	382,368	9,072	391,440
Depreciation	1,961,883	169,779	2,131,662
Maintenance	239,634	8,291	247,925
Bad debt	42,535	50,206	92,741
Total operating expenses	6,472,153	1,131,645	7,603,798
Operating income	452,987	67,680	520,667
NONOPERATING REVENUES (EXPENSES)			
Interest revenues	74,047	2,784	76,831
Interest and fiscal charges	(595,352)	(50,321)	(645,673)
Sale of capital assets	11,405	-	11,405
Total nonoperating revenues (expenses)	(509,900)	(47,537)	(557,437)
Change in net position	(56,913)	20,143	(36,770)
Net position-beginning of the year	23,219,403	3,039,705	26,259,108
Net position-end of year	\$ 23,162,490	\$ 3,059,848	\$ 26,222,338

**BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Business Type Activities-Enterprise Funds		Totals
	Sewerage	Stormwater Utility	
Increase/(decrease) in cash and cash equivalents			
Cash flows from operating activities:			
Cash received from customers	\$ 6,970,413	\$ 1,136,480	\$ 8,106,893
Cash payments for employee services and benefits	(2,276,941)	(582,250)	(2,859,191)
Cash payments to suppliers for goods and services	(2,896,959)	(244,995)	(3,141,954)
Other operating revenues	68,436	2,864	71,300
Net cash provided/(used) by operating activities	1,864,949	312,099	2,177,048
Cash flows from capital and related financing activities			
Acquisition of capital assets	(504,630)	(268,326)	(772,956)
Proceeds from sale of capital assets	11,405	-	11,405
Principal paid on bonds	(1,472,148)	(93,722)	(1,565,870)
Principal paid on capital leases	(50,902)	-	(50,902)
Interest paid on debt	(595,352)	(50,321)	(645,673)
Net cash provided/(used) for capital and related financing activities:	(2,611,627)	(412,369)	(3,023,996)
Cash flows from investing activities:			
Investment earnings	74,047	2,784	76,831
Net cash provided/(used) for investing activities	74,047	2,784	76,831
Net increase/(decrease) in cash and cash equivalents	(672,631)	(97,486)	(770,117)
<i>Cash and cash equivalents beginning of year - includes \$4,377,308 in restricted cash</i>	5,110,132	253,373	5,363,505
<i>Cash and cash equivalents end of year - includes \$4,039,867 in restricted cash</i>	<u>\$ 4,437,501</u>	<u>\$ 155,887</u>	<u>\$ 4,593,388</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income	\$ 452,987	\$ 67,680	\$ 520,667
Adjustments:			
Depreciation	1,961,883	169,779	2,131,662
(Increase)/decrease in assets:			
Accounts receivable	163,893	(7,256)	156,637
Taxes receivable	865	-	865
Due from other funds	(209,631)	-	(209,631)
Inventory	6,815	-	6,815
Prepaid items	(17,513)	4,850	(12,663)
Deferred outflows	(66,462)	(16,336)	(82,798)
Increase/(decrease) in liabilities:			
Accounts payable	(639,363)	(38,941)	(678,304)
Payroll payable	9,740	5,913	15,653
Other accrued expenses	24,296	-	24,296
Benefits payable	1,805	1,003	2,808
Compensated absences payable	5,131	(301)	4,830
Due to other funds	4,853	85,978	90,831
Customer deposits	(8,514)	-	(8,514)
Pension	(44,283)	(10,584)	(54,867)
OPEB	218,447	50,314	268,761
Net cash provided/(used) by operating activities	\$ 1,864,949	\$ 312,099	\$ 2,177,048

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, 2020

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, 2020**

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, 2020**

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	30-50
Structures and improvements	30-50
Machinery and equipment	05-10

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 in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

8. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Bond issuance costs, whether or not withheld from the actual debt proceeds received are recorded as expenses during the period in which the bonds were issued.

**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, 2020**

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 West Virginia Retiree Health Benefits Trust Fund (RHBT) and the City of Beckley Retiree Healthcare Plan and additions to/deductions from fiduciary net position 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.

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	\$ 1,816,373	Not Rated	Not Rated
Investments in Bank Accounts	\$ 2,274,211	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 \$502,804 which were fully collateralized with securities held by the pledging financial institution’s trust department or agent but not in the government’s name.

**BECKLEY SANITARY BOARD
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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 \$4,090,584 of which \$1,816,373 were held at the Municipal Bond Commission and fully collateralized by the State of West Virginia and securities held by the pledging financial institution's trust department or agent but not in the government's name.

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

Cash and cash equivalents	\$ 502,804
Investments – collateralized and secured	4,090,584
Total	<u>\$ 4,593,388</u>
Cash and cash equivalents	\$ 502,804
Investments – unrestricted	50,717
Investments - restricted	4,039,867
Total	<u>\$ 4,593,388</u>

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	\$ 984,205	\$ 482,768	\$ 1,466,973
Taxes	838	-	838
Other	26,261	-	26,261
Gross receivables	<u>1,011,304</u>	<u>482,768</u>	<u>1,494,072</u>
Less: Allowance for Uncollectible	<u>(45,000)</u>	<u>(200,000)</u>	<u>(245,000)</u>
Net Total Receivables	<u>\$ 966,304</u>	<u>\$ 282,768</u>	<u>\$ 1,249,072</u>

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NOTE IV – CAPITAL ASSETS

Capital asset activity for the fiscal year end June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 403,272	\$ 202,294	\$ -	\$ 605,566
Construction in progress	13,642,748	184,103	(13,559,736)	267,115
Total capital assets not being depreciated	14,046,020	386,397	(13,559,736)	872,681
Capital assets being depreciated:				
Buildings	23,094,011	13,571,522	-	36,665,533
Structures and improvements	38,564,226	193,711	-	38,757,937
Machinery and equipment	3,937,500	382,883	(212,694)	4,107,689
Software	122,036	-	-	122,036
Total accumulated depreciation	(32,183,154)	(2,131,662)	10,873	(34,303,943)
Total capital assets being depreciated, net	33,534,619	12,016,454	(201,821)	45,349,252
Governmental activities capital assets, net	\$ 47,580,639	\$ 12,402,851	\$(13,761,557)	\$ 46,221,933

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

Sewerage	\$ 1,961,883
Stormwater Utility	169,779
Total Depreciation	<u>\$ 2,131,662</u>

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Construction in Progress

The Board has active construction projects as of June 30, 2020. 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
3225 Robert C Byrd Dr	\$ 26,689
Hedrick Street	1,415
Project Seed Bed	115
Hartley Ave	12,323
1708 Harper Rd/Carriage Dr	5,090
Clyde St	7,400
Total Sewer Projects	<u>\$ 53,032</u>
Stormwater Projects	
3082 Robert C Byrd Dr/Piney Ave	\$ 36,437
Morgan Hills	56,797
Riley St	3,625
Oakley Rd	96,619
Jonathan Dr	4,763
Deepwood Ave	11,604
Meadowbrook	4,133
130 Franklin	105
Total Stormwater Projects	<u>\$ 214,083</u>
Total Sewer and Stormwater Projects	<u><u>\$ 267,115</u></u>

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, 2020
2004-A Sanitary	\$ 9,039,000	\$ (5,939,629)	\$ 3,099,371
2009-A Sanitary	679,316	(314,346)	364,970
2009-C Sanitary	1,035,783	(253,954)	781,829
2010 Stormwater	2,000,000	(752,043)	1,247,957
2015-A Sanitary	3,614,914	(263,799)	3,351,115
2017 Sanitary	15,450,000	(1,215,000)	14,235,000
Total revenue bonds	<u>\$ 31,819,013</u>	<u>\$ (8,738,771)</u>	<u>\$ 23,080,242</u>

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Revenue bond debt service requirement to maturity are as follows:

Year Ending June 30,	Stormwater Utility		Sanitary Board	
	Principal	Interest	Principal	Interest & Fees
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	113,695	30,348	1,744,213	388,726
2026-2031	639,294	80,923	7,134,528	1,304,639
2032-2036	81,677	1,074	4,641,042	307,044
2037-2041	-	-	792,293	27,766
2042-2046	-	-	808,958	12,326
2047-2051	-	-	250,716	429
2052-2056	-	-	-	-
Total	1,247,957	275,226	21,832,285	4,030,545

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 2004-A)	9/29/2004	6/1/2026	2.00%	9,039,000
Sanitary Board (Series 2009-A WV CWSRF Program)	9/18/2009	3/1/2030	2.00%	679,316
Sanitary Board (Series 2009-C WV CWSRF Program)	9/18/2009	9/1/2049	0.00%	1,035,783
Sanitary Board (Series 2015-A)	10/22/2015	6/1/2046	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	6/1/2033	3.35%	14,830,000
Stormwater Utility (Series 2010)	12/15/2010	1/1/2031	3.87%	2,000,000
Total				\$ 31,819,013

Utility Pledge Revenue

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 \$3,099,371. Principal and interest paid for the current year and the total customer net revenues were \$549,464 and \$2,390,410, respectively.

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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 \$364,970. Principal and interest paid for the current year and the total customer net revenues were \$41,294 and \$2,390,410, 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 \$781,829. Principal and interest paid for the current year and total customer net revenues were \$26,732 and \$2,390,410, 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 \$3,351,115. Principal and interest paid for the current year and total customer net revenues were \$137,528 and \$2,390,410, respectively.

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 \$14,235,000. Principal and interest paid for the current year and total customer net revenues were \$1,306,873 and \$2,390,410, 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 \$1,247,957. Principal and interest paid for the current year and total customer net revenues were \$144,043 and \$231,615, respectively.

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Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

Description and Purpose	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020	Due Within One Year
Revenue Bonds:					
Sanitary Board	\$ 23,304,433	\$ -	\$ (1,472,148)	\$ 21,832,285	\$ 1,503,128
Stormwater Utility	1,341,679	-	(93,722)	1,247,957	97,414
Less: deferred amounts	-	-	-	-	-
Total Revenue Bonds	24,646,112	-	(1,565,870)	23,080,242	1,600,542
Lease Obligations Payable	157,135	-	(50,902)	106,233	22,006
Compensated Absences	244,648	128,671	(123,841)	249,478	23,714
Net Pension Liability	223,192	-	(40,746)	182,446	-
OPEB Liability	1,747,743	12,782	-	1,760,525	-
Total Long-Term Debt	\$ 27,018,830	\$ 141,453	\$ (1,781,359)	\$ 25,378,924	\$ 1,646,262

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, 2020, were as follows:

	Principal	Interest
2021	\$ 22,006	\$ 3,801
2022	22,891	2,915
2023	23,811	1,995
2024	24,769	1,037
2025	12,756	148
Totals	\$ 106,233	\$ 9,896

B. Operating Leases

The Board leased certain vehicles and other equipment under noncancelable operating leases. Total cost for such leases approximated \$84,091 for the year ended June 30, 2020.

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NOTE VII – RESTRICTED ASSETS

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

Revenue bond debt service account	\$	3,125,954
Revenue bonds renewal and replacement account		759,144
Customer deposits		154,769
Total restricted assets	\$	<u>4,039,867</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. Federal and State Grants

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

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

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.

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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.

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

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

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

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Public Employees Retirement System (PERS) – Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed
2020	179,090	100%
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.

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

At June 30, 2020, 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, 2020, the Board reported the following proportions and increases/decreases from its proportion measure as of June 30, 2019.

	PERS
Amount for proportionate share of net pension liability	\$ 182,446
Percentage for proportionate share of net pension liability – current year	.084853%
Percentage for proportionate share of net pension liability – prior year	.086424%
Increase/(Decrease) % from prior proportion measured	(0.00157)%

For the year ended June 30, 2020, the Board recognized the following pension expense:

Pension expense \$ 129,574

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	\$ 21,829	\$ 44
Difference between expected and actual experience	14,214	12,829
Contributions made after measurement date	179,090	-
Net difference between projected and actual investment earnings	-	53,092
Difference in assumptions	-	26,966
Total	\$ 215,133	\$ 92,931

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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, 2021. 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:

2021	\$	5,460
2022		37,941
2023		4,222
2024		(7,813)
Total	<u>\$</u>	<u>39,810</u>

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to June 30, 2019, which is the measurement date, using the following actuarial assumptions:

Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Market value
Amortization method	Level dollar
Amortization period	Through Fiscal Year 2035
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases:	
PERS:	
State	3.1-5.3%
Nonstate	3.35-6.5%
Inflation rate	3.00%
Discount rate	7.50%
Mortality rates	Active – 100% of Pub-2010 General Employees table, below median, headcount weighted, projected with scale MP-2018 Retired healthy males – 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females – 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General/Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 118% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018
Withdrawal rates	
State	2.28-45.63%
Non-state	2.50-35.88%
Disability rates	0.005-0.540%
Retirement rates	12.0-100%

Date range in most recent experience study: 2013-2018

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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	5.8%	27.5%
International Equity	7.7%	27.5%
Fixed Income	3.3%	15.0%
Real Estate	6.1%	10.0%
Private Equity	8.8%	10.0%
Hedge Funds	4.4%	10.0%
Inflation (CPI)	2.0%	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%
Municipality's proportionate share of PERS net pension (liability) asset	\$ (849,845)	\$ (182,446)	\$ 382,133

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. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

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NOTE X – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

West Virginia Retiree Health Benefit Trust Fund:

Plan description

The Board contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the PEIA and the RHBT staff. Plan benefits are established and revised by the PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. Four remaining members represent the public-at-large.

Active employees who retire are eligible for the PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with the PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of their retirement does participate with CPRB, but does not participate with the PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by the PEIA, that the employer will pay to the PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Active employees who are members of the Teacher's Defined Contribution Retirement plan must be either: 55 years of age and have 12 or more years of credited service; or be at least 60 years of age with five years of service; and their last employer immediately prior to retirement must be a participating employer under that, or the CPRB system to qualify to continue PEIA insurance benefits upon retirement. Employees who participate in non-State retirement systems but are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and similar plans), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teacher's Retirement System and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. Questions in writing can also be submitted to the West Virginia Public Employees Insurance Agency, 601 57th. Street, SE, Suite 2, Charleston, WV, 25304.

Benefits provided

The Plan provides medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: 1) Self-Insured Preferred Provider Benefit Plan (primarily for non-Medicare-eligible retirees and spouses) and 2) External Managed Care Organizations (primarily for Medicare-eligible retirees and spouses).

Contributions

Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately \$152 million for fiscal year ended June 30, 2019.

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Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

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

At June 30, 2020, the Board reported a liability of \$253,783 for its proportionate share of the 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 June 30, 2018, rolled forward to June 30, 2019, which is the measurement date. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2019, the Board's proportion was 0.015296147%, which was an increase of 0.000108209% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Board recognized OPEB expense of \$(53,667).

At June 30, 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Net difference between expected and actual earnings on investments	\$ 1,443	\$ 4,180
Differences between expected and actual – non investment	-	29,598
Changes in Assumptions	-	51,469
Changes in Proportion and differences between employer contributions and proportionate share of contributions	-	66,736
Board contributions subsequent to the measurement date	30,304	-
Reallocation of opt-out employer change in proportionate share	63	6,829
Total	<u>\$ 31,810</u>	<u>\$ 158,812</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, 2020**

The amount reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows.

Year ended June 30:	
2021	\$ (66,159)
2022	(56,690)
2023	(28,637)
2024	(5,820)
Total	\$ <u>(157,306)</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.75%
Wage inflation	4.00%
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation
Asset valuation method	Market value
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20-year closed period
Salary increases	Dependent upon pension system, ranging from 3.0% to 6.5%, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Aging factors	Based on the 2013 SOA Study "Health Care Costs – From Birth to Death"
Mortality	Post-Retirement: RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for Troopers A and B.
Healthcare Cost Trend Rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
Expenses	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

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

**BECKLEY SANITARY BOARD
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The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages. Target asset allocations, capital market assumptions (“CMA”), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan’s investment advisors, including the West Virginia Investment Management Board (“WV-IMB”). The projected nominal return for the Money Market Pool held with the West Virginia Board of Treasury Investments (“WV-BTI”) was estimated based on WV_IMB assumed inflation of 2.0% plus a 25 basis point spread.

The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Target Allocation	Long-term Expected ROR
Global equity	49.50%	4.8%
Core plus fixed income	13.50%	2.1%
Core real estate	9.00%	4.1%
Private Equity	9.00%	6.8%
Hedge Funds	9.00%	2.4%
Cash and cash equivalents	10.00%	0.3%
Total	100.00%	

Discount rate.

The discount rate used to measure the OPEB liability was 7.15%. This single discount rate was based on the expected rate of return on OPEB plan investments of 7.15% and a tax-exempt municipal bond rate based on an index of 20-year obligation bonds with an average of AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.62% as of the beginning of the year and 3.13% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investment was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability did not change for the June 30, 2019 valuation from the June 30, 2018 valuation.

Sensitivity of the Board’s proportionate share of the net OPEB liability to changes in the discount rate.

The following chart presents the government’s proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB 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 discount rate:

1% Decrease (6.15%)	Current Discount Rate (7.15%)	1 % Increase (8.15%)
\$ (302,882)	\$ (253,783)	\$ (212,695)

**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, 2020**

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

The following chart presents the government's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rates described in the actuarial assumptions:

<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates</u>	<u>1 % Increase</u>
\$ <u>(204,640)</u>	\$ <u>(253,783)</u>	\$ <u>(313,419)</u>

OPEB plan fiduciary net position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report available at the West Virginia Public Employee Insurance Agency's website at peia.wv.gov. That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 57th. Street, Suite 2, Charleston, WV, 25304.

Municipality of Beckley Retiree Healthcare Plan:

Plan description

The Municipality of Beckley provides healthcare benefits to employees and retirees and their dependents. The Municipality of Beckley Retiree Healthcare Plan (Municipality Plan) is a single employer defined benefit OPEB plan administered by the Municipality. The Municipality Plan's levels of benefits, employee contributions, and employer contributions were authorized by the Municipality Council and any amendments to the Municipality Plan must be approved and authorized by Council. The Municipality Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Municipality Plan. The Municipality Plan does not issue a separate report. The activity of the Municipality plan is reported in the General Fund, Parking Revenue Fund, Parks and Recreation Fund, and the Beckley Sanitary Board component unit.

Benefits provided

The Municipality Plan provides medical and prescription drug insurance and dental and vision insurance. The Municipality contributes up to \$4,000 per year towards the deductible for each retiree. Therefore, the Municipality's liability equals the value of the implicit subsidy, the (up to) \$4,000 payment, and the monthly payments. The insurance premiums are required to be reimbursed to the Municipality and paid fully by the retiree. All full-time active employees who retire or qualify for retirement directly from the Municipality, and meet the eligibility criteria, may participate. The Municipality Plan had approximately 246 participants with 226 being active employees and 20 being retirees and their beneficiaries of which the Board is a member of.

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 \$1,506,742 for its share of the 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, 2020, the measurement date was June 30, 2020.

**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, 2020**

For this fiscal year, the Board recognized OPEB expense of \$108,431. 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
Changes in actuarial assumptions	\$ 159,914	\$ (5,627)
Differences between expected and actual experience	-	(238,090)
	<u>\$ 159,914</u>	<u>\$ (243,717)</u>

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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2021	\$	(9,530)
2022		(9,530)
2023		(9,530)
2024		(9,530)
2025		(9,530)
2026-2028		(36,153)
Total	<u>\$</u>	<u>(83,803)</u>

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.250%
Salary Increases	3.50%
Healthcare Trend	6.00% initially, grading down to 4.25% ultimate
Discount Rate	2.45%
Mortality Rates – Police and Firefighters	Pre/Post-retirement: PUB 2010S Headcount tables for Male and Female projected with SSA18 generational scale Post-retirement /disabled retirees: PUB 2010S Disabled Headcount tables for Male and Female projected with SSA18 generational scale.
Mortality Rates – Others	Pre/Post-retirement: PUB 2010G Headcount tables for Male and Female projected with SSA18 generational scale Post-retirement – disabled retirees: PUB 2010G Disabled Headcount tables for Male and Female projected with SSA18 generational scale.

In the June 30, 2020 actuarial valuation, the assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As national economic and employer experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

Changes in actuarial assumptions

The discount rate changed from 3.13% to 2.45% in the current year from the prior year.

**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, 2020**

Discount Rate

The discount rate used to measure the total OPEB liability was 2.45%. 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, 2020.

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.

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.

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 2.45%, 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 1.4500%	Current Discount Rate Assumption 2.4500%	1% Increase 3.4500%
Net OPEB Liability	\$ 1,667,267	\$ 1,506,742	\$ 1,363,847

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 6.00% to an ultimate rate of 4.25%, 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 5.00% decreasing to 3.250%	Current Healthcare Cost Trend Rates 6.00% decreasing to 4.25%	1% Increase 7.00% decreasing to 5.25%
Net OPEB Liability	\$ 1,329,460	\$ 1,506,742	\$ 1,715,693

**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, 2020**

Changes in the total OPEB liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances as of June 30, 2019	\$ 1,421,895	\$ -	\$ 1,421,895
Service costs	66,766	-	66,766
Interest on total OPEB liability	51,203	-	51,203
Difference between expected and actual experience	(267,840)	-	(267,840)
Changes in assumptions	234,718	-	234,718
Employer contributions	-	36,007	(36,007)
Employee contributions	-	-	-
Benefit payments, including subsidies	-	(36,007)	36,007
Administrative expense	-	-	-
Balances as of June 30, 2020	<u>\$ 1,506,742</u>	<u>\$ -</u>	<u>\$ 1,506,742</u>

NOTE XI – SUBSEQUENT EVENTS

The spread of the novel coronavirus (COVID-19) has severely impacted many local economies around the world. In many countries, businesses and organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Governments and financial institutions have responded with monetary and fiscal interventions to try to stabilize economic conditions. The Board has determined that these events are non-adjusting subsequent events. Accordingly, the financial net position and changes in net position as of and for the year ended June 30, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and financial responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial net position and results of the Board for future periods.

The Board's management has evaluated the effect that subsequent events would have on the Board's financial statements through January 25, 2021, which is the date the financial statements were available to be released.

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Required Supplementary Information

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**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, 2020**

Public Employees' Retirement System							
	<u>2020</u>	<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) (%)	0.084853%	0.086424%	0.095927%	0.102662%	0.090231%	0.088825%	0.066027%
Board's proportionate share of the net pension liability (asset)	\$ 182,446	\$ 223,192	\$ 414,062	\$ 943,582	\$ 503,854	\$ 327,822	\$ 601,922
Board's covered payroll	\$ 1,790,900	\$ 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	10.19%	13.44%	26.17%	59.30%	31.10%	27.93%	50.60%
Plan fiduciary net position as a percentage of the total pension liability	96.99%	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, 2020

Public Employees' Retirement System

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 179,090	\$ 166,114	\$ 174,037	\$ 190,929	\$ 218,710	\$ 164,310	\$ 172,472
Contributions in relation to the contractually required contribution	<u>\$ (179,090)</u>	<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>	<u>\$ -</u>
Board's covered payroll	\$ 1,790,900	\$ 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%	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 THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2020**

**West Virginia Retiree Health Benefit Trust
Last 10 Fiscal Years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Board's proportionate share of the net OPEB liability (%)	0.015296147%	0.015187938%	0.016604778%
Board's proportionate share of the net OPEB liability	\$ 253,783	\$ 325,848	\$ 408,310
Board's covered payroll	\$ -	\$ -	\$ -
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A**	N/A**	N/A**
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%

The amounts presented for each fiscal year were determined as of June 30th.

* GASB Statement #75 requires the presentation of 10 years of information. However, until a full 10-year trend is completed, only the available information is presented. The above schedule is for 3 years.

** All participants were retired at yearend.

**BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF CONTRIBUTIONS - OPEB
For the Fiscal Year Ended June 30, 2020**

**West Virginia Retiree Health Benefit Trust
Last 10 Fiscal Years***

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 30,304	\$ 30,943	\$ 31,609
Contributions in relation to the contractually required contribution	<u>30,304</u>	<u>30,943</u>	<u>31,609</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	N/A**	N/A**	N/A**

The amounts presented for each fiscal year were determined as of June 30th.

* GASB Statement #75 requires the presentation of 10 years of information. However, until a full 10-year trend is completed, only the available information is presented. The above schedule is for 3 years.

** All participants were retired at yearend.

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**BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2020**

Municipality of Beckley Retiree Healthcare Plan			
Last 10 Fiscal Years*			
Fiscal year end June 30	2020	2019	2018
Total OPEB Liability			
Service cost	\$ 66,766	\$ 68,059	\$ 62,326
Interest on the total OPEB liability	51,203	55,680	49,024
Benefit changes	-	-	-
Difference between expected and actual experience	(267,840)	-	-
Assumption changes	234,718	8,513	(8,441)
Net change in total OPEB liability	84,847	132,252	102,909
Total Pension OPEB - beginning	1,421,895	1,289,643	1,186,734
Total OPEB Liability - ending	\$ 1,506,742	\$ 1,421,895	\$ 1,289,643
 Plan fiduciary net position as a percentage of total OPEB liability	 0.00%	 0.00%	 0.00%
 Covered employee payroll	 1,467,756	 1,707,748	 1,511,115
 Net OPEB liability as a percentage of covered employee payroll	 102.66%	 83.26%	 85.34%

There were no changes to benefit terms from the prior year.

The healthcare cost trend rates changed from 6.50% to 6.00% in the current year from the prior year.

Changes of assumptions. The discount rate changed from 3.13% to 2.45% in the current year from the prior year.

The amounts presented for each fiscal year were determined as of June 30th.

* GASB Statement #75 requires the presentation of 10 years of information. However, until a full 10-year trend is completed, only the available information is presented. The above schedule is for 3 years.

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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, 2020**

Sewerage

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, 2020:

Rate Covenant

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
\$2,390,410	\$2,131,102	112%	110%

As of June 30, 2020, the Board was in compliance with the provisions of the 2017 revenue bond covenant which requires net gross revenue to be at least 110% of 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, 2020, 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, 2020**

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, 2020:

Rate Covenant

<u>Net Gross Revenues</u>	<u>Maximum Amount Annual Debt Service</u>	<u>Percentage</u>	<u>Percentage Required</u>
\$231,615	\$144,043	161%	110%

As of June 30, 2020, the Board was in compliance with the provisions of the 2010 revenue bond covenant which requires net gross revenue to be at least 110% of 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, 2020, the Board was in compliance with the provisions of this requirement.

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 and each major fund 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, 2020, 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 25, 2021.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

**DRAFT
FOR REVIEW**
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 25, 2021**

**DRAFT
FOR REVIEW**

**BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2020**

There were no audit findings for the year ended June 30, 2020.

**DRAFT
FOR REVIEW**

**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, 2020**

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