



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

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

For the Year Ended June 30, 2017
Fiscal Year Audited Under GAGAS: 2017

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INTRODUCTORY SECTION

**CITY OF ELKINS, WEST VIRGINIA
INDEX OF FUNDS
JUNE 30, 2017**

GOVERNMENTAL FUND TYPES

MAJOR FUNDS

General
Coal Severance
Financial Stabilization

PROPRIETARY FUND TYPE

MAJOR FUNDS

Sanitation
Landfill
Water
Sewer

FIDUCIARY FUND TYPES

Pension Trust Funds

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

COMPONENT UNIT

Blended

Municipal Building Commission

Discretely Presented

Parks and Recreation Board



Independent Auditor's Report

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

To the Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of Elkins, Randolph County, West Virginia (the Municipality), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of Elkins, Randolph County, West Virginia, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Fund, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. The Municipality has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information related to the Firemen's Pension and Relief Fund on pages 65, 68, and 71; the Policemen's Pension and Relief Fund on pages 66, 69, and 72, and the defined benefit pension plan on pages 67 and 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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

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

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2018, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



BHM CPA Group Inc.
Huntington, West Virginia
March 23, 2018

City of Elkins, West Virginia
Statement of Net Position
June 30, 2017

	Governmental Activities	Business-Type Activities	Total	Component Unit Parks and Recreation Board
Assets:				
Cash and investments	\$ 1,611,368	\$ 1,375,695	\$ 2,987,063	\$ 57,229
Receivables (net)				
Taxes	425,506	-	425,506	-
Accounts	103,791	718,282	822,073	321
Other receivables	46,497	-	46,497	-
Due to/from other activities	1,232,708	(1,250,693)	(17,985)	17,985
Inventory	-	334,923	334,923	-
Restricted Assets	-	3,248,680	3,248,680	-
Capital assets not being depreciated	106,415	33,536,372	33,642,787	-
Capital assets being depreciated (net of accumulated depreciation)	2,080,756	9,523,059	11,603,815	629,098
<i>Total assets</i>	5,607,041	47,486,318	53,093,359	704,633
Deferred Outflows of Resources:				
Pensions	1,509,385	467,755	1,977,140	-
Liabilities:				
Accounts payable	78,453	235,160	313,613	7,598
Accrued wages and benefits	349,339	252,307	601,646	16,616
Accrued interest payable	-	18,588	18,588	-
Contracts payable	-	586,317	586,317	-
Retainage payable	-	1,014,762	1,014,762	-
Notes payable	215,342	36,756	252,098	28,412
Long-term liabilities				
Due within one year	25,194	917,113	942,307	4,125
Due in more than one year				
Pensions	3,312,845	743,399	4,056,244	-
Other long-term liabilities	1,519,744	37,983,546	39,503,290	11,292
<i>Total liabilities</i>	5,500,917	41,787,948	47,288,865	68,043
Deferred inflows of resources:				
Pensions	323,193	44,338	367,531	-
<i>Total deferred inflows of resources</i>	323,193	44,338	367,531	-
Net Position:				
Net investment in capital assets	1,643,078	3,548,442	5,191,520	600,686
Restricted for:				
Other purposes	76,983	-	76,983	-
Debt service	-	772,278	772,278	-
Capital expenditures	1,141,365	750,989	1,892,354	-
Unrestricted (deficit)	(1,569,110)	1,050,078	(519,032)	35,904
<i>Total net position</i>	\$1,292,316	\$6,121,787	\$7,414,103	\$636,590

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

**City of Elkins, West Virginia
Statement of Activities
For the Year Ended June 30, 2017**

Functions/programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,174,468	\$ 431,109	\$ -	\$ -
Public safety	2,085,240	820,402	-	-
Highway and Streets	1,164,112	-	-	-
Culture and recreation	222,731	-	-	-
Health and Sanitation	11,160	-	-	-
Contribution Expense	225,000	-	-	-
Interest and fiscal charges	25,743	-	-	-
Total governmental activities	<u>4,908,454</u>	<u>1,251,511</u>	<u>-</u>	<u>-</u>
Business-type activities:				
Sanitation	1,098,674	1,343,517	-	-
Landfill	52,247	461	-	-
Water	1,935,176	2,000,530	-	-
Sewer	2,018,868	2,103,345	-	-
Total business-type activities	<u>5,104,965</u>	<u>5,447,853</u>	<u>-</u>	<u>-</u>
Total primary government	<u>10,013,419</u>	<u>6,699,364</u>	<u>-</u>	<u>-</u>
Component unit:				
Parks and Recreation Board	319,831	34,045	230,095	4,037
Total component unit	<u>319,831</u>	<u>34,045</u>	<u>230,095</u>	<u>4,037</u>

General revenues and transfers:

Taxes:

- Ad valorem property taxes
- Business and occupation taxes
- Alcoholic beverage tax
- Utility service tax
- Animal control
- Hotel occupancy
- Gas and oil Severance
- Licenses and permits
- Franchise fees
- Intergovernmental - state
- Reimbursements
- Video lottery and gaming income
- Investment income
- Gain on disposal of capital assets
- Miscellaneous

Transfers

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

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

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

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Parks & Recreation Board
\$ (743,359)	\$ -	\$ (743,359)	\$ -
(1,264,838)	-	(1,264,838)	-
(1,164,112)	-	(1,164,112)	-
(222,731)	-	(222,731)	-
(11,160)	-	(11,160)	-
(225,000)	-	(225,000)	-
(25,743)	-	(25,743)	-
(3,656,943)	-	(3,656,943)	-
-	244,843	244,843	-
-	(51,786)	(51,786)	-
-	65,354	65,354	-
-	84,477	84,477	-
-	342,888	342,888	-
(3,656,943)	342,888	(3,314,055)	-
			(51,654)
			(51,654)
962,597	-	962,597	-
1,204,622	-	1,204,622	-
124,213	-	124,213	-
391,027	-	391,027	-
1,639	-	1,639	-
185,049	-	185,049	-
9,851	-	9,851	-
121,748	-	121,748	-
97,068	-	97,068	-
40,142	-	40,142	-
20,409	-	20,409	-
35,012	-	35,012	-
3,718	3,832	7,550	80
3,500	-	3,500	-
5,953	-	5,953	4,833
(15,570)	15,570	-	-
3,190,978	19,402	3,210,380	4,913
(465,965)	362,290	(103,675)	(46,741)
1,758,281	5,759,497	7,517,778	683,331
\$ 1,292,316	\$ 6,121,787	\$ 7,414,103	\$ 636,590

City of Elkins, West Virginia
Balance Sheet
Governmental Funds
June 30, 2017

	General	Coal Severance	Financial Stabilization	Total Governmental Funds
Assets:				
Cash and investments	\$ 864,455	\$ 64,082	\$ 682,831	\$ 1,611,368
Receivables (net of allowances for uncollectibles)				
Taxes	425,506	-	-	425,506
Accounts	103,791	-	-	103,791
Other receivables	33,596	12,901	-	46,497
Due from:				
Other funds	893,178	-	458,534	1,351,712
Component unit	765	-	-	765
<i>Total assets</i>	<u>2,321,291</u>	<u>76,983</u>	<u>1,141,365</u>	<u>3,539,639</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:				
Liabilities:				
Accounts payable	78,453	-	-	78,453
Accrued wages and benefits	349,339	-	-	349,339
Interfund payable	101,019	-	-	101,019
Due to component unit	18,750	-	-	18,750
Notes payable	215,342	-	-	215,342
<i>Total liabilities</i>	<u>762,903</u>	<u>-</u>	<u>-</u>	<u>762,903</u>
Fund Balances:				
Restricted for Capital Outlay	-	-	1,141,365	1,141,365
Restricted	-	76,983	-	76,983
Unassigned	1,558,388	-	-	1,558,388
<i>Total fund balances</i>	<u>1,558,388</u>	<u>76,983</u>	<u>1,141,365</u>	<u>2,776,736</u>
<i>Total liabilities, deferred inflows of resources and fund balances</i>	<u>\$ 2,321,291</u>	<u>\$ 76,983</u>	<u>\$ 1,141,365</u>	<u>\$ 3,539,639</u>

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

City of Elkins, West Virginia
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2017

Total Governmental Fund Balances		\$ 2,776,736
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		2,187,171
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds.		
Deferred outflows of resources related to pensions	1,509,385	
Deferred inflows of resources related to pensions	(323,193)	
Net Pension Liability	<u>(3,312,845)</u>	
Total		(2,126,653)
Long-term liabilities, including capital leases, notes payable, bonds payable and other post employment benefits payable are not due and payable in the current period and are not reported in the funds.		
Revenue Bonds Payable	(328,751)	
Other Post Employment Benefits Payable	<u>(1,216,187)</u>	
Total		<u>(1,544,938)</u>
Net Position of Governmental Activities		<u><u>\$ 1,292,316</u></u>

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

City of Elkins, West Virginia
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

	General	Coal Severance	Financial Stabilization	Total Governmental Funds
Revenues:				
Taxes (including interest and penalties)				
Ad valorem	\$ 1,034,808	\$ -	\$ -	\$ 1,034,808
Business and occupation	1,204,622	-	-	1,204,622
Alcoholic beverage	124,213	-	-	124,213
Utility services	391,027	-	-	391,027
Animal control	1,639	-	-	1,639
Hotel occupancy	185,049	-	-	185,049
Gas and Oil Severance	9,851	-	-	9,851
Licenses and permits	121,748	-	-	121,748
Franchise fees	97,068	-	-	97,068
Intergovernmental revenue				
State	15,285	24,857	-	40,142
Charges for services	263,743	-	-	263,743
Investment earnings	1,969	146	1,603	3,718
Fire service fees and penalties	820,402	-	-	820,402
Reimbursements	20,409	-	-	20,409
Rents and concessions	33,203	-	-	33,203
Parking revenues	13,694	-	-	13,694
Court costs and fees	120,469	-	-	120,469
Video lottery and gaming income	35,012	-	-	35,012
Miscellaneous revenue	5,855	98	-	5,953
<i>Total revenues</i>	<u>4,500,066</u>	<u>25,101</u>	<u>1,603</u>	<u>4,526,770</u>
Expenditures:				
Current:				
General government	1,109,174	-	-	1,109,174
Public safety	1,845,588	146,940	-	1,992,528
Highway and Streets	1,088,043	-	-	1,088,043
Culture and recreation	222,062	-	-	222,062
Health and Sanitation	11,160	-	-	11,160
Capital outlay	340,422	-	-	340,422
Debt service:				
Principal retirement	132,948	-	-	132,948
Interest and fiscal charges	25,743	-	-	25,743
<i>Total expenditures</i>	<u>4,775,140</u>	<u>146,940</u>	<u>-</u>	<u>4,922,080</u>
<i>Excess of revenues over (under) expenditures</i>	(275,074)	(121,839)	1,603	(395,310)
Other financing sources (uses):				
Proceeds from sale of capital assets	3,500	-	-	3,500
Transfers in	-	-	300,000	300,000
Transfers out	(315,570)	-	-	(315,570)
Contributions to Park Board	(225,000)	-	-	(225,000)
<i>Total other financing sources (uses)</i>	<u>(537,070)</u>	<u>-</u>	<u>300,000</u>	<u>(237,070)</u>
Net change in fund balance	(812,144)	(121,839)	301,603	(632,380)
Fund balance, beginning of the year	2,370,532	198,822	839,762	3,409,116
Fund balance, end of the year	<u>\$ 1,558,388</u>	<u>\$ 76,983</u>	<u>\$ 1,141,365</u>	<u>\$ 2,776,736</u>

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

City of Elkins, West Virginia
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Net Change in Fund Balances - Total Governmental Funds \$ (632,380)

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

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

Capital Asset Additions	340,422	
Current Year Depreciation	<u>(205,567)</u>	
Total		134,855

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets.

Proceeds from Disposal of Capital Assets	3,500	
Gain on Disposal of Capital Assets	<u>(3,500)</u>	
Total		-

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

Taxes		(72,211)
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Repayments of bond and note principal are expenditures in the governmental funds, but the repayments reduce liabilities in the statement of net position and do not result in expenses in the statement of activities.

25,194

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

107,754

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

533,061

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

(524,781)

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

Increase in Other Post Employment Benefits		<u>(37,457)</u>
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Net Change in Net Position of Governmental Activities **\$ (465,965)**

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

City of Elkins, West Virginia
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Modified Accrual Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes (including interest and penalties)				
General property tax	\$ 1,042,554	\$ 1,042,554	\$ 1,034,808	\$ (7,746)
Gas and oil severance tax	10,000	10,000	9,851	(149)
Business and occupation tax	1,153,000	1,153,000	1,204,622	51,622
Alcoholic beverage tax	120,000	120,000	124,213	4,213
Utility services tax	288,000	288,000	391,027	103,027
Hotel occupancy tax	170,000	170,000	185,049	15,049
Animal control tax	1,600	1,600	1,639	39
Total taxes	<u>2,785,154</u>	<u>2,785,154</u>	<u>2,951,209</u>	<u>166,055</u>
Licenses and permits	80,800	80,800	121,748	40,948
Franchise fees	98,000	98,000	97,068	(932)
Intergovernmental:				
State	10,000	10,000	15,285	5,285
Charges for services	411,588	411,588	263,743	(147,845)
Interest	1,500	1,500	1,969	469
Fire service fees and penalties	640,913	640,913	820,402	179,489
Parking revenues	19,000	19,000	13,694	(5,306)
Court costs and fees	91,500	91,500	120,469	28,969
Video lottery and gaming income	34,000	34,000	35,012	1,012
Rents and concessions	25,000	25,000	33,203	8,203
Reimbursements	15,000	15,000	20,409	5,409
Miscellaneous	8,600	8,600	5,855	(2,745)
Total revenues	<u>4,221,055</u>	<u>4,221,055</u>	<u>4,500,066</u>	<u>279,011</u>
Expenditures				
General government	1,131,891	1,151,385	1,109,174	42,211
Public safety	1,858,233	1,868,623	1,845,588	23,035
Highways and streets	1,020,631	1,064,641	1,088,043	(23,402)
Health and sanitation	4,000	4,000	11,160	(7,160)
Culture and recreation	406,300	430,800	222,062	208,738
Debt service		160,000	158,691	1,309
Capital projects	-	350,000	340,422	9,578
Total expenditures	<u>4,421,055</u>	<u>5,029,449</u>	<u>4,775,140</u>	<u>254,309</u>
(Deficiency) excess of revenues				
(under) over expenditures	(200,000)	(808,394)	(275,074)	533,320

City of Elkins, West Virginia
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
General Fund - Budgetary Basis (Continued)
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Modified Accrual Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	-	-	3,500	3,500
Transfers Out	-	(320,000)	(315,570)	4,430
Contributions to Park Board	(210,000)	(210,000)	(225,000)	(15,000)
Total other financing uses	(210,000)	(530,000)	(537,070)	(7,070)
Net change in fund balance	(410,000)	(1,338,394)	(812,144)	526,250
Fund balance at beginning of year	1,548,774	1,548,774	2,370,532	821,758
Fund balance at end of year	<u>\$ 1,138,774</u>	<u>\$ 210,380</u>	<u>\$ 1,558,388</u>	<u>\$ 1,348,008</u>

Explanation of Differences:

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

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

City of Elkins, West Virginia
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
Coal Severance Fund - Budgetary Basis
For the Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Modified Accrual Basis	Variance With Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Intergovernmental:				
State	10,000	10,000	24,857	14,857
Interest	-	-	146	146
Miscellaneous revenue	-	-	98	98
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>25,101</u>	<u>15,101</u>
Expenditures				
Public safety	<u>211,447</u>	<u>220,781</u>	<u>146,940</u>	<u>73,841</u>
Total expenditures	<u>211,447</u>	<u>220,781</u>	<u>146,940</u>	<u>73,841</u>
Net change in fund balance	(201,447)	(210,781)	(121,839)	88,942
Fund balance at beginning of year	<u>198,822</u>	<u>198,822</u>	<u>198,822</u>	<u>-</u>
Fund balance at end of year	<u>\$ (2,625)</u>	<u>\$ (11,959)</u>	<u>\$ 76,983</u>	<u>\$ 88,942</u>

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

City of Elkins, West Virginia
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds				
	Sanitation	Landfill	Water	Sewer	Totals
Assets:					
Current assets:					
Equity in pooled cash and investments	\$ 482,966	\$ 143,692	\$ 335,093	\$ 413,944	\$ 1,375,695
Receivables (net of allowances for uncollectibles)	117,000	1,061	266,617	333,604	718,282
Due from other funds	486,937	8,847	129,404	7,634	632,822
Materials and supplies inventory	-	-	287,631	47,292	334,923
<i>Total current assets</i>	<u>1,086,903</u>	<u>153,600</u>	<u>1,018,745</u>	<u>802,474</u>	<u>3,061,722</u>
Restricted assets:					
Reserve account	-	-	-	682,911	682,911
Revenue account	-	-	-	89,367	89,367
Depreciation account	-	-	282,754	261,498	544,252
Renewal and replacement account	-	-	26,413	180,324	206,737
Landfill escrow	-	1,725,413	-	-	1,725,413
<i>Total restricted assets</i>	<u>-</u>	<u>1,725,413</u>	<u>309,167</u>	<u>1,214,100</u>	<u>3,248,680</u>
Capital Assets					
Land	-	-	9,766	57,034	66,800
Structures and improvements	-	42,600	3,781,478	10,625,991	14,450,069
Treatment and distribution system	-	-	3,588,787	-	3,588,787
Collecting system	-	-	-	4,141,795	4,141,795
Pumping system	-	-	-	594,661	594,661
Treatment and disposal system	-	-	-	2,617,308	2,617,308
General plant	-	-	-	1,575,686	1,575,686
Machinery and equipment	1,316,830	1,304,693	759,732	-	3,381,255
Landfill cell	-	2,918,670	-	-	2,918,670
Construction in progress	-	-	30,469,232	2,639,662	33,108,894
Less: accumulated depreciation and amortization	(963,433)	(4,135,952)	(5,868,083)	(12,417,026)	(23,384,494)
<i>Total capital assets</i>	<u>353,397</u>	<u>130,011</u>	<u>32,740,912</u>	<u>9,835,111</u>	<u>43,059,431</u>
<i>Total assets</i>	<u>1,440,300</u>	<u>2,009,024</u>	<u>34,068,824</u>	<u>11,851,685</u>	<u>49,369,833</u>
Deferred Outflows of Resources:					
Pensions	96,053	-	210,852	160,850	467,755
Liabilities:					
Current liabilities (payable from current assets):					
Accounts payable	58,963	10,391	93,529	72,277	235,160
Accrued wages, benefits and vacation	25,862	-	110,518	115,927	252,307
Due to other funds	440,091	1,356,505	86,919	-	1,883,515
Retainage payable	-	-	1,014,762	-	1,014,762
Contracts payable	-	-	586,317	-	586,317
Notes payable	-	-	-	36,756	36,756
Current portion of obligations under capital leases	34,075	-	-	23,721	57,796
<i>Total current liabilities (payable from current assets)</i>	<u>558,991</u>	<u>1,366,896</u>	<u>1,892,045</u>	<u>248,681</u>	<u>4,066,613</u>
Current liabilities (payable from restricted assets):					
Revenue bonds payable	-	-	308,202	551,115	859,317
Accrued interest	-	-	7,803	10,785	18,588
<i>Total current liabilities (payable from restricted assets)</i>	<u>-</u>	<u>-</u>	<u>316,005</u>	<u>561,900</u>	<u>877,905</u>
Noncurrent liabilities:					
Obligations under capital leases-noncurrent	55,458	-	-	133,849	189,307
Accrued other post employment benefits	273,755	-	453,930	299,820	1,027,505
Net pension liability	152,656	-	335,106	255,637	743,399
Revenue bonds payable-noncurrent	-	-	28,515,441	8,251,293	36,766,734
<i>Total noncurrent liabilities</i>	<u>481,869</u>	<u>-</u>	<u>29,304,477</u>	<u>8,940,599</u>	<u>38,726,945</u>
<i>Total liabilities</i>	<u>1,040,860</u>	<u>1,366,896</u>	<u>31,512,527</u>	<u>9,751,180</u>	<u>43,671,463</u>
Deferred Outflows of Resources:					
Pensions	9,105	-	19,986	15,247	44,338
Net Position:					
Net investment in capital assets	297,939	130,011	2,316,190	838,377	3,582,517
Restricted:					
Debt service	-	-	-	772,278	772,278
Depreciation and replacement	-	-	282,754	441,822	724,576
Capital acquisition	-	-	26,413	-	26,413
Unrestricted (deficit)	188,449	512,117	121,806	193,631	1,016,003
<i>Total net position (deficit)</i>	<u>\$486,388</u>	<u>\$642,128</u>	<u>\$2,747,163</u>	<u>\$2,246,108</u>	<u>\$6,121,787</u>

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

City of Elkins, West Virginia
Statement of Revenues, Expenses and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds				
	Sanitation	Landfill	Water	Sewer	Totals
Operating revenues:					
Charges for services	\$ 1,316,697	\$ 215	\$ 1,938,744	\$ 2,067,310	\$ 5,322,966
Discounts and penalties	19,965	-	23,046	22,877	65,888
Tap fees	-	-	7,590	1,200	8,790
Total operating revenues	1,336,662	215	1,969,380	2,091,387	5,397,644
Operating expenses:					
Personal services	356,330	-	890,230	634,159	1,880,719
Contractual services	524,769	-	122,792	248,171	895,732
Administrative and general	44,134	4,017	14,502	15,597	78,250
Rents	21,600	-	12,206	-	33,806
Miscellaneous	7,485	-	130,501	64,840	202,826
Fuel and oil	46,870	371	21,530	14,826	83,597
Liability insurance	13,903	4,171	13,903	13,903	45,880
Materials and supplies	-	-	202,140	205,310	407,450
Utilities	8,742	942	193,060	9,088	211,832
Depreciation	51,965	42,746	175,413	538,354	808,478
Maintenance	20,583	-	158,899	79,348	258,830
Total operating expenses	1,096,381	52,247	1,935,176	1,823,596	4,907,400
Operating income (loss)	240,281	(52,032)	34,204	267,791	490,244
Nonoperating revenues (expenses):					
Interest income	559	1,123	571	1,579	3,832
Miscellaneous income	6,855	246	31,150	11,958	50,209
Interest expense	(2,293)	-	-	(195,272)	(197,565)
Transfer In	-	-	15,570	-	15,570
Total nonoperating revenues (expenses)	5,121	1,369	47,291	(181,735)	(127,954)
Changes in net position	245,402	(50,663)	81,495	86,056	362,290
Net position, beginning of the year	240,986	692,791	2,665,668	2,160,052	5,759,497
Net position, end of the year	\$ 486,388	\$ 642,128	\$ 2,747,163	\$ 2,246,108	\$ 6,121,787

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

City of Elkins, West Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

	Business-Type Activities - Enterprise Funds				
	Sanitation	Landfill	Water	Sewer	Totals
Cash flows from operating activities:					
Cash received from customers	\$ 1,333,657	\$ 916	\$ 1,945,261	\$ 2,155,927	\$5,435,761
Cash received from tap fees	0	0	7,590	1,200	8,790
Cash paid to suppliers	(681,697)	(9,658)	(996,504)	(650,312)	(2,338,171)
Cash paid to employees and for fringe benefits	(375,547)	0	(847,625)	(600,178)	(1,823,350)
Net cash provided by (used for) operating activities	276,413	(8,742)	108,722	906,637	1,283,030
Cash flows from non-capital financing activities:					
Transfer of monies to/from restricted cash	0	(949)	(45,744)	(222,590)	(269,283)
Transfer in	0	0	15,570	0	15,570
Miscellaneous non-operating receipts	6,855	246	31,150	11,958	50,209
Net cash provided by non-capital financing activities	6,855	(703)	976	(210,632)	(203,504)
Cash flows from capital and related financing activities:					
Principal payments - capital lease	(33,358)	0	0	(17,430)	(50,788)
Interest paid	(2,293)	0	5,303	(195,272)	(192,262)
Proceeds from issuance of debt and capital leases	0	0	23,208,076	629,762	23,837,838
Purchases of assets	(184,534)	0	(23,268,048)	(839,896)	(24,292,478)
Principal payments - bonds and notes payable	0	0	0	(628,999)	(628,999)
Net cash used for capital and related financing activities	(220,185)	0	(54,669)	(1,051,835)	(1,326,689)
Cash flows from investing activities:					
Interest received	559	1,123	571	1,579	3,832
Net cash provided by investing activities	559	1,123	571	1,579	3,832
Net increase (decrease) in cash and cash equivalents	63,642	(8,322)	55,600	(354,251)	(243,331)
Cash and cash equivalents, beginning of the year	419,324	152,014	279,493	768,195	1,619,026
Cash and cash equivalents, end of the year	\$482,966	\$143,692	\$335,093	\$413,944	\$1,375,695
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating income (loss)	\$240,281	(\$52,032)	\$34,204	\$267,791	\$490,244
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	51,965	42,746	175,413	538,354	808,478
Change in Net Pension Liability not affecting cash	(6,620)	0	(1,288)	(11,957)	(19,865)
(Increase) decrease in operating assets:					
Accounts receivable	(3,005)	701	(16,529)	65,740	46,907
Inventory	0	0	(131,095)	3,192	(127,903)
Increase (decrease) in operating liabilities:					
Accounts payable	6,384	(157)	4,123	(2,421)	7,929
Due to other funds	5	0	1	0	6
Accrued wages, benefits and vacation	(21,028)	0	29,913	36,704	45,589
OPEB liability	8,431	0	13,980	9,234	31,645
Total adjustments	36,132	43,290	74,518	638,846	792,786
Net cash provided by (used for) operating activities	\$276,413	(\$8,742)	\$108,722	\$906,637	\$1,283,030

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

City of Elkins, West Virginia
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2017

	<u>Pension Trust Fund</u>
Assets:	
Current assets:	
Segregated cash accounts	\$106,562
Segregated investments	4,655,928
	<hr/>
<i>Total assets</i>	<u><u>\$4,762,490</u></u>
Net Position:	
Held in trust for pension benefits	4,762,490
	<hr/>
<i>Total net position</i>	<u><u>\$4,762,490</u></u>

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

City of Elkins, West Virginia
Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2017

	Pension Trust Fund
Additions	
Contributions:	
Employer	\$ 297,036
Employees	39,575
Premium surtax allocation	117,507
Total contributions	454,118
Investment income	420,950
Total additions	875,068
Deductions:	
General and administrative	51,799
Benefit payments	372,658
Total deductions	424,457
Changes in net position	450,611
Net position, beginning of the year	4,311,879
Net position, end of the year	\$ 4,762,490

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

1. Summary of Significant Accounting Policies

The City of Elkins, West Virginia is incorporated under the provisions of the State of West Virginia.

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

The remainder of the notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended June 30, 2017.

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

Basic Financial Statements – Government Wide Statements

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

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

(a) Reporting Entity

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

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Blended Component Units

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

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

Discretely Presented Component Units

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

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

Jointly Governed Organizations

The City, in conjunction with the Randolph County Commission has created the Elkins-Randolph County Library and the Elkins-Randolph County Airport Authority. The Library Board is composed of five members with three appointed by the City and two appointed by the Randolph County Commission. The Airport Authority is composed of five members with two members appointed by the City of Elkins and three members from the Randolph County Commission. The City expended \$30,707 for an operating grant for the Airport Authority and \$19,000 for the Library Board for the fiscal year.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(b) Government-Wide Financial Statements

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

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

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

(c) Funds – Fund Financial Statements

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

Governmental Fund Types

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

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

The City of Elkins reports the following major governmental funds:

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

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

The *Financial Stabilization Fund* accounts for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or fiduciary trust funds.

Proprietary Fund Types

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

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

The City reports the following major proprietary funds:

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

Fiduciary Funds

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

Additionally, the City reports the following fund types:

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

(d) Cash, Cash Equivalents and Investments

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

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

- (1) at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporations nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

- (2) at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association.
- (3) at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

Investment risk is categorized as follows:

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

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

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

(e) **Receivables**

All receivables are shown net of allowance for uncollectibles.

(f) **Capital Assets**

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

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

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

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Governmental Funds

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

Proprietary Funds

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

(g) Basis of Accounting

Fund Financial Statements

Modified Accrual Basis of Accounting

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

All major revenues are susceptible to accrual.

Accrual Basis of Accounting

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

Government-Wide Financial Statements

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

(h) Budgets and Budgetary Accounting

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

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

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(i) Encumbrances – Fund Financial Statements

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

(j) Inventories

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

(k) Compensated Absences

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

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

Accumulated Vacation

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

(l) Pension Plans

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(m) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Equity Classification

GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions," established standards for accounting and financial reporting that are intended to improve the clarity and consistency of the fund balance information provided to financial report users. The classifications are based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which the amounts in those funds can be spent.

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

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Net Position Classifications:

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

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

(o) Interfund Activity

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

(p) Restricted Assets

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

(q) Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position may report deferred outflows/inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that time. The City recorded a deferred outflow of resources for pensions in the amount of \$1,977,140 as of June 30, 2017. The deferred outflows of resources related to the pension are explained in Note 8. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For 2017, the City reported a total of \$367,531 of deferred inflows related to pensions on the statement of financial position. The deferred inflows of resources related to the pension are explained in Note 8.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

(r) Pensions

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

2. Reconciliation of Government-Wide and Fund Financial Statements

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

3. Deposits and Investments

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

Deposits

Custodial Credit Risk

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

It is the City's policy for deposits to be 100% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2017. The categories are described as follows:

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

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

Category 3 - Uncollateralized.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

<u>Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>Category</u>			<u>Carrying</u> <u>Amount</u>
		<u>1</u>	<u>2</u>	<u>3</u>	
Primary Government	\$ <u>5,858,972</u>	\$ <u>5,858,972</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ 5,465,104
<i>Component Unit</i>					
Parks and Recreation fund	\$ <u>57,229</u>	\$ <u>57,229</u>	\$ <u>-0-</u>	<u>-0-</u>	<u>57,229</u>
Total deposits					\$ <u>5,522,333</u>

<u>Deposits</u>	<u>Bank</u> <u>Balance</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Carrying</u> <u>Amount</u>
Fiduciary funds	\$ <u>106,562</u>	\$ <u>106,562</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>106,562</u>

Investments and Restricted Assets

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The tables on the following pages identify the City's recurring fair value measurements as of June 30, 2017. All investments of the City are valued using quoted market prices (Level 1 inputs).

Custodial Credit Risk

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

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

<u>Type of Investments</u>	<u>Category</u>			<u>Market</u> <u>Value</u>	<u>Cost</u>	<u>Unrecognized</u> <u>Gain/(Loss)</u>
	<u>1</u>	<u>2</u>	<u>3</u>			
Restricted						
Municipal Bond Commission	\$ <u>770,639</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>770,639</u>	\$ <u>770,639</u>	\$ <u>-0-</u>
	\$ <u>770,639</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>770,639</u>	\$ <u>770,639</u>	\$ <u>-0-</u>

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

Total deposits	\$ 5,465,104
Investment – restricted	<u>770,639</u>
Total deposits and investments	\$ <u>6,235,743</u>
Statement of Net Position:	
Cash	\$ 2,987,063
Restricted assets	<u>3,248,680</u>
Total deposits and investments	\$ <u>6,235,743</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Fiduciary Funds

<u>Type of Investments</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>Market Value</u>	<u>Cost</u>	<u>Unrealized Gain/(Loss)</u>
Certificates of Deposit	\$ 1,701,101	\$ -0-	\$ -0-	\$ 1,701,101	\$ 1,689,930	\$ 11,171
US Government Agencies	274,679	-0-	-0-	274,679	279,508	(4,829)
Mutual Funds	<u>2,680,147</u>	<u>-0-</u>	<u>-0-</u>	<u>2,680,147</u>	<u>1,801,422</u>	<u>878,725</u>
	<u>\$ 4,655,927</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 4,655,927</u>	<u>\$ 3,770,860</u>	<u>\$ 885,067</u>

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

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

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

Credit Risk

State law limits investments. It is the government's policy that no investment be purchased which does not conform to the State of West Virginia Code Chapter 8. As of June 30, 2017, the government's investments were rated using Standard & Poor's and Fitch and Moody's Investment Services.

As of June 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>	
		<u>Standard & Poor's and Fitch</u>	<u>Moody's Investment Services</u>
Certificates of Deposits	\$ 1,701,101	N/A	N/A
US Government Agencies	274,679	AA	AA
Mutual Funds	<u>2,680,147</u>	Not Rated	Not Rated
	<u>\$ 4,655,927</u>		

Interest Rate Risk

As of June 30, 2017, the City had the following investments and maturities exposed to interest rate risk.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
Certificates of Deposit	\$ 1,701,101	\$251,466	\$1,359,635	\$ 90,000	\$ -0-
U.S. Government Agencies	\$ 274,679	\$ -0-	\$ 103,213	\$171,466	\$ -0-

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

4. Accounts Receivable, Business-Type Activities

Accounts receivable and its allowance at June 30, 2017 are as follows:

	<u>Sanitation Fund</u>	<u>Landfill Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>
Accounts receivable	\$ 156,995	\$ 6,763	\$ 321,717	\$ 406,604
Less: Allowance for doubtful accounts	<u>39,995</u>	<u>5,702</u>	<u>55,100</u>	<u>73,000</u>
	<u>\$ 117,000</u>	<u>\$ 1,061</u>	<u>\$ 266,617</u>	<u>\$ 333,604</u>

5. Property Taxes

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property; however, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and become delinquent on October first, and the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent annum is added from the date they become delinquent until paid.

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

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

The levy rates levied by the City of Elkins, West Virginia, per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2017 were as follows:

<u>Class of Property</u>	<u>Assessed Valuations For Tax Purposes</u>	<u>Expense</u>	<u>Current</u>
Class I	\$	-0-	12.50¢
Class II		106,261,150	25.00¢
Class IV		160,131,127	50.00¢

6. Employee Retirement System – Single Employer Plans

Plan Description, Contribution Information, and Funding Policies

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

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

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

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

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

Memberships of the plans are as follows:

<u>Group</u>	<u>PPRF</u>	<u>FPRF</u>	<u>Totals</u>
Active Employees	7	3	10
Retirees and Beneficiaries currently receiving benefits	<u>10</u>	<u>4</u>	<u>14</u>
Total	<u>17</u>	<u>7</u>	<u>24</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Determination of contribution requirements	The City finances benefits using the optional funding policy as defined in state statutes. City contributions are equal to the normal cost, net of employee contributions, plus an amortization of the unfunded actuarial liability net of the premium tax allocation applicable to the plan year. The amortization is based upon a 40-year closed amortization period, commencing on July 1, 1991, with level dollar payments for PPRF and commencing on July 1, 2010, with level dollar payments for FPRF. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. Projected sponsor, state and member contributions along with projected investment earnings are expected to fully fund the projected actuarial liability for current plan members by 2031 for PPRF and by 2030 for FPRF.
Rate of employee contribution	7% of covered payroll for members hired prior to January 1, 2010. 9.5% of covered payroll for member hires after January 1, 2010.
Vesting period for normal retirement	Earlier of age 50 with 20 years of credited service or age 65.
Benefits	60% of average compensation, but not less than \$6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to four years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life.
Provisions for:	
Disability Benefits	Yes
Death Benefits	Yes

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Actuarial Assumptions and Rate of Return

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015 for both plans, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2014, through June 30, 2015. Additional actuarial assumptions are disclosed in the Required Supplementary Information.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate rates of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plans' target asset allocation as of June 30, 2015 are summarized in the following chart:

Inflation rate	2.75%
Salary increases	3.75% plus service based increases ranging from 0% to 20% based on years of service
Investment Rate of Return	6.0% for PPRF and 6.0% for FPRF

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

Rate of Return

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 4.75 percent for the PPRF and 5.15 percent for the FPRF. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Changes in Net Pension Liability

	PPRF		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$5,065,118	\$2,794,044	\$2,271,074
Service Cost	105,989	-	105,989
Interest Cost	287,160	-	287,160
Differences in expected and actual experience	(169,907)	-	(169,907)
Assumption Changes	275,217	-	275,217
Contributions – Employer	-	427,032	(427,032)
Contributions – Employee	-	29,621	(29,621)
Net Investment Income	-	86,343	(86,343)
Benefits Paid	(309,494)	(309,494)	-
Other Changes	(14,921)	(22,667)	7,746
Net changes	174,044	210,835	(36,791)
Balances at June 30, 2016	\$5,239,162	\$3,004,879	\$2,234,283

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	FPRF		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at June 30, 2015	\$1,388,824	\$1,244,804	\$144,020
Service Cost	43,854	-	43,854
Interest Cost	95,832	-	95,832
Differences in expected and actual experience	(7,827)	-	(7,827)
Assumption Changes	251,893	-	251,893
Contributions – Employer	-	86,218	(86,218)
Contributions – Employee	-	11,227	(11,227)
Net Investment Income	-	36,712	(36,712)
Benefits Paid	(67,779)	(67,779)	-
Other Changes	-	(4,182)	4,182
Net changes	<u>315,973</u>	<u>62,196</u>	<u>253,777</u>
Balances at June 30, 2016	<u>\$1,704,797</u>	<u>\$1,307,000</u>	<u>\$397,797</u>

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

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

	1% Decrease 5.0% - PPRF 5.0% - FPRF	Current Interest Rate 6.0% - PPRF 6.0% - FPRF	1% Increase 7.0% - PPRF 7.0% - FPRF
Net Pension Liability – PPRF	\$2,911,307	\$2,234,283	\$1,679,312
Net Pension Liability – RPRF	\$644,152	\$397,797	\$198,404

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to PPRF and RPRF pensions from the following sources:

Deferred Outflows of Resources	PPRF	RPRF
Assumption changes	\$219,880	\$182,905
Differences between expected and actual investment earnings	105,167	59,838
City contributions subsequent to the measurement date	427,032	86,218
Total	\$752,079	\$328,961
Deferred Inflows of Resources	PPRF	RPRF
Assumption changes	\$0	\$39,756
Differences between projected and actual non-investment experience	219,945	22,890
Total	\$219,945	\$62,646

\$513,250 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	PPRF	RPRF
2018	\$29,178	\$50,938
2019	29,178	58,838
2020	29,178	60,058
2021	17,568	10,263
Total	\$105,102	\$180,097

Pension plan fiduciary net position

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

For the year ended June 30, 2017, the City recognized pension expense of \$229,075 related to PPRF and \$95,551 related to RPRF.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Pension Trust Funds Financial Statements

	<u>Policemen's</u> <u>Pension Trust</u> <u>Fund</u>	<u>Firemen's</u> <u>Pension Trust</u> <u>Fund</u>
Assets		
Cash	\$ 70,744	\$ 35,818
Investments	<u>3,202,361</u>	<u>1,453,567</u>
Total assets	\$ <u>3,273,105</u>	\$ <u>1,489,385</u>
Net Position		
Held in trust for pension benefits	\$ <u>3,273,105</u>	\$ <u>1,489,385</u>
Total net position	\$ <u>3,273,105</u>	\$ <u>1,489,385</u>
Additions		
Contributions:		
Employer	\$ 239,857	\$ 57,179
Employees	28,137	11,438
Premium surtax allocation	<u>85,606</u>	<u>31,901</u>
Total contributions	353,600	100,518
Investment income	<u>296,715</u>	<u>124,235</u>
Total additions	<u>650,315</u>	<u>224,753</u>
Deductions		
General and administrative	47,342	4,457
Benefit payments	<u>334,747</u>	<u>37,911</u>
Total deductions	<u>382,089</u>	<u>42,368</u>
Net increase (decrease) in net position	268,226	182,385
Net position – beginning	<u>3,004,879</u>	<u>1,307,000</u>
Net position – ending	\$ <u>3,273,105</u>	\$ <u>1,489,385</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

7. Capital Assets and Capital Assets Net of Depreciation

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Governmental Activities					
<i>Nondepreciable Assets</i>					
Land	\$ 81,000	\$ -0-	\$ -0-	\$ -0-	\$ 81,000
Construction in progress	<u>25,415</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>25,415</u>
Total nondepreciable assets	<u>106,415</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>106,415</u>
<i>Depreciable Assets</i>					
Buildings and improvements	2,786,112	161,902	-0-	-0-	2,948,014
Machinery and equipment	<u>2,814,451</u>	<u>178,520</u>	<u>44,818</u>	<u>-0-</u>	<u>2,948,153</u>
Totals at historical cost	<u>5,600,563</u>	<u>340,422</u>	<u>44,818</u>	<u>-0-</u>	<u>5,896,167</u>
Less: Accumulated depreciation					
Buildings and improvements	1,695,094	42,161	-0-	-0-	1,737,255
Machinery and equipment	<u>1,959,568</u>	<u>163,406</u>	<u>44,818</u>	<u>-0-</u>	<u>2,078,156</u>
Total accumulated depreciation	<u>3,654,662</u>	<u>205,567</u>	<u>44,818</u>	<u>-0-</u>	<u>3,815,411</u>
Total depreciable assets – net	<u>1,945,901</u>	<u>134,855</u>	<u>-0-</u>	<u>-0-</u>	<u>2,080,756</u>
Governmental activities capital assets - net	\$ <u>2,052,316</u>	\$ <u>134,855</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>2,187,171</u>

Component Unit – Parks and Recreation Fund

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
<i>Nondepreciable Assets</i>					
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<i>Depreciable Assets</i>					
Buildings and improvements	758,109	37,107	-0-	-0-	795,216
Machinery and equipment	<u>212,940</u>	<u>28,945</u>	<u>-0-</u>	<u>-0-</u>	<u>241,885</u>
Totals at historical cost	<u>971,049</u>	<u>66,052</u>	<u>-0-</u>	<u>-0-</u>	<u>1,037,101</u>
Less: Accumulated depreciation					
Buildings and improvements	222,751	32,116	-0-	-0-	254,867
Machinery and equipment	<u>143,350</u>	<u>9,786</u>	<u>-0-</u>	<u>-0-</u>	<u>153,136</u>
Total accumulated depreciation	<u>366,101</u>	<u>41,902</u>	<u>-0-</u>	<u>-0-</u>	<u>408,003</u>
Total depreciable assets – net	<u>604,948</u>	<u>24,150</u>	<u>-0-</u>	<u>-0-</u>	<u>629,098</u>
Parks and Recreation Fund capital assets – net	\$ <u>604,948</u>	\$ <u>24,150</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>629,098</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Landfill					
<i>Nondepreciable Assets</i>					
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<i>Depreciable Assets</i>					
Structures and improvements	42,600	-0-	-0-	-0-	42,600
Machinery and equipment	1,304,693	-0-	-0-	-0-	1,304,693
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Totals at historical cost	<u>4,265,963</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,265,963</u>
Less: Accumulated depreciation					
Structures and improvements	42,600	-0-	-0-	-0-	42,600
Machinery and equipment	1,131,936	42,746	-0-	-0-	1,174,682
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Total accumulated depreciation	<u>4,093,206</u>	<u>42,746</u>	<u>-0-</u>	<u>-0-</u>	<u>4,135,952</u>
Total depreciable assets – net	<u>172,757</u>	<u>(42,746)</u>	<u>-0-</u>	<u>-0-</u>	<u>130,011</u>
Business-type activities capital assets – net	\$ <u>172,757</u>	\$ <u>(42,746)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>130,011</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-Type Activities

Sanitation

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
<i>Nondepreciable Assets</i>					
Land	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Construction in progress	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total nondepreciable assets	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<i>Depreciable Assets</i>					
Machinery and equipment	1,139,243	184,534	6,947	-0-	1,316,830
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	<u>1,139,243</u>	<u>184,534</u>	<u>6,947</u>	<u>-0-</u>	<u>1,316,830</u>
Less: Accumulated depreciation					
Machinery and equipment	918,415	51,965	6,947	-0-	963,433
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total accumulated depreciation	<u>918,415</u>	<u>51,965</u>	<u>6,947</u>	<u>-0-</u>	<u>963,433</u>
Total depreciable assets – net	<u>220,828</u>	<u>132,569</u>	<u>-0-</u>	<u>-0-</u>	<u>353,397</u>
Governmental activities capital assets – net	\$ <u>220,828</u>	\$ <u>132,569</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>353,397</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Sewer					
<i>Nondepreciable Assets</i>					
Land	\$ 57,034	\$ -0-	\$ -0-	\$ -0-	\$ 57,034
Construction in progress	<u>2,185,079</u>	<u>815,261</u>	<u>-0-</u>	<u>-0-</u>	<u>3,000,340</u>
Total nondepreciable assets	<u>2,242,113</u>	<u>815,261</u>	<u>-0-</u>	<u>-0-</u>	<u>3,057,374</u>
<i>Depreciable Assets</i>					
Structures and improvements	10,625,991	-0-	-0-	-0-	10,625,991
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	4,141,795	-0-	-0-	-0-	4,141,795
Pumping system	594,661	-0-	-0-	-0-	594,661
Treatment and disposal system	2,604,598	12,710	-0-	-0-	2,617,308
General plant	1,203,084	11,925	-0-	-0-	1,215,009
Machinery and equipment	-0-	-0-	-0-	-0-	-0-
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	<u>19,170,129</u>	<u>24,635</u>	<u>-0-</u>	<u>-0-</u>	<u>19,194,764</u>
Less: Accumulated depreciation					
Structures and improvements	5,631,495	311,002	-0-	-0-	5,942,497
Treatment and distribution system	-0-	-0-	-0-	-0-	-0-
Collecting system	2,370,166	109,408	-0-	-0-	2,479,574
Pumping system	574,179	11,863	-0-	-0-	586,042
Treatment and disposal system	2,245,235	73,929	-0-	-0-	2,319,164
General plant	1,057,598	32,152	-0-	-0-	1,089,750
Machinery and equipment	-0-	-0-	-0-	-0-	-0-
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total accumulated depreciation	<u>11,878,673</u>	<u>538,354</u>	<u>-0-</u>	<u>-0-</u>	<u>12,417,027</u>
Total depreciable assets – net	<u>7,291,456</u>	<u>(513,719)</u>	<u>-0-</u>	<u>-0-</u>	<u>6,777,737</u>
Business-type activities capital assets – net	\$ <u>9,533,569</u>	\$ <u>301,542</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>9,835,111</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Business-Type Activities

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Water					
<i>Nondepreciable Assets</i>					
Land	\$ 9,766	\$ -0-	\$ -0-	\$ -0-	\$ 9,766
Construction in progress	<u>9,174,718</u>	<u>21,294,514</u>	<u>-0-</u>	<u>-0-</u>	<u>30,469,232</u>
Total nondepreciable assets	<u>9,184,484</u>	<u>21,294,514</u>	<u>-0-</u>	<u>-0-</u>	<u>30,478,998</u>
<i>Depreciable Assets</i>					
Structures and improvements	3,829,459	-0-	-0-	-0-	3,829,459
Treatment and distribution system	3,465,543	38,089	-0-	-0-	3,503,632
Machinery and equipment	775,024	21,882	-0-	-0-	796,906
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Totals at historical cost	<u>8,070,026</u>	<u>59,971</u>	<u>-0-</u>	<u>-0-</u>	<u>8,129,997</u>
Less: Accumulated depreciation					
Structures and improvements	2,535,612	67,661	-0-	-0-	2,603,273
Treatment and distribution system	2,496,561	72,457	-0-	-0-	2,569,018
Machinery and equipment	660,497	35,295	-0-	-0-	695,792
Landfill cell	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total accumulated depreciation	<u>5,692,670</u>	<u>175,413</u>	<u>-0-</u>	<u>-0-</u>	<u>5,868,083</u>
Total depreciable assets – net	<u>2,377,356</u>	<u>(115,442)</u>	<u>-0-</u>	<u>-0-</u>	<u>2,261,914</u>
Business-type activities capital assets – net	<u>\$11,561,840</u>	<u>\$21,179,072</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$32,740,912</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassifications</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities					
Total					
<i>Nondepreciable Assets</i>					
Land	\$ 66,800	\$ -0-	\$ -0-	\$ -0-	\$ 66,800
Construction in progress	<u>11,359,797</u>	<u>22,109,775</u>	<u>-0-</u>	<u>-0-</u>	<u>33,469,572</u>
Total nondepreciable assets	<u>11,426,597</u>	<u>22,109,775</u>	<u>-0-</u>	<u>-0-</u>	<u>33,536,372</u>
<i>Depreciable Assets</i>					
Structures and improvements	14,498,050	-0-	-0-	-0-	14,498,050
Treatment and distribution system	3,465,543	38,089	-0-	-0-	3,503,632
Collecting system	4,141,795	-0-	-0-	-0-	4,141,795
Pumping system	594,661	-0-	-0-	-0-	594,661
Treatment and disposal system	2,604,598	12,710	-0-	-0-	2,617,308
General plant	1,203,084	11,925	-0-	-0-	1,215,009
Machinery and equipment	3,218,960	206,416	6,947	-0-	3,418,429
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Totals at historical cost	<u>32,645,361</u>	<u>269,140</u>	<u>6,947</u>	<u>-0-</u>	<u>32,907,554</u>
Less: Accumulated depreciation					
Structures and improvements	8,209,707	378,663	-0-	-0-	8,588,370
Treatment and distribution system	2,496,561	72,457	-0-	-0-	2,569,018
Collecting system	2,370,166	109,408	-0-	-0-	2,479,574
Pumping system	574,179	11,863	-0-	-0-	586,042
Treatment and disposal system	2,245,235	73,929	-0-	-0-	2,319,164
General plant	1,057,598	32,152	-0-	-0-	1,089,750
Machinery and equipment	2,710,848	130,006	6,947	-0-	2,833,907
Landfill cell	<u>2,918,670</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,918,670</u>
Total accumulated depreciation	<u>22,582,964</u>	<u>808,478</u>	<u>6,947</u>	<u>-0-</u>	<u>23,384,495</u>
Total depreciable assets – net	<u>10,062,397</u>	<u>(539,338)</u>	<u>-0-</u>	<u>-0-</u>	<u>9,523,059</u>
Business-type activities capital assets – net	\$ <u>21,488,994</u>	\$ <u>21,570,437</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>43,059,431</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 54,575
Public safety	94,086
Highways and streets	<u>56,906</u>
 Total depreciation expense	 \$ <u>205,567</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

8. Long-Term Debt

The following is a summary of long-term debt for the year ended June 30, 2017:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>	<u>Amounts</u> <u>Due After</u> <u>One Year</u>
Governmental Activities:						
Capital lease obligations	\$ 107,754	\$ -0-	\$(107,754)	\$ -0-	\$ -0-	\$ -0-
Revenue bonds payable	353,945	-0-	(25,194)	328,751	25,194	303,557
Other post-employment benefits	1,178,730	37,457	-0-	1,216,187	-0-	1,216,187
Net pension liabilities	<u>3,022,708</u>	<u>290,137</u>	<u>-0-</u>	<u>3,312,845</u>	<u>-0-</u>	<u>3,312,845</u>
Subtotal governmental activities	<u>4,663,137</u>	<u>327,594</u>	<u>(132,948)</u>	<u>4,857,783</u>	<u>25,194</u>	<u>4,832,589</u>
Business-type Activities:						
Capital lease obligations	122,891	175,000	(50,789)	247,102	57,796	189,306
Revenue bonds payable	14,579,714	23,662,838	(616,500)	37,626,052	859,317	36,766,735
Net pension liabilities	440,601	302,798	-0-	743,399	-0-	743,399
Other post-employment benefits	<u>995,860</u>	<u>31,645</u>	<u>-0-</u>	<u>1,027,505</u>	<u>-0-</u>	<u>1,027,505</u>
Subtotal business-type activities	<u>16,139,066</u>	<u>24,172,281</u>	<u>(667,289)</u>	<u>39,644,058</u>	<u>917,113</u>	<u>38,726,945</u>
Total	\$ <u>20,802,203</u>	\$ <u>24,499,875</u>	\$ <u>(800,237)</u>	\$ <u>44,501,841</u>	\$ <u>942,307</u>	\$ <u>43,559,534</u>

Capital Leases:

Chase Bank

The General Fund of the City of Elkins entered into a lease agreement on March 29, 2012 to finance the acquisition of a 2014 Sutphen SP95 Fire Apparatus and qualified as capital lease. This lease was paid off in full during fiscal year 2017.

BB&T Governmental Finance

The General Fund of the City of Elkins entered into a lease agreement on February 13, 2012 to finance the acquisition of a street sweeper and qualified as a capital lease. This lease was paid off in full during fiscal year 2017.

BB & T Governmental Finance

The Sewer Fund of the City of Elkins entered into a lease agreement on September 27, 2016 to finance the acquisition of sewer aeration equipment. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2017:

<u>Fiscal Year Ending June 30,</u>	
2018	\$ 27,081
2019	27,081
2020	27,081
2021	27,081
2022	27,081
2023-2024	<u>31,593</u>
	166,998
Less: Amount representing interest	<u>(9,429)</u>
Present value of future minimum lease payments	157,569
Less: Current portion	<u>(23,721)</u>
Noncurrent portion	<u>\$ 133,848</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

BB & T Governmental Finance

The Sanitation Fund of the City of Elkins entered into a lease agreement on February 12, 2015 to finance the acquisition of a 2015 International Garbage Truck. This lease qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the minimum lease payments as of the date of its inception. The following is a schedule of future minimum lease payments required under this capital lease and the present value of the net minimum lease payments at June 30, 2017:

Fiscal Year Ending June 30,

		\$ 35,651
2018		35,651
2019		<u>23,762</u>
2020		95,064
Less: Amount representing interest		<u>(5,531)</u>
Present value of future minimum lease payments		89,533
Less: Current portion		<u>(34,075)</u>
Noncurrent portion		<u>\$ 55,458</u>

Lease Revenue Bond, Series 2006

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

\$ 328,751

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2018	\$ 41,805	\$ 28,257	\$ 13,548
2019	41,805	29,925	11,880
2020	41,805	30,866	10,939
2021	41,805	32,641	9,164
2022	41,805	34,438	7,367
2023 – 2027	<u>183,524</u>	<u>172,624</u>	<u>10,900</u>
	<u>\$ 392,549</u>	<u>\$ 328,751</u>	<u>\$ 63,798</u>

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Sewer Revenue Bonds – Bond Issue of 2009-Series A

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

\$ 684,023

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

<u>For the Year Ended June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 29,444	\$ 29,444	\$ -0-
2019	29,444	29,444	-0-
2020	29,444	29,444	-0-
2021	29,444	29,444	-0-
2022	29,444	29,444	-0-
2023 – 2027	147,220	147,220	-0-
2028 – 2032	147,220	147,220	-0-
2033 – 2037	147,220	147,220	-0-
2038 – 2041	<u>95,143</u>	<u>95,143</u>	<u>-0-</u>
	<u>\$ 684,023</u>	<u>\$ 684,023</u>	<u>\$ -0-</u>

Sewer Revenue Bonds - Bond Issue of 2006

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

\$ 5,234,577

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

<u>For the Year Ended June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 522,072	420,516	101,556
2019	522,072	428,989	93,083
2020	522,072	437,363	84,709
2021	522,072	446,177	75,895
2022	522,072	455,168	66,904
2023 – 2027	2,610,360	2,417,167	193,193
2028 – 2029	<u>640,556</u>	<u>629,197</u>	<u>11,359</u>
	<u>\$ 5,861,276</u>	<u>\$ 5,234,577</u>	<u>\$ 626,699</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Sewer Revenue Bonds - Bond Issue of 2004

4.25% interest, Sewer Revenue Bonds due 3/1/2019.

Monthly payments are \$7,766. Secured by physical assets and revenue of the sewerage system.

\$ 156,899

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2018	\$ 93,192	88,230	4,962
2019	<u>69,859</u>	<u>68,669</u>	<u>1,190</u>
	\$ <u>163,051</u>	\$ <u>156,899</u>	\$ <u>6,152</u>

Sewer Revenue Bonds – Supplemental Subordinate Bond Issue of 1986

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

\$ 116,325

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

	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
<u>For the Year Ended June 30,</u>			
2018	\$ 12,925	12,925	-0-
2019	12,925	12,925	-0-
2020	12,925	12,925	-0-
2021	12,925	12,925	-0-
2022	12,925	12,925	-0-
2023 – 2026	<u>51,700</u>	<u>51,700</u>	<u>-0-</u>
	\$ <u>116,325</u>	\$ <u>116,325</u>	\$ <u>-0-</u>

Sewer Revenue Bonds –Bond Issue of 1996

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

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

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

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

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

\$ 2,610,584

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

Water Revenue Bonds – Bond Issue of 2016-Series 2015 A-1

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

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

\$ 8,000,000

The authorized bond issue amount to be drawn down is \$8,000,000; however, the project was not finalized as of June 30, 2017, so no amortization schedule is shown below.

Water Revenue Bonds – Bond Issue of 2016-Series 2015 A-2

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

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

\$7,500,000

The authorized bond issue amount to be drawn down is \$7,500,000; however, the project was not finalized as of June 30, 2017, so no amortization schedule is shown below.

Water Revenue Bonds – Bond Issue of 2016-Series 2015 B

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

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

\$ 1,144,242

The authorized bond issue amount to be drawn down is \$6,073,000; however, the project was not finalized as of June 30, 2017, so no amortization schedule is shown below.

Water Revenue Bonds – Bond Issue of 2016-Series 2015 C

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

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

\$ 12,179,402

The authorized bond issue amount to be drawn down is \$15,500,000; however, the project was not finalized as of June 30, 2017, so no amortization schedule is shown below.

CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Sewer Fund – Davis Trust Note - Vehicle

The Sewer Fund issued \$55,977 in notes payable which had been issued during 2016 to finance the purchase of a 2016 Ford F550 truck. The notes were issued at a 2.56% interest rate. The outstanding balance at June 30, 2017 was \$36,756.

Short-term Note Payable -General Fund

The City entered into a note payable during fiscal year 2016 for the acquisition and improvements to the armory with a maximum draw amount of \$200,000 with an interest rate of 2.19%; however, during 2017 only \$113,637 was drawn down as of year-end.

9. Employees Retirement System

Net Pension Liability

The net pension liability has been disclosed below. The net pension liability reported on the statement of net position represents a liability to employees for pensions.

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

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

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

Public Employee Retirement System (PERS)

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

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Eligibility to participate	All City full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions:	State statute
Plan member's contribution rate:	4.50% for employees hired before July 1, 2015 and 6.00% for employees hired after July 1, 2015.
City's contribution rate:	13.50%
Period required to vest:	5 years
Benefits and eligibility for distribution:	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (36 highest consecutive months in the last 15 years) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion Provision for:	No
Cost of living	No
Death benefits	Yes

Trend Information

Fiscal Year	Annual Pension Cost	Percent Contributed
2017	\$285,555	100%
2016	\$298,573	100%
2015	\$191,855	100%
2014	\$201,325	100%
2013	\$194,086	100%

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

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

At fiscal year-end, the City reported the following liabilities for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016 using the actuarial assumptions and methods described in the appropriate section of this note. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2017, the City reported the following proportions and increase/decrease from its proportion measured as of June 30, 2016:

	<u>PERS</u>
Proportionate Share of the Net Pension Liability	\$1,424,164
Proportion of the Net Pension Liability	0.154949%
Increase (decrease) % from prior Proportion Measured	0.4097%
Pension Expense	\$248,324

At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources	<u>PERS</u>
Differences between expected and actual economic experience	\$118,764
Differences between projected and actual investment earnings	447,525
Changes of assumptions	
Changes in proportion and differences between City contributions and proportionate share of contributions	44,256
City contributions subsequent to the measurement date	<u>285,555</u>
Total	<u><u>\$896,100</u></u>
Deferred Inflows of Resources	<u>PERS</u>
Differed difference in assumptions	\$69,383
Differences between City contributions and proportionate share of contributions	<u>15,556</u>
Total	<u><u>\$84,939</u></u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

\$285,555 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	PERS
2018	\$84,490
2019	84,485
2020	211,452
2021	145,179
Total	\$525,606

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015 and rolled forward to June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System

Inflation rate	1.90%
Salary increases	3.00%-6.0%
Investment rate of return	7.50%

Mortality Rates	Healthy males – 110% of R.P. 2000 Non-annuitant, Scale AA
	Healthy females – 101% of R.P. 2000 Non-annuitant, Scale AA
	Disabled males – 96% of R.P. 2000 Disabled Annuitant, Scale AA
	Disabled females – 107% of R.P. 2000 Disabled Annuitant, Scale AA

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Cash	0.00%	1.5%
US Equity	27.50%	7.0%
International Equity	27.50%	7.7%
Core Fixed Income Securities	7.50%	2.7%
High Yield	7.50%	5.5%
Real Estate	10.00%	5.6%
Private Equity	10.00%	9.4%
Hedge Funds	10.00%	4.7%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease	Current Interest Rate	1% Increase
	6.5%	7.5%	8.5%
Net Pension Liability	\$2,577,966	\$1,424,164	\$444,287

Pension plan fiduciary net position

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

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Retiree Health Plan (RHP)

Plan Description:

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

Authority Establishing the Plan and Fund Policy:

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

Annual OPEB Cost and Net OPEB Obligation:

Annual required contribution	\$	69,102
Adjustment to required contribution		<u>-0-</u>
Annual OPEB Cost		69,102
Contributions made		<u>-0-</u>
Increase (decrease) in net OPEB obligation		69,102
Net OPEB obligation (asset) beginning of year		<u>2,174,590</u>
Net OPEB obligation (asset) end of year		<u>\$ 2,243,692</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Trend Information:

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2017	\$ 69,102	0%	\$ 2,243,692
2016	\$ 112,209	0%	\$ 2,174,590
2015	\$ 99,325	0%	\$ 2,062,381
2014	\$ 42,583	0%	\$ 1,963,056
2013	\$ 47,384	0%	\$ 1,920,473
2012	\$ 508,160	0%	\$ 1,873,089
2011	\$ 673,638	18%	\$ 1,364,929

10. Interfund Balances

Individual fund interfund receivable and payable balances at June 30, 2017 are as follows:

	<u>Due from (to) Component Unit</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Due from (to) General Fund</u>
General Fund	\$765	\$893,178	\$101,019	\$18,750
Financial Stabilization Fund	-0-	458,534	-0-	-0-
Sanitation Fund	-0-	486,937	440,091	-0-
Landfill Fund	-0-	8,847	1,356,505	-0-
Water Fund	-0-	129,404	86,919	-0-
Sewer Fund	-0-	7,634	-0-	-0-
Parks and Recreation Component Unit	<u>(18,750)</u>	<u>-0-</u>	<u>-0-</u>	<u>(765)</u>
Total	<u>(\$17,985)</u>	<u>\$ 1,984,534</u>	<u>\$ 1,984,534</u>	<u>\$17,985</u>

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

11. Restricted Assets

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

	<u>Business-Type Activities</u>
Renewal and replacement account	\$ 206,737
Depreciation fund	544,252
Reserve account	682,911
Landfill accounts	1,725,413
Revenue account	<u>89,367</u>
	<u>\$ 3,248,680</u>

12. Landfill Closure and Postclosure Care Costs

The City turned over certain obligations related to the closure and post-closure costs of the landfill to the State of West Virginia. The City is still required to maintain trust funds which originally were established to fund closure and postclosure care. The balances of \$1,677,017 and \$48,396 respectively at June 30, 2017 are reported as restricted assets and restricted net position until a final determination has been made regarding the disposition of these assets.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

13. Contingent Liabilities

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

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

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

14. Debt Covenant Compliance

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

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

The following schedule summarizes the provisions for the fiscal year ended June 30, 2017.

<u>Net Gross Revenues</u>	<u>Amount Annual Debt Service</u>	<u>Percentage</u>	<u>Maximum Percentage Required</u>
\$ <u>819,682</u>	\$ <u>675,870</u>	121%	110%

As of June 30, 2017, the City was in compliance with the provisions of the Series 2009 A revenue bond covenant which require revenues to be 110% or above the amount of the highest principal payment plus interest due in any given year.

**CITY OF ELKINS, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

15. Subsequent Events

The City of Elkins, West Virginia's management evaluated the effect that subsequent events would have on financial statements through December 13, 2017, which is the date the financial statements were available to be released.

16. Fund Balance

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

<u>Fund Balance</u>	<u>General</u>	<u>Coal Severance</u>	<u>Financial Stabilization</u>	-
Restricted for:				
Capital projects	\$ -0-	\$ -0-	\$ 1,141,365	
Committed for:				
Streets	-0-	76,983	-0-	
Unassigned	<u>1,558,388</u>	<u>-0-</u>	<u>-0-</u>	-
Total fund balance	<u>\$1,558,388</u>	<u>\$ 76,983</u>	<u>\$ 1,141,365</u>	

17. New Accounting Principles

For the fiscal year ended June 30, 2017, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 77, Tax Abatement Disclosures.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose the certain information about the agreements including brief descriptive information such as the tax being abated, the authority under and mechanism by which tax abatements are provided, eligibility criteria, provisions for recapturing abated taxes, the types of commitments made by tax abatement recipients, the gross dollar amount of taxes abated during the period, and commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the City as there were no tax abatements in effect that could have a significant effect on the City's basic financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 1,704,797	\$ 1,388,824	\$ 1,441,318
Plan net position	<u>1,307,000</u>	<u>1,244,804</u>	<u>1,163,258</u>
Net pension liability	397,797	144,020	278,060
Plan net position as a % of total pension liability	76.67%	89.63%	80.71%
Covered-employee payroll	\$ 163,506	\$ 161,535	\$ 164,553
Net pension liability as a % of Covered Payroll	243.29%	89.16%	168.98%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total plan pension liability	\$ 5,239,162	\$ 5,065,118	\$ 5,041,872
Plan net position	<u>3,004,879</u>	<u>2,794,044</u>	<u>2,383,232</u>
Net pension liability	2,234,283	2,271,074	2,658,640
Plan net position as a % of total pension liability	57.35%	55.16%	47.27%
Covered-employee payroll	\$ 336,918	\$ 489,755	\$ 479,174
Net pension liability as a % of Covered Payroll	663.15%	463.72%	554.84%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Total plan pension liability	\$ 6,616,588,000	\$ 6,130,174,000	\$ 6,130,174,000	\$ 6,130,174,000
Plan net position	5,697,470,000	5,761,109,000	5,761,109,000	5,761,109,000
Net pension liability	\$ 919,118,000	\$ 558,404,000	\$ 369,065,000	\$ 369,065,000
City's proportion of the net pension liability	0.15494900%	0.14885800%	0.15295500%	0.14740600%
City's proportionate share of the net pension liability	\$ 1,424,164	\$ 831,229	\$ 564,503	\$ 544,024
City's covered-employee payroll	\$ 2,115,222	\$ 2,211,652	\$ 1,948,743	\$ 2,051,724
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	67.30%	37.60%	29.00%	26.50%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	91.29%	93.98%	79.20%

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

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

	2016	2015	2014	2013
Actuarially determined contribution	\$ 52,661	\$ 75,772	\$ 94,403	\$ 85,238
Employer contribution	26,198	67,062	58,219	63,000
State contribution	60,020	30,087	33,026	32,992
Percentage contributed	164%	128%	97%	113%
Covered payroll	\$ 163,506	\$ 161,535	\$ 164,553	\$ 146,628
Actual contribution as a % of covered payroll	53%	60%	55%	65%

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contribution	\$ 343,902	\$ 364,511	\$ 359,070	\$ 320,736
Employer contribution	247,173	503,484	258,043	153,086
State contribution	179,859	65,549	97,618	76,378
Percentage contributed	124%	156%	99%	72%
Covered payroll	\$ 336,918	\$ 489,755	\$ 479,174	\$ 419,287
Actual contribution as a % of covered payroll	127%	116%	74%	55%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 285,555	\$ 298,573	\$ 272,824	\$ 296,993
Contributions in relation to the contractually required contribution	<u>(285,555)</u>	<u>(298,573)</u>	<u>(272,824)</u>	<u>(296,993)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City covered-employee payroll	\$ 2,115,222	\$ 2,211,652	\$ 1,948,743	\$ 2,051,724
Contributions as a percentage of covered-employee payroll	13.50%	13.50%	14.00%	14.50%

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

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

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

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

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

City of Elkins
 Randolph County, West Virginia
 Schedule of Expenditures of Federal Awards
 For the Fiscal Year Ended June 30, 2017

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Passed Through to Subrecipients	Disbursements
United States Department of Agriculture				
<i>Direct</i>				
Water and Waste Disposal Systems for Rural Communities, 16-17		10.760	\$ -	\$ 14,382,774
Total United States Department of Agriculture			-	14,382,774
United States Department of the Interior				
<i>Passed through State Department of Natural Resources</i>				
Outdoor Recreation Acquisition, Development, Planning, 16-17	N/A	15.916	-	4,037
Total United States Department of the Interior			-	4,037
Total Federal Financial Assistance			<u>\$ -</u>	<u>\$ 14,386,811</u>

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

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a summary of the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

ACCOMPANYING INFORMATION



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

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

To the Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Municipality of Elkins, Randolph County, West Virginia (the Municipality) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated March 23, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



BHM CPA Group Inc.
Huntington, West Virginia
March 23, 2018



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

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

To the Mayor and Members of Council:

Report on Compliance for the Major Federal Program

We have audited the Municipality of Elkins' (the Municipality) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the Municipality's major federal program for the year ended June 30, 2017. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the Municipality's major federal program.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the Municipality complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

BHM CPA Group

BHM CPA Group Inc.
Huntington, West Virginia
March 23, 2018

Municipality of Elkins
Randolph County, West Virginia

Schedule of Findings
2 CFR §200.515
June 30, 2017

1. SUMMARY OF AUDITOR'S RESULTS

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

Municipality of Elkins
Randolph County, West Virginia

Schedule of Findings
2 CFR §200.515
June 30, 2017

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

None noted

3. FINDINGS FOR FEDERAL AWARDS

None noted