

**CLARKSBURG SANITARY BOARD
CLARKSBURG, WEST VIRGINIA**

**INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2017

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**CLARKSBURG SANITARY BOARD
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE YEAR ENDED JUNE 30, 2017**

PROPRIETARY FUND TYPE

Major Fund

Sanitary Board

**CLARKSBURG SANITARY BOARD
BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2017**

OFFICE

NAME

TERM

Elective

Board Members:

Martin Howe, Chairman

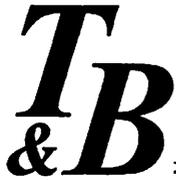
July 1, 2005 – No expiration

Mark Linville

February 28, 2016 – February 28, 2019

Joseph Spatafore

February 28, 2015 – February 28, 2018



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Clarksburg Sanitary Board
Clarksburg, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Clarksburg Sanitary Board (a component unit of the City of Clarksburg, West Virginia) as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Clarksburg Sanitary Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Clarksburg Sanitary Board, as of June 30, 2017, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements for the year ended June 30, 2017, the Clarksburg Sanitary Board adopted new accounting guidance, GASB 81 – *Irrevocable Split-Interest Agreements* and GASB 82 – *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*. Our opinion is not modified with respect to these matters.

Also, as discussed in Note A, the financial statements present only the Clarksburg Sanitary Board and do not purport to, and do not present fairly the financial position of the City of Clarksburg, West Virginia as of June 30, 2017, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial

statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of proportionate share of the net pension liability, schedule of Board's contributions and notes to required supplementary information on pages 36 thru 38 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 the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Clarksburg Sanitary Board's basic financial statements. The schedule of rate covenant compliance is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2018, on our consideration of the Clarksburg Sanitary Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations,

To the Board of Directors
Clarksburg Sanitary Board

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contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Clarksburg Sanitary Board's internal control over financial reporting and compliance.

Justin A. Barchus, PHA

Clarksburg, West Virginia
January 22, 2018

CLARKSBURG SANITARY BOARD
STATEMENT OF NET POSITION
JUNE 30, 2017

Assets

Current Assets

Cash	\$ 936,723
Receivables, net of allowances:	
Accounts	921,699
Due to/from other activities	7,572
Inventory	<u>311,590</u>
Total current assets	<u>2,177,584</u>

Noncurrent Assets

Restricted assets	<u>1,087,226</u>
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Capital Assets

Land	84,065
Construction in process	356,760
Buildings	1,532,698
Structures and improvements	7,208,797
Transmission and distribution	28,680,517
Less: Accumulated depreciation	<u>(18,122,374)</u>
Net capital assets	<u>19,740,463</u>

Total assets	<u>23,005,273</u>
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Deferred Outflows of Resources

Net difference between projected and actual investment earnings on pension plan investments	241,766
Employer contributions subsequent to measurement period	172,438
Differences between expected and actual experience	64,160
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>11,507</u>
Total deferred outflows of resources	<u>489,871</u>

Liabilities and Net Position

Current Liabilities (payable from current assets)

Note payable	\$ 135,750
Accounts payable	42,565
Accrued compensated absences	69,361
Accrued post-employment benefits payable	<u>1,082,226</u>
Total current liabilities (payable from current assets)	<u>1,329,902</u>

Current Liabilities (payable from restricted assets)

Revenue bonds payable	<u>814,245</u>
Total current liabilities (payable from restricted assets)	<u>814,245</u>

Long-Term Liabilities (net of current portion)

Revenue bonds payable	11,573,352
Accrued compensated absences	173,010
Net pension obligation	<u>769,375</u>
Total long-term liabilities (net of current portion)	<u>12,515,737</u>

Total liabilities 14,659,884

Deferred Inflow of Resources

Deferred difference in assumptions	37,483
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>428</u>
Total deferred inflow of resources	<u>37,911</u>

Net Position

Net investment in capital assets	7,217,116
Restricted for debt service	649,883
Restricted for renewal and replacement	437,343
Unrestricted	<u>493,007</u>
Total net position	\$ <u>8,797,349</u>

See accompanying notes and independent auditor's report.

CLARKSBURG SANITARY BOARD
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Operating Revenues	
Charges for services	\$ 4,943,445
Total operating revenues	<u>4,943,445</u>
Operating Expenses	
Personnel services	2,009,228
Contractual services	767,380
Administrative and general	53,022
Fuel and oil	65,323
Liability insurance	131,663
Materials and supplies	272,651
Utilities	221,529
Depreciation	492,858
Miscellaneous	<u>755,617</u>
Total operating expenses	<u>4,769,271</u>
Operating income (loss)	<u>174,174</u>
Nonoperating Revenues (Expenses)	
Interest	16,479
Gain on disposal of capital assets	6,625
Miscellaneous income	9,590
Interest and fiscal charges	(155,132)
Total nonoperating revenues (expenses)	<u>(122,438)</u>
Change in net position	51,736
Total net position – beginning	<u>8,745,613</u>
Total net position – ending	\$ <u>8,797,349</u>

See accompanying notes and independent auditor's report.

**CLARKSBURG SANITARY BOARD
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Cash Flows from Operating Activities	
Receipts from customers	\$ 4,960,320
Payments to suppliers	(2,968,735)
Payments to employees	(1,465,237)
Net cash provided by operating activities	<u>526,348</u>
Cash Flows from Capital and Related Financing Activities	
(Increase) decrease in restricted assets	1,105,866
Repayment of revenue bonds	(804,689)
Repayment of obligation under capital lease	(19,125)
Proceeds from revenue bonds	547,507
(Decrease) in loan drawdowns receivable	(320,832)
Proceeds from notes payable	105,750
Proceeds from disposal of capital assets	25,767
Acquisition of capital assets	(1,249,616)
Interest expense	(155,131)
Net cash (used in) capital and related financing activities	<u>(764,503)</u>
Cash Flows from Investing Activities	
Interest on investments	<u>16,479</u>
Net cash provided by investing activities	<u>16,479</u>
Net (decrease) in cash	(221,676)
Cash at beginning of year	<u>1,158,399</u>
Cash at end of year	\$ <u>936,723</u>

See accompanying notes and independent auditor's report.

**CLARKSBURG SANITARY BOARD
STATEMENT OF CASH FLOWS (CONTD)
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 174,174
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	492,858
Miscellaneous income	9,590
(Increase) decrease in:	
Accounts receivable	16,875
Due to/from other activities	101
Inventory	(55,492)
Deferred outflows of resources – net difference between projected and actual investment earnings on pension plan investments	(72,925)
Deferred outflows of resources – employer contributions subsequent to measurement period	12,892
Deferred outflows of resources – differences between expected and actual experiences	49,024
Deferred outflows of resources – changes in proportion and differences between employer contributions and proportionate share of contributions	7,421
Increase (decrease) in:	
Accounts payable	(19,919)
Accrued compensated absences	(16,402)
Accrued post-employment benefits payable	31,785
Net pension obligation	215,975
Deferred inflow of resources – net difference between projected and actual investment earnings on pension plan investments	(290,191)
Deferred inflow of resources – deferred difference in assumptions	(29,082)
Deferred inflow of resources – changes in proportion and differences between employer contribution and proportionate share of contributions	(336)
Net cash provided by operating activities	\$ <u>526,348</u>

See accompanying notes and independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

I. Summary of Significant Accounting Policies

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

(a) Reporting Entity

The Board, a component unit of the Municipality of Clarksburg, is governed by a chairman which is the City Manager of the Municipality of Clarksburg, West Virginia and two Board members who are approved by the Municipality of Clarksburg elected Council. The Board is a legally separate organization for which elected officials of the primary government are financially accountable. The Board is a discretely presented component unit of the primary government based upon the criteria stipulated in the Governmental Accounting Standard Board Statement No. 14 (as amended by GASB Statement No. 39 and GASB Statement No. 61).

(b) Fund Financial Statements

The financial statements (i.e., the statement of net position and the statement of revenues, expenses and changes in net position and statement of cash flows) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Business-type activities rely to a significant extent on fees and charges for support.

(c) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The government reports the following major proprietary fund:

The Clarksburg Sanitary Board serves all the citizens of the Municipality of Clarksburg and provides sewerage services to the citizens. The rates for user charges and bond issuance authorizations are approved by the government's elected council.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the fund is charges to customers for services. Operating expenses for the enterprise fund include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

(d) Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position

1. Deposits and Investments

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

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

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Managed funds related to the retirement systems not listed on an established market are reported at estimated fair value as determined by the respective fund managers based on quoted sales prices of underlying securities. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

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

State statute limitations concerning the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation 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; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

2. Receivables and Payables

Interfund Transactions

Activity between the primary government and the Sanitary Board are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as "due to/from other activities."

Trade Receivables

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

3. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

4. Restricted Assets

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

The "regular" account is used to segregate resources accumulated for debt service payments over the next twelve months.

The "reserve" account is used to report resources set aside to make up potential future deficiencies in the regular account.

The "renewal and replacement" account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.

5. Capital Assets and Depreciation

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

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed, net of interest earned on the invest proceeds during the same period.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

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

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Structures and Improvements	10-20
Transmission and Distribution	10-20

6. Compensated Absences

The government's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

When a permanent full time employee retires, the employee may elect to have any accrued sick leave converted to insurance benefits based on the formula of two days sick leave for one month single coverage insurance premium or three days sick leave for one month family coverage insurance premium. A liability has been accrued for all employees who have actually retired at June 30, 2017, converted accrued sick leave to insurance premiums, and the actual costs to the government has been calculated.

7. Long-Term Obligations

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

9. Change in Accounting Principle

During the fiscal year ended June 30, 2017 the Board adopted the following GASB statements.

GASB 81 – Irrevocable Split-Interest Agreements – This statement enhances the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This statement also enhances the decision-usefulness of general purpose external financial reports, and their value for assessing accountability, by more clearly identifying the resources that are available for the government to carry out its mission. This statement is effective for reporting periods beginning after December 15, 2016 and had no effect on the accompanying financial statements. The Board has elected early implementation of this GASB Statement.

GASB 82 – Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73 – This Statement addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This GASB is effective for reporting periods beginning after June 15, 2016, except for the

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements).

The following are recent GASB Pronouncements for which the Board has not adopted as of June 30, 2017:

GASB 83 – *Certain Asset Retirement Obligations* – This Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain Asset Retirement Obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. This statement is effective for reporting periods beginning after June 15, 2018.

GASB 84 – *Fiduciary Activities* – This Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This statement is effective for reporting periods beginning after December 15, 2018.

GASB 85 – *Omnibus 2017* – This Statement establishes accounting and reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement is effective for reporting periods beginning after June 15, 2017.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017

GASB 86 – *Certain Debt Extinguishment Issues* – This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This statement is effective for reporting periods beginning after June 15, 2017.

GASB 87 – *Leases* – This Statement's objective is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of government's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the rights to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about a government's leasing activities. This statement is effective for reporting periods beginning after December 15, 2019.

10. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to pensions, and pension expense, information about the fiduciary net position of the Clarksburg Sanitary Board's Public Employee Retirement System (PERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017

11. Equity Classification

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 Board'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

12. 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.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
 NOTES TO THE FINANCIAL STATEMENTS (CONTD)
 FOR THE YEAR ENDED JUNE 30, 2017**

II. Detailed Notes on All Funds

A. Deposits and Investments

At year end, the government had \$649,883 investments held with the Municipal Bond Commission.

Custodial Credit Risk

For deposits, the Board could be exposed to risk in the event of a bank failure where the Board's deposits may not be returned. The Board's policy for custodial credit risk is to ensure amounts exceed the F.D.I.C. coverages are fully collateralized. At year end, the Board's bank balances were \$1,374,066 that was fully collateralized with securities held by the pledging financial institution's trust department or agent but in the Board's name.

For investments, the Board could be exposed to risk in the event of the failure of the counterparty where the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Board does not have a deposit policy for custodial risk. At year end, the Board's investment balances of \$649,883 were fully collateralized by the State of West Virginia.

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

Cash and cash equivalents	\$ 1,374,066
Investments – collateralized and secured	<u>649,883</u>
Total	\$ <u>2,023,949</u>
Cash and cash equivalents	\$ 936,723
Cash and cash equivalents – restricted	437,343
Investments – restricted	<u>649,883</u>
Total	\$ <u>2,023,949</u>

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

B. Receivables

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

	<u>Sanitary Board</u>
Receivables: Accounts	\$ 951,287
Less: Allowance for uncollectible	(<u>29,588</u>)
Net total receivables	\$ <u>921,699</u>

C. Capital Assets

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending</u> <u>Balance</u>
Business-Type Activities				
Nondepreciable Assets				
Land	\$ 84,065	\$ -0-	\$ -0-	\$ 84,065
Construction in process	<u>11,539,745</u>	<u>356,760</u>	<u>11,539,745</u>	<u>356,760</u>
Total nondepreciable assets	<u>11,623,810</u>	<u>356,760</u>	<u>11,539,745</u>	<u>440,825</u>
Depreciable Assets				
Buildings	1,532,698	-0-	-0-	1,532,698
Structures and improvements	7,077,002	131,795	-0-	7,208,797
Transmission and distribution	<u>16,087,088</u>	<u>12,621,638</u>	<u>28,209</u>	<u>28,680,517</u>
Total at historical cost	<u>24,696,788</u>	<u>12,753,433</u>	<u>28,209</u>	<u>37,422,012</u>
Less: Accumulated depreciation	<u>17,638,583</u>	<u>492,858</u>	<u>9,067</u>	<u>18,122,374</u>
Total depreciable assets – net	<u>7,058,205</u>	<u>12,260,575</u>	<u>19,142</u>	<u>19,299,638</u>
Business-type activities capital assets – net	\$ <u>18,682,015</u>	\$ <u>12,617,335</u>	\$ <u>11,558,887</u>	\$ <u>19,740,463</u>

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

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

Business-type activities:

Clarksburg Sanitary Board	\$ <u>492,858</u>
Total depreciation expense – business-type activities	\$ <u>492,858</u>

Construction in Progress

The government has active construction projects as of June 30, 2017. The projects include the upgrade of the sewage system. At year end, the amounts spent-to-date are \$356,760.

D. Interfund Receivables and Payables

The composition of interfund balances as of June 30, 2017, as follows:

Due to/from other activities:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Sanitary Board	Municipality of Clarksburg	\$ <u>7,572</u>
Total		\$ <u>7,572</u>

E. Long-Term Debt

The following is a summary of long-term debt at June 30, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>	<u>Amounts Due After One Year</u>
Bonds and Notes Payable						
1996 Sewer Revenue Bonds	\$ 770,884	\$ -0-	\$ 381,598	\$ 389,286	\$ 389,286	\$ -0-
2009A Sewer Revenue Bonds	700,000	-0-	50,000	650,000	50,000	600,000
2014A Sewer Revenue Bonds	11,173,895	547,507	373,091	11,348,311	374,959	10,973,352
MVB Bank	<u>30,000</u>	<u>105,750</u>	<u>-0-</u>	<u>135,750</u>	<u>135,750</u>	<u>-0-</u>
Total bonds and notes payable	<u>12,674,779</u>	<u>653,257</u>	<u>804,689</u>	<u>12,523,347</u>	<u>949,995</u>	<u>11,573,352</u>
Other Long-Term Debt						
Obligations under capital lease	19,125	-0-	19,125	-0-	-0-	-0-
Accrued compensated absences	258,773	-0-	16,402	242,371	69,361	173,010
Net pension obligation	<u>553,400</u>	<u>215,975</u>	<u>-0-</u>	<u>769,375</u>	<u>-0-</u>	<u>769,375</u>
Total other long-term debt	<u>831,298</u>	<u>215,975</u>	<u>35,527</u>	<u>1,011,746</u>	<u>69,361</u>	<u>942,385</u>
Total long-term debt	\$ <u>13,506,077</u>	\$ <u>869,232</u>	\$ <u>840,216</u>	\$ <u>13,535,093</u>	\$ <u>1,019,356</u>	\$ <u>12,515,737</u>

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

Sewer Revenue Bond - Bond Issue of 1996

This issue was authorized to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage system of the City. The bond was issued in a denomination of \$6,484,243, bearing interest of 2.00% payable quarterly on the first day of September, December, March and June beginning on September 1, 1998.

The outstanding bond of this issue and its maturity dates are as follows:

<u>Maturity Date</u>	<u>Amount</u>
September 1, 2017	\$ 96,595
December 1, 2017	97,077
March 1, 2018	97,563
June 1, 2018	<u>98,051</u>
	\$ <u>389,286</u>

Future debt maturity 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	\$ <u>394,165</u>	\$ <u>389,286</u>	\$ <u>4,879</u>

The 1996 bond issue is secured with a lien and pledge on the net revenues derived from the system.

As required by the 1996 Series Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal of and interest on the bonds. Payments are required to be made into the sinking fund to pay interest which will mature and become due on the next succeeding interest payment date and 1/6 of the amount which will be required to redeem 1996 Series bonds prior to their stated dates of maturities. The balance in the sinking fund account with the Municipal Bond Commission at June 30, 2017 was \$462,872.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

Sewer Revenue Bonds, Series 2009A

This issue was authorized to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage system of the City. The bond was issued in a denomination of \$1,000,000 bearing interest of 0.00% payable quarterly on the first day of September, December, March and June beginning on September 1, 2010.

Future debt maturity 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	\$ 50,000	\$ 50,000	\$ -0-
2019	50,000	50,000	-0-
2020	50,000	50,000	-0-
2021	50,000	50,000	-0-
2022	50,000	50,000	-0-
2023 – 2027	250,000	250,000	-0-
2028 – 2030	<u>150,000</u>	<u>150,000</u>	<u>-0-</u>
	<u>\$ 650,000</u>	<u>\$ 650,000</u>	<u>\$ -0-</u>

The 2009A bond issue is secured with a lien and pledge on the net revenues derived from the system.

As required by the 2009A Series Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal on the bonds. Payments are required to be made into the sinking fund to pay principal which will become due on the next payment date. The balance in the sinking fund account with the Municipal Bond Commission at June 30, 2017 was \$59,364.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

Sewer Revenue Bonds, Series 2014A

This issue was authorized to pay a portion of the acquisition and construction of certain extensions, additions, betterments and improvements to the existing public sewerage system, consisting of upgrades to the wastewater treatment plant and all necessary appurtenances, which constitutes properties for the collection, treatment, purification or disposal of liquid or solid wastes, sewerage or industrial wastes. The bond is issued in the amount of \$12,000,000 bearing interest of 0.50% payable quarterly on the first day of March, June, September and December beginning on December 1, 2015.

Future debt maturity 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	\$ 431,000	\$ 374,959	\$ 56,041
2019	431,000	376,838	54,162
2020	431,000	378,726	52,274
2021	431,000	380,623	50,377
2022	431,000	382,530	48,470
2023 – 2027	2,155,000	1,941,585	213,415
2028 – 2032	2,155,000	1,990,707	164,293
2033 – 2037	2,155,000	2,041,070	113,930
2038 – 2042	2,155,000	2,092,706	62,294
2043 - 2046	<u>1,400,750</u>	<u>1,388,567</u>	<u>12,183</u>
	\$ <u>12,175,750</u>	\$ <u>11,348,311</u>	\$ <u>827,439</u>

The 2014A bond issue is secured with a lien and pledge on the net revenues derived from the system.

As required by the 2014A Series Bond Ordinance, a sinking fund has been established with the West Virginia Municipal Bond Commission. Moneys in the sinking fund are to be used only for the purposes of paying principal on the bonds. Payments are required to be made into the sinking fund to pay principal which will become due on the next payment date. The balance in the sinking fund account with the Municipal Bond Commission at June 30, 2017 was \$127,647.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

The future bond debt maturity based on current financing arrangements for all bonds is as follows:

<u>For the Year Ended June 30,</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 875,165	\$ 814,245	\$ 60,920
2019	481,000	426,838	54,162
2020	481,000	428,726	52,274
2021	481,000	430,623	50,377
2022	481,000	432,530	48,470
2023 – 2027	2,405,000	2,191,585	213,415
2028 – 2032	2,305,000	2,140,707	164,293
2033 – 2037	2,155,000	2,041,070	113,930
2038 – 2042	2,155,000	2,092,706	62,294
2043 - 2046	<u>1,400,750</u>	<u>1,388,567</u>	<u>12,183</u>
	\$ <u>13,219,915</u>	\$ <u>12,387,597</u>	\$ <u>832,318</u>

MVB Bank

Line of Credit – MVB Bank - \$500,000. 4.75% line of credit dated 5/25/16 maturing 11/25/17, secured by various equipment. \$ 135,750

F. Restricted Assets

The balances of the restricted assets accounts for the government are as follows:

Construction and maintenance account	\$ 437,343
Revenue bond account	<u>649,883</u>
Total restricted assets	\$ <u>1,087,226</u>

G. Subsequent Events

The Board has considered all subsequent events through January 22, 2018, the date the financial statements were made available.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

III. Other Information

A. Risk Management

The government is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Commercial Insurance for umbrella (general liability) insurance for these various risks.

Workers' Compensation Fund (WCF): Private insurance companies could begin to offer workers compensation coverage to government employers beginning July 1, 2010. Workers compensation coverage is provided for this entity by Brick Street.

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

IV. Employees Retirement Systems and Plans

Plan Descriptions, Contribution Information and Funding Policies

Public Employees Retirement System (PERS)

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

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

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

Public Employees' Retirement System (PERS)

Eligibility to participate	All Board full-time employees.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.50% and 6.00%
Board's contribution rate	12.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contribution 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 (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Trend Information

Public Employees' Retirement System (PERS)

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2017	\$ 172,438	100%
2016	\$ 185,330	100%
2015	\$ 178,787	100%

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

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

The Clarksburg Sanitary Board, elected to become a participating employer under the West Virginia Public Employees Retirement System (PERS plan).

General Information about the Plan

The plan is a defined benefit plan and provides pensions for all participating employees of the Board. The PERS plan is a statewide, cost-sharing, multiple-employer, defined benefit retirement plan for public employees established on July 1, 1961. All employees of the State of West Virginia and any political subdivision whose governing body elects to participate are required (with certain exceptions) to become members. The PERS Plan is managed by a Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: for residents of the State who are not participants in the retirement plans, one State and one non-state employee participant in PERS, and one participant each from TRS, SPDDRS, SPRS, DSRS, EMSRS, MPFRS, and TDCRS.

Participants in the PERS Plan who retire at age 60 with at least five years of credited service or at least age 55 with their age plus service equal to 80 or greater are entitled to a retirement benefit, payable monthly for life, equal to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their benefits at age 62. The PERS Plan also provides death and disability benefits.

Employees covered by benefit terms are all active employees.

Contribution rates for the PERS Plan are subject to Chapter 5, Article 10 of the West Virginia State Code. For the year ended June 30, 2015, active members contributed 4.5 percent of their salary, and employers contributed 14.0 percent of the member's compensation into the plan. For the year ended June 30, 2016, active members contributed 4.5 and 6.0 percent of their salary, and employers contributed 13.5 percent of the member's compensation into the plan. For the year ended June 30, 2017, active members contributed 4.5 and 6.0 percent of their salary, and employers contributed 12.0 percent of the member's compensation into the plan.

See independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017

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

At June 30, 2017 the Board reported a liability of \$769,375 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 July 1, 2015 and rolled forward to June 30, 2016 using the actuarial assumption and methods described in the appropriate section of the notes. The Board's portion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating public employers actuarially determined.

At June 30, 2017, the Board reported the following proportions and increases/decreases from its proportion measured as of June 30, 2016:

Amount for proportionate share of net pension liability	\$ 769,375
Percentage for proportionate share of net pension liability	0.08371%
Increase (decrease) % from prior proportion measured	-0.01539%

For the year ended June 30, 2017, the Board recognized pension expense of \$65,216 on its government wide financial statements. At June 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings on pension plan investments	\$ 241,766	\$ -0-
Employer contributions subsequent to measurement period	172,438	-0-
Differences between expected and actual experience	64,160	-0-
Changes in proportion and differences between employer contributions and proportionate share of contributions	11,507	428
Difference in assumptions	<u>-0-</u>	<u>37,483</u>
	\$ <u>489,871</u>	\$ <u>37,911</u>

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONTD)
FOR THE YEAR ENDED JUNE 30, 2017**

The amount reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 69,881
2019	69,881
2020	69,880
2021	<u>69,880</u>
	<u>\$ 279,522</u>

Actuarial Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2015 and 2014 and rolled forward to June 30, 2016 and 2015 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation:	3.00%
Salary increases:	3.0% – 4.6% average, including inflation
Investment rate of return:	7.5% net of pension plan investment expenses, including inflation.

Mortality rates were based on the following:

- Healthy Males: 110% of RP – 2,000 Non-Annuitant, Scale AA
- Healthy Females: 101% of RP – 2,000 Non-Annuitant, Scale AA
- Disabled Males: 96% of RP – 2,000 Disable Annuitant, Scale AA
- Disabled Females: Revenue Rule 107% of RP – Disable Annuitant, Scale AA

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

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
US Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
TIPS	0.0%	2.7%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	<u>10.0%</u>	4.7%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assuming 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 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.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate.

	<u>(6.50%)</u>	<u>Rate (7.50%)</u>	<u>(8.50%)</u>
Board's proportionate share of the net pension liability	\$ 1,392,867	\$ 769,375	\$ 240,017

Pension Plan Fiduciary Net Position

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

V. Retirement Health Plan (RHP)

Plan Descriptions:

The government 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. 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 25305-0170.

See independent auditor's report.

**CLARKSBURG SANITARY BOARD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2017**

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. Plan members are currently required to contribute \$270.00 per month per active health policy. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT government 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.

Trend Information

West Virginia Retiree Health Benefits Trust Fund (RHBT)

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage Contributed</u>
2017	\$ 31,785	0%
2016	\$ 52,244	0%
2015	\$ 53,550	0%

Three-Year Trend Information

<u>Year Ending</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
June 30, 2017	\$ 31,785	0%	\$ 1,082,226
June 30, 2016	\$ 52,244	0%	\$ 1,050,441
June 30, 2015	\$ 53,550	0%	\$ 988,197

See independent auditor's report.

REQUIRED SUPPLEMENTARY INFORMATION

**CLARKSBURG SANITARY BOARD
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Fiscal Year</u> <u>Ended</u> <u>June 30, 2017</u>	<u>Fiscal Year</u> <u>Ended</u> <u>June 30, 2016</u>	<u>Fiscal Year</u> <u>Ended</u> <u>June 30, 2015</u>
Board's proportion of the net pension liability (asset)	0.09%	0.10%	0.09%
Board's proportionate share of the net pension liability (asset)	\$ 769,375	\$ 553,400	\$ 350,071
Board's covered – employee payroll	\$ 1,436,983	\$ 1,372,815	\$ 1,277,050
Board's proportionate share of the net pension liability (asset) as a percentage of its covered – employee payroll	53.54%	40.31%	27.41%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	93.98%

The information presented in the schedule of the proportionate share of the net pension liability is the only years available as of June 30, 2017. The Board will be adding additional years to the accompanying schedules as the information is available.

See accompanying notes and independent auditor's report.

**CLARKSBURG SANITARY BOARD
SCHEDULE OF BOARD CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Fiscal Year</u> <u>Ended</u> <u>June 30, 2017</u>	<u>Fiscal Year</u> <u>Ended</u> <u>June 30, 2016</u>	<u>Fiscal Year</u> <u>Ended</u> <u>June 30, 2015</u>
Contractually required contribution	\$ 172,438	\$ 185,330	\$ 178,787
Contributions in relation to the contractually required contribution	<u>172,438</u>	<u>185,330</u>	<u>178,787</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Board's covered – employee payroll	\$ 1,436,983	\$ 1,372,815	\$ 1,277,050
Contributions as a percentage of covered – employee payroll	12.00%	13.50%	14.00%

The information presented in the schedule of Board's contributions is the only years available as of June 30, 2017. The Board will be adding additional years to the accompanying schedules as the information is available.

See accompanying notes and independent auditor's report.

CLARKSBURG SANITARY BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

Change of Assumptions

Actuarial Revisions

Subsequent to the issuance of the West Virginia Consolidated Public Retirement Board's June 30, 2016 Comprehensive Annual Financial Report, certain actuarial amounts from the actuarial valuation as of July 1, 2015 rolled forward to June 30, 2016 were revised. The amounts revised as of June 30, 2016 were used to prepare these schedules and are described below:

Total Pension Liability	\$ 6,616,588,000
Plan Fiduciary Net Position	(5,697,470,000)
Net Pension Liability	\$ <u>919,118,000</u>
Plan Fiduciary Net Position as a percentage of the total pension liability	86.11%

<u>Sensitivity of Discount Rate</u>	<u>1% Decrease</u> (6.5%)	<u>Current</u> <u>Discount Rate</u> (7.5%)	<u>1% Increase</u> (8.5%)
Total Net Pension Liability (Asset)	\$ 1,663,741,000	\$ 919,118,000	\$ 268,731,000

See independent auditor's report.

SUPPLEMENTARY INFORMATION

**CLARKSBURG SANITARY BOARD
SCHEDULE OF RATE COVENANT COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2017**

The Clarksburg Sanitary Board, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 2009A and 2014A Bonds. Specifically, the Municipality must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"... That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the Reserve Account is funded (whether by Local Bond proceeds, monthly deposits or Otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds any such prior or parity obligations."

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

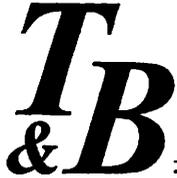
Rate Covenant

<u>Net Gross Revenues</u>	<u>Maximum Amount Annual Debt Service</u>	<u>Percentage</u>	<u>Percentage Required</u>
\$ 683,511	\$ 875,165	78%	110%

As of June 30, 2017, the entity was not in compliance with the provisions of the Series 2009A and 2014A revenue bond covenant which requires revenues to be 110% or above the amount of the highest principal payment plus interest due in any given year.

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

See accompanying notes and independent auditor's report.



Tetrick & Bartlett, PLLC

**Certified Public Accountants
Consultants**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Clarksburg Sanitary Board
Clarksburg, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Clarksburg Sanitary Board, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Clarksburg Sanitary Board's basic financial statements and have issued our report thereon dated January 22, 2018.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clarksburg Sanitary Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item #2017-001.

Clarksburg Sanitary Board's Response to Findings

Clarksburg Sanitary Board's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Clarksburg Sanitary Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

J. Stuck, Barber, PLLC

Clarksburg, West Virginia
January 22, 2018

**CLARKSBURG SANITARY BOARD
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2017**

Finding #2017-001 Insufficient Rates

Criteria: The Clarksburg Sanitary Board is required to have adequate revenue to maintain a 110% debt service coverage.

"...The rates or charges to be charged for the service from such services shall be sufficient at all times to provide for the payment of interest upon all bonds and to create a sinking fund to pay the principal thereof as and when the same become due, and reasonable reserves therefore, and to provide for the repair and maintenance and operation of the sewer system, and to provide an adequate depreciation fund, and to make any other payments which shall be required or provided for in order authorizing the issuance of said bonds."

Condition: It was noted during this audit that the rates the Clarksburg Sanitary Board charges for services are not sufficient to provide adequate debt service coverage.

Effect: The insufficient rates caused the Clarksburg Sanitary Board to be in violation of its bond rate compliance coverage.

Recommendation: The Clarksburg Sanitary Board should review its current rates and expenses to comply with the bond rate compliance coverage.

View of Responsible Officials and Planned Corrective Action: In August 2016, the City had a Rule 42 prepared and it was determined that rates would not need to be increased in the very near future and with this, it was believed that sufficient coverage was in place. It wasn't until recently, when this finding came about, that further research into the Rule 42 showed a decrease in debt service coverage was imminent in the final year of the older debt. With this, when the older debt drops off, in the current fiscal year, the debt service coverage increases over the required 110% again. While it is known by the Treasurer and the Sanitary Board that the Sanitary Sewer Board is required to have adequate revenue to maintain a 110% debt service coverage, it was overlooked in fiscal year 2016-2017. A change in Finance Director in the middle of the budget year is one reason. The debt reserve was in place in the budget, however, because of one large debt being in its last year on the books and a new large debt coming on the books in the same year, it was overlooked that revenues were going to be insufficient to support the required debt service coverage.

Our plan is to have the debt service coverage analyzed in depth, periodically, by both the Sanitary Board accountant and the Finance Director. Also, we are working on trying to reduce expenses for the Sanitary Board.

Status: This condition was not reported in the prior year's audit.

**CLARKSBURG SANITARY BOARD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Financial Audit

There were no prior audit findings.