RFP # 20-219

Independent Auditor's Report

THE MUNICIPALITY OF MARLINTON, WEST VIRGINIA POCAHONTAS COUNTY

For the Year Ended June 30, 2018

The Municipality of Marlinton, West Virginia
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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Marlinton, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Marlinton, West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Marlinton'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. 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 qualified audit opinion.

Basis for Qualified Opinion

The financial statements do not meet acceptable reporting standards because management's disclosed information is not always consistent in their descriptions, use of required terms or presentation of the accounts; are not always accurate based on other disclosed information in the statements; and are not always clear in the understanding or true meaning or make up of the account. Accounting principles generally accepted in the United States of America require the disclosed information in the presentation of the accounts in the financial statements, be clear, neutral, and consistent and this is accomplished by meeting those attributes to provide statements that convey fair and understandable meaning of both implied and required disclosures. The departure of the required presentation of the disclosed information in the financial statements that may affect a reader of financial statements is undeterminable because of subjective basis the of reliance of the reader on the financial statements and the action taken based on their understanding of the disclosed information.

The presentation of financial statements has not been revised to reflex a change in the account records by the Town and the lack of change to the records due to an error discovered during the examination. Accounting principles generally accepted in the United States of America require the presentation of the financial statements be based on the underlaying accounting records and these records are required to be corrected due to discovered errors that are both trivial and material to financial position of the organization. The accounting record change was the result of use of the incorrect Property Tax receivable at years end and trivial error was the inclusion of part of the B&O tax receivable at the Government-wide accounting level and not at the Fund accounting level. The inclusion of the accounting change and trivial error in the financial statements would increase at the Fund level taxes receivable and deferred tax liability by $1,399 and would increase at the Government-wide taxes receivable and net position by $1,337 as well as the magnitude of the adjusting account balances to reconcile the Fund to Government wide accounting levels.

Management adopted methodology, in the accounting for the collection of Fire Fees in the General Fund, that is not as a fiduciary agent or has been adequately disclosed in the financial statements. Accounting principles generally accepted in the United States of America require that when acting in a custodial capacity of assets, a fiduciary agent, must be accounted for those assets with an offsetting liability for all recorded assets with no recognition of revenue and expense. Fire Fees are collected both implied and in practice from property owners in the Municipality due to a Town ordinance as well as property owners outside of the Municipality on a voluntary basis solely for the benefit for the Marlinton Volunteer Fire Department to reduce property owner's potential liability to the Fire Department if a needed response is carried out. The adoption of a fiduciary agent accounting procedures for the Fire Fees would increase the Municipality's liability and change the revenues and expense in the General fund. The amount this would increase liability, revenues, and expenses could not be determined based on the support provided.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for a Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Municipality of Marlinton, West Virginia, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) which management has omitted and the Schedule of Employer's Share of Net Pension Liability information on pages 39-40 of the financial statement 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 provided 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. Also, our opinion on the basic financial statements is not affected by this missing MD&A information.

Other Information

The introductory sections on pages 1-2 of the financial statement have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on introductory information.

Stephen P Glaser CPA
St. Albans, West Virginia
May 17, 2021

ANNUAL FINANCIAL STATEMENTS
TOWN OF MARLINTON, WEST VIRGINIA
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Town of Marlinton, West Virginia
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Town of Marlinton, West Virginia
Schedule of Funds Included in Report
For the Fiscal Year Ended June 30, 2018

GOVERNMENTAL FUND TYPES

General Fund

Special Revenue Funds
Coal Severance Tax
Housing Redevelopment
Community Center

PROPRIETARY FUND TYPES

Enterprise Funds
Water
Sewer

Town of Marlinton, West Virginia
Municipal Officials
For the Fiscal Year Ended June 30, 2018

Office	Name	Terms
	Elective	
Mayor	Samuel M. Felton, Jr.	07/01/2015 - 06/30/2019
Recorder	Roberta J. Gudmundsson	07/01/2015 – 06/30/2019
Council Members:	Adam R. Irvine	07/01/2015 - 06/30/2019
	Don E. Morrison	07/01/2015 - 06/30/2019
	Mark D. Straus	07/01/2015 - 06/30/2019
	Norris F Long	07/01/2015 - 06/30/2019
	Doreen S. Helton	07/01/2015 - 06/30/2019
	Appointive	
Finance Director	Star Barlow	

Town of Marlinton, West Virginia
For the Fiscal Year Ended June 30, 2018

Basic Financial Statements

Town of Marlinton, West Virginia
Statement of Net Position
For the Fiscal Year Ended June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Totals
Assets			
Current Assets			
Cash	232,308	226,753	459,062
Investments	545,586	-	545,586
Taxes receivable	52,985	-	52,985
Accounts receivable	49,131	173,053	222,183
Grants Receivable	-	1,700	1,700
Prepaid expenses	7,349	2,686	10,035
Restricted assets			
Debt service reserve funds	-	51,649	51,649
Municipal bond comminssion	-	165,453	165,453
Depreciation reserve funds	-	27,539	27,539
Customer Deposit Cash	-	22,069	22,069
Fixed Assets			
Land	160,340	86,770	247,109
Buildings	842,896	743,729	1,586,625
Equipment	290,463	514,790	805,252
Infrastructure	198,035	11,852,165	12,050,201
Construction in Progress	-	453,097	453,097
Less Accumulated Depreciation	(1,045,091)	(5,135,532)	(6,180,623)
Total Assets	1,334,002	9,185,919	10,519,921
Deferred Outflows of Resources			
Difference between pension contributions and proportionate share of contributions	9,699	10,926	20,625
Contributions to PERS (pensions)	18,622	20,977	39,599
Total Deferred Outflows of Resources	28,321	31,903	60,224
Liabilities			
Current Liabilities			
Current portion - long term debt	-	154,641	154,641
Accounts payable	28,947	35,705	64,652
Compensated absences payable	7,524	7,324	14,848
Customer deposits	-	22,069	22,069
Unearned revenues	4,356	-	4,356
Non-current Liabilities			
Pension Liability	43,811	54,108	97,919
Revenue bonds payable	-	3,279,983	3,279,983
Total Liabilities	84,638	3,553,830	3,638,468
Deferred Inflows of Resources			
Difference between projected and actual earnings on pension plan investments	14,862	16,743	31,605
Total Deferred Inflows of Resources	14,862	16,743	31,605
Net position			
Invested in capital assets	516,260	5,035,630	5,551,890
Restricted for capital projects	-	27,539	27,539
Restricted for debt service	-	217,101	217,101
Unrestricted	746,563	366,979	1,113,542
Total Net Position	1,262,823	5,647,249	6,910,072

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

Town of Marlinton, West Virginia
Statement of Activities
For the Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government: Governmental Activities	Primary Government: Business type Activities	Total
Primary government:							
Governmental activities:							
General Govenment	227,346	-	-	-	(227,346)	-	(227,346)
Public Safety	89,889	67,830	-	-	(22,059)	-	(22,059)
Highways and streets	156,460	-	-	-	(156,460)	-	(156,460)
Health and Sanitation	167,355	170,439	-	-	3,084	-	3,084
Culture and Recreation	16,503	0	40,990	-	24,487	-	24,487
Social Services	94,776	7,472	-	-	(87,303)	-	(87,303)
Total governmental activities	752,330	245,742	40,990	-	(465,599)	-	(465,599)
Business type activities:							
Water	541,340	532,934	-	58,771	-	50,365	50,365
Sewer	260,348	244,450	-	-	-	(15,898)	(15,898)
Total business type activities	801,688	777,384	-	58,771	-	34,467	34,467
Total primary government	1,554,019	1,023,126	40,990	58,771	(465,599)	34,467	(431,131)
General Revenues							
Property taxes levied for general purposes					153,208	-	153,208
Franchise taxes					6,376	-	6,376
Alcohol beverage taxes					24,691	-	24,691
Utility services taxes					52,409	-	52,409
Other Taxes					106,494	-	108,139
Licenses and permits					49,531	-	49,531
Interest					7,177	2,722	9,899
Miscellaneous					13,567	-	13,567
Total general revenues					413,452	2,722	417,818
Changes in net position					(52,147)	37,189	(13,313)
Net position at beginning of year					1,314,970	5,610,060	6,922,857
Net position at end of year					1,262,823	5,647,249	6,910,072

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

Town of Marlinton, West Virginia
Balance Sheet
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General Fund	Coal Severance	Other Funds	Totals
Assets and Deferred Outflows				
Current Assets				
Cash	210,279	5,570	16,459	232,308
Investments	545,586	-	-	545,586
Taxes receivable	52,058	865	-	52,923
Accounts receivable	49,131	-	-	49,131
Prepaid expenses	7,349	-	-	7,349
Total Current Assets	864,403	6,435	16,459	887,298
Deferred Outflows:				
Deferred Outflows	-	-	-	-
Total Assets and Deferred Outflows of Resources	864,403	6,435	16,459	887,298
Liabilities				
Current liabilities				
Accounts payable	28,947	-	-	28,947
Compensated absences payable	7,524	-	-	7,524
Unearned revenues	4,356	-	-	4,356
Current Liabilities	40,827	-	-	40,827
Deferred Inflows	-	-	-	-
Deferred Tax Revenue	9,949	-	-	9,949
Total Deferred Inflows of Resources	9,949	-	-	9,949
Total Liabilities and Deferred Inflows of Resources	50,776	-	-	50,776
Fund Balances				
Unspendable	7,349	-	-	7,349
Committed	-	-	16,459	16,459
Assigned	300,000	6,435	-	306,435
Unassigned	506,278	-	-	506,278
Total Fund Balances	813,627	6,435	16,459	836,522
Total Liabilities, Deferred Inflows and Fund Balances	864,403	6,435	16,459	887,298

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

Town of Marlinton, West Virginia
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
For the Fiscal Year Ended June 30, 2018

Fund Balances - total governmental funds		$ 836,522
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	1,491,733	
Less: accumulated depreciation	(1,045,091)	446,642
Certain revenues are not available to fund current year expenditures and therefore are defrred in the funds:		
Taxes receivable		62
Deferred tax revenue		9,949
Other long-term assets are not available to pay for current-period expenditures and therefore are not recorded in the funds:		
Deferred outflows		28,321
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds:		
Capital leases payable		-
Pension liability		(43,811)
Deferred inflows		(14,862)
Net Assets of Governmental Activities		$1,262,823

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

Town of Marlinton, West Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Coal Severance Tax	Other Funds	Total
Revenues				
Taxes				
Ad Valorem Tax	151,598	-	-	151,598
B&O Tax	90,095	-	-	90,095
Amusement Tax	12,000	-	-	12,000
Animal Tax	475	-	-	475
Alcohol Beverages Tax	24,691	-	-	24,691
Utility Services Tax	52,409	-	-	52,409
Hotel Occupancy Tax	13,299	-	-	13,299
Coal Severance Tax	-	2,825	-	2,825
Other Taxes	1,383	-	-	1,383
Licenses and Permits	55,907	-	-	55,907
Intergovernmental				
Local	40,990	-	-	40,990
Charges for Service	245,619	-	-	245,619
Fines and Forfiets	50	-	-	50
Interest	7,177	-	-	7,177
Miscellaneous	1,553	-	-	1,553
Total Revenues	697,245	2,825	-	700,070
Expenditures				
General Government	211,930	-	26	211,956
Public safety	89,753	-	-	89,753
Highways and Streets	151,626	1,731	-	153,357
Health and Sanitation	168,726	-	-	168,726
Culture and Recreation	18,922	-	-	18,922
Social services	98,600	-	-	98,600
Total Expenditures	739,557	1,731	26	741,314
Excess (deficit) of Revenues over	(42,313)	1,095	(26)	(41,244)
Fund balance at beginning of year	855,940	5,341	16,485	877,766
Fund balance at end of year	813,627	6,435	16,459	836,522

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

Town of Marlinton, West Virginia
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - total governmental funds		$(41,244)
Amounts reported for governmental activities in Statement of Net Assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	18,228	
Less: current year depreciation	(34,711)	(16,483)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Property tax revenues (Net of receiveble and deferred) 6/30/17	(9,985)	
Property tax revenues (Net of receiveble and deferred) 6/30/18	10,011	26
Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:		
Decrease in pension liability	38,927	
Capital lease proceeds	-	
Repayment of capital leases	-	38,927
Changes in deferred inflows (outflows)		
Increase (decrease) in deferred outflows	(24,118)	
(Increase) decrease in deferred inflows	(9,255)	(33,373)
Change in Net Assets of Governmental Funds		$(52,147)

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

Town of Marlinton, West Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Taxes				
Ad Valorem Tax	141,553	141,553	151,598	10,045
B&O Tax	90,000	90,000	90,095	95
Amusement Tax	15,028	11,219	12,000	781
Animal Tax	500	500	475	(25)
Alcohol Beverages Tax	25,567	21,500	24,691	3,191
Utility Services Tax	49,008	49,008	52,409	3,401
Hotel Occupancy Tax	11,109	14,000	13,299	(701)
Other Taxes	1,000	1,400	1,383	(17)
Licenses and Permits	50,183	50,183	55,907	5,724
Intergovernmental				
Local	-	-	40,990	40,990
Charges for Service	217,431.00	217,431.00	245,618.82	28,187.82
Fines and Forfiets	1,000.00	500.00	50.00	(450.00)
Interest	1,000.00	4,500.00	7,176.92	2,676.92
Miscellaneous	846.00	846.00	1,552.50	706.50
Total Revenues	604,225.00	602,640.00	697,244.76	94,604.76
Expenditures				
General Government	156,419	280,848	211,930	68,918
Public safety	116,531	161,531	89,753	71,778
Highways and Streets	136,064	239,805	151,626	88,179
Health and Sanitation	212,154	352,430	168,726	183,704
Culture and Recreation	14,837	33,131	18,922	14,209
Social services	90,805	164,679	98,600	66,079
Capital projects	200,000	200,000	-	200,000
Total Expenditures	926,810	1,432,424	739,557	692,867
Excess (deficit) of Revenues over Expenditures	(322,585)	(829,784)	(42,313)	787,471
Fund balance at beginning of year	322,585	829,784	855,940	26,156
Fund balance at end of year	-	-	813,627	813,627

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

Town of Marlinton, West Virginia
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Coal Severance Tax Fund
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Coal Severance Tax	4,500	3,500	2,825	(675)
Total Revenues	4,500	3,500	2,825	(675)
Expenditures				
General Government	500	500	-	500
Highways and Streets	5,000	9,000	1,731	7,269
Total Expenditures	5,500	9,500	1,731	7,769
Excess (deficit) of Revenues over	(1,000)	(6,000)	1,095	7,095
Fund balance at beginning of year	1,000	6,000	5,341	(659)
Fund balance at end of year	-	-	6,435	6,435

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

Town of Marlinton, West Virginia
Statement of Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Water Fund	Sewer Fund	Totals
Assets			
Current Assets			
Cash	218,352	8,401	226,753
Accounts receivable	108,851	64,201	173,053
Grants Receivable	1,700	-	1,700
Prepaid expenses	2,242	444	2,686
Total Current Assets	331,145	73,046	404,192
Restricted Assets			
Debt service reserve funds	39,538	12,111	51,649
Municipal bond comminssion	88,260	77,192	165,453
Depreciation reserve funds	22,315	5,224	27,539
Customer Deposit Cash	22,069	-	22,069
Total Restricted Assets	172,182	94,527	266,709
Fixed Assets			
Land	29,263	57,507	86,770
Buildings	597,848	145,881	743,729
Equipment	153,448	361,342	514,790
Infrastructure	7,751,598	4,100,567	11,852,165
Construction in Progress	424,125	28,972	453,097
Less Accumulated Depreciation	(3,627,387)	(1,508,145)	(5,135,532)
Total Fixed Assets	5,328,895	3,186,124	8,515,019
Total Assets	5,832,222	3,353,697	9,185,919
Deferred Outflows			
Difference between pension contributions and	8,242	2,684	10,926
Contributions to PERS (pensions)	15,825	5,152	20,977
Total deferred outflows of resources	24,067	7,836	31,903
Liabilities			
Current Liabilities			
Current portion - long term debt	85,219	69,422	154,641
Accounts payable	21,661	14,043	35,705
Compensated absences payable	5,606	1,718	7,324
Customer deposits	22,069	-	22,069
Total current liabilities	134,556	85,183	219,739
Long term debt			
Pension Liability	40,855	13,253	54,108
Revenue bonds payable	2,058,101	1,221,882	3,279,983
Net long term debt	2,098,956	1,235,135	3,334,091
Total Liabilities	2,233,512	1,320,318	3,553,830
Deferred Inflows	-	-	-
Difference between projected and actual	12,631	4,112	16,743
Total inflows of resources	12,631	4,112	16,743
Net Position			
Net investment in fixed assets	3,164,637	1,870,993	5,035,630
Restricted for capital projects	22,315	5,224	27,539
Restricted for debt service	127,798	89,303	217,101
Unrestricted	295,395	71,584	366,979
Total Net Assets	3,610,146	2,037,103	5,647,249

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

Town of Marlinton, West Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Water Fund	Sewer Fund	Total
Operating revenues			
Charges for Services	524,577	244,075	768,652
Miscellaneous	5,357	25	5,383
Total operating revenues	529,934	244,100	774,034
Operating expenses			
Personal Services	183,401	59,607	243,008
Contractual Services	14,901	12,425	27,326
Materials and Supplies	46,565	29,242	75,807
Maintenance	5,046	5,235	10,281
Heat, Light and Power	34,828	17,408	52,236
Administrative	23,027	18,358	41,385
Depreciation	229,693	113,814	343,507
Total operating expenses	537,460	256,090	793,549
Operating income (loss)	(7,526)	(11,990)	(19,515)
Nonoperating revenues (expenses)			
Interest earned	1,579	1,143	2,722
Interest expense	(3,881)	(4,258)	(8,139)
Net nonoperating revenues (expenses)	(2,301)	(3,116)	(5,417)
Income (loss) before contributions	(9,827)	(15,105)	(24,932)
Capital contributions	61,771	350	62,121
Change in net assets	51,944	(14,755)	37,189
Net Position at beginning of year	3,558,201	2,051,858	5,610,060
Net Position at end of year	3,610,146	2,037,103	5,647,249

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

Town of Marlinton, West Virginia
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from customers	516,970	239,994	756,964
Cash paid to suppliers and employees	(307,046)	(151,778)	(458,824)
Customer deposits received	9,040	-	9,040
Customer deposits returned	(8,977)	-	(8,977)
Net cash provided (used) by operating activities	209,987	88,216	298,203
Cash flows from capital and related financing activities:			
Proceeds from issue of capital debt	55,342	-	55,342
Principal paid on capital debt	(105,888)	(83,373)	(189,261)
Interest paid on capital debt	(3,952)	(4,306)	(8,258)
Acquisition of capital assets	(150,994)	(6,035)	(157,029)
Contributions in aid of construction	82,300	350	82,650
Net cash provided (used) by capital and related financing activities	(123,192)	(93,364)	(216,556)
Cash flows from investing activities:			
Interest earned on cash and cash equivalents	1,579	1,143	2,722
Net cash provided (used) by investing activities	1,579	1,143	2,722
Net increase (decrease) in cash and equivalents	88,374	(4,005)	84,369
Cash and equivalents, beginning	302,160	106,932	409,092
Cash and equivalents, ending	390,534	102,927	493,461
Reconciliation of cash and cash equivalents to the balance sheet:			
Cash and equivalents in current assets	218,352	8,401	226,753
Restricted cash and equivalents	172,182	94,526	266,708
Total cash and cash equivalents	390,534	102,927	493,461
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	(7,526)	(11,990)	(19,516)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	229,693	113,814	343,507
(Increase) decrease in accounts receivable	(12,964)	(4,106)	(17,070)
(Increase) decrease in grants receivable	20,527	-	20,527
(Increase) decrease in prepaid expenses	2,281	24	2,305
(Increase) decrease in deferred outflows	43,605	13,330	56,935
Increase (decrease) in accounts payable	(18,937)	(8,106)	(27,043)
Increase (decrease) in compensated absences	1,571	118	1,689
Increase (decrease) in pension liability	(53,723)	(16,717)	(70,440)
Increase (decrease) in deferred inflows	5,397	1,849	7,246
Increase (decrease) in customer deposits	63	-	63
Total adjustments	217,513	100,206	317,719
Net cash provided (used) by operating activities	209,987	88,216	298,203

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

Town of Marlinton, West Virginia
For the Fiscal Year Ended June 30, 2018

Notes to the Financial Statements

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Reporting Entity

The government is a municipal corporation governed by an elected mayor, recorder, and five member council. As required by generally accepted accounting principles, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable, as required by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34.*

The accompanying financial statements present the government as required by accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent..

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Marlinton have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the significant accounting policies of the Town of Marlinton is presented below.

Financial Reporting Entity

In June 1999, GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. This statement, known as the "Reporting Model" statement, affects the way the Town prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 establishes new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

Government-wide and Fund Accounting Financial Statements

The basic financial statements include both the government-wide (based on the Town as a whole) and fund accounting financial statements. While the previous reporting model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus in on either the Town as a whole or major individual funds (within the fund financial statements). Both the government-wide and fund accounting financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities is reported using the economic resources measurement focus and the accrual basis of accounting which reflects both the gross and net cost per functional category (public safety, streets and transportation, etc.), which are otherwise being supported by general government revenues (taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related charges for services, operating and capital grants, and contributions. The charges for services must be directly associated with the function or be a business-type activity. The Town does not allocate indirect expenses. The operating grants include operating-specific and discretionary grants while the capital grants column reflects capital-specific grants.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the Town are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Town departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days from the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: property taxes, hotel/motel taxes, franchise fees, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

The term *measurement focus* is used to denote what is being measured and reported in the Town's operating statement. The Town is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Town is better or worse off economically as a result of events and transactions of the period.

The term *basis of accounting* is used to determine when a transaction or event is recognized on the Town's operating statement. The Town uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for the proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

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

GASB Accounting Pronouncements

On July 1, 2017, the Town adopted the provisions of a number of Governmental Accounting Standards Board Statements, including the following:

GASB Statement No. 75	*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
GASB Statement No. 85	*Omnibus 2017*

GASB Statement No. 34

Statement 34 established standards for external financial reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* requires the classification of net position into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation).

- *Unrestricted net position* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

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

Coal Severance Tax Fund: This fund is used to account for the proceeds of specific revenue sources (coal severance tax revenues) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

The Town reports the following major enterprise funds:

Water Fund: This fund accounts for the operating activities of the Town's water utilities services.

Sewerage Fund: This fund accounts for the operating activities of the Town's sewer utilities services.

Cash and Equivalents

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Cash and cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. Investments are reported at fair value.

Accounts Receivable

Accounts receivable consist of amounts due from customers for water, sewerage and sanitation utility services. Uncollectible accounts are charged directly to expense in the year they are determined to become uncollectible. The determination of collectability is based on historical bad debt experience and an evaluation of the periodic aging of accounts.

Inventories

Inventories of materials and supplies utilized in the Town's operations are considered expended at the time of purchase (except for the fuel inventory); therefore, balances on hand at year end are not presented in the Town's financial statements.

Prepaid Items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year.

Capital Assets and Depreciation

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the financial statements. Donated assets are stated at their estimated fair market value on the date donated. The Town generally capitalizes assets with cost of $1,000 or more as purchase and construction outlays occur. Net interest costs during construction periods are capitalized for assets acquired by the issuance of long-term debt. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	25 - 50
Improvements, other than buildings	10 - 20
Mobile equipment	5 - 10
Furniture, machinery, and equipment	5 - 40

Compensated Absences

Compensated absences are those for which employees have a right to receive consideration for future absences. These absences should be accounted for in accordance with GASB Statement No, 16, *Accounting for Compensated Absences.* In governmental funds, since the primary emphasis is on the flow of financial resources, only the current portion of the liability should be reported in the fund.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Town. Generally, employees are entitled to all accrued vacation leave upon termination. Compensated absences are reported as accrued in the government-wide and proprietary financial statements.

Customer Deposits

The Town is authorized by State statute to collect from a new applicants for service deposit of up to $110 to sure the payment for water and sewer charges. The service deposit accrues interest at the rate prescribed by the Public Service Commission. Owner-occupants will have the deposit refunded after 12 consecutive on-time payments or termination of service, whichever comes first. Renter deposits will be refunded upon termination of service. The money collected for service deposits is held in a separate interest bearing account and is restricted for application to customer refunds. At June 30, 2018 the Town had $52,966 available in the customer deposit fund. The liability for deposits payable plus accrued interest at June 30, 2018 was $22,069. This results in $30,897 in excess funds being available in the fund and not obligated to pay deposit refunds. Only the amount obligated to pay deposits is reported as restricted. The remainder is reported as unrestricted cash.

Long-Term Debt

In the financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Governmental *Fund Balance Reporting*

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance must be categorized into one of the following five categories:

- **Nonspendable**: items not expected to be converted to cash.
- **Restricted**: restricted to specific purposes by external parties (creditors) or by law.
- **Committed**: can only be used for specific purposes due to formal action of the government's highest level of decision making authority.
- **Assigned**: amount constrained by government's intent to be used for specific purposes.
- **Unassigned**: the residual amount for the General Fund.

The Town of Marlinton *has adopted policies and procedures as required by GASB Statement No. 54 related to governmental fund balance.* The Town Council, as the Town's highest level of decision-making authority, may commit fund balance for specific purposes pursuant to constraints imposed by a majority vote the Town Council. These committed amounts cannot be used for any other purpose unless the Town removes or changes the specific use through the same type of formal action taken to establish the commitment. The Council's action to commit fund balance needs to occur within the fiscal reporting period, no later than June 30th; however, the amount can be determined subsequent to the release of the financial statements. At the time of adoption of this policy, *the* Town of Marlinton does not have any reserves that meet this component of fund balance.

Amounts that are constrained by the Council's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. The Town Council, as the Town's highest level of decision-making authority, may assign fund balance for specific purposes pursuant to constraints imposed by a majority vote the Town Council.

The Town considers restricted fund balances to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Similarly, when an expenditure is incurred for purposes for which amounts in any of the unrestricted classifications of fund balance could be used, the Town considers committed amounts to be reduced first, followed by assigned amounts and then unassigned amounts. This policy is in place to provide a measure of protection for the Town against unforeseen circumstances and to comply with GASB Statement No. 54. No other policy or procedure supersedes the authority and provisions of this policy.

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the Town receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year win which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis.

Revenues and Expenses

Revenues and expenses are distinguished between operating and non-operating items. Operating revenues generally result from providing services in connection with the Town's principal ongoing operations. The principal operating revenues of

the Town are fees for utility services.

Operating expenses include the costs associated with the distribution of water and the conveyance and treatment of wastewater, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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 that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for 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.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the West Virginia Public Employees Retirement System and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the Public Employees Retirement System. 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

NOTE 3. BUDGETARY INFORMATION

All municipalities within West Virginia are required by statute to prepare annual budgets (levy estimates) on prescribed forms 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 day 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 Tax Commissioner. The budgeted amounts reflected in the accompanying financial statements are such approved amounts.

NOTE 4. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The Council participates in a risk management program administered by BrickStreet Mutual Insurance Company related to injuries to employees.

Formerly, West Virginia operated an exclusive state-managed Workers' Compensation Insurance Fund (WCF), which meant that private insurance companies could not offer coverage to employers. In 2005, the West Virginia Legislature enacted a law to privatize the workers' compensation system. As a result, on January 1, 2006, the West Virginia Workers' Compensation Commission ceased to exist. In its place, the Legislature provided for the creation of a private mutual insurance company that provides workers' compensation insurance to all of the state's employees. BrickStreet Mutual Insurance Company was the sole provider of worker's compensation insurance for government agencies in West Virginia until July 1, 2010. At that time, other private insurance companies were allowed to enter the West Virginia market and compete with BrickStreet for workers' compensation insurance business.

The Town has property and liability insurance and fidelity bond coverage.

NOTE 5. FEDERAL INCOME TAX

The Town of Marlinton, West Virginia is a governmental, non-stock community organization. The Town has gained exemption from income taxation by qualifying as a governmental entity.

NOTE 6. DEPOSITS AND INVESTMENTS

Deposits

Cash on hand and deposits with banking institutions either in checking or savings accounts are presented as cash in the accompanying financial statements. Such deposits at June 30, 2018 were entirely covered by federal depository insurance or secured by adequate bond or other securities held by the banking institution in the Town's name. Deposits in each bank are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of $250,000 for interest bearing accounts and $250,000 for non-interest bearing accounts. The Town's deposits are categorized to give an indication of the level of custodial credit risk assumed by the Town at June 30, 2018. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. The categories are described as follows:

Category 1 - Uncollateralized.

Category 2 - Collateralized with securities held by the pledging financial institution.

Category 3 - Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

Deposits, categorized by level of risk, are:

Deposits

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Working Funds	$ 500	$ -	$ -	$ -	$ 500
Cash - Pendleton Community Bank	429,330	-	-	-	410,373
Cash - First Citizens Bank	17,084	-	-	-	17,084
Total cash and equivalents	$ 446,914	$ -	$ -	$ -	$ 427,957

Investments

State statutes authorized the government to invest in (1) the State Investment Pool or the Municipal Bond Commission; (2) direct obligations of the United States government pledged by its full faith and credit; (3) general and direct obligations of the state of West Virginia; (4) obligations of the federal national mortgage association; (5) indebtedness secured by first lien deed of trusts for property situated within this state if the payment is substantially insured or guaranteed by the federal government; (6) pooled mortgage trusts (subject to limitations); (7) indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; (8) mutual funds registered with the SEC which have fund assets over three hundred million dollars; (9) certificates of deposit at savings and loan associations and federally insured banks when secured by acceptable collateral; (10) savings accounts at savings and loan associations and banks, to the extent fully insured. The Town's investments are categorized to give an indication of the level of custodial credit risk assumed by the Town at June 30, 2018. The categories are described as follows:

Category 1 - Uninsured and unregistered, with securities held by the counterparty.

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent but not in the Town's name.

The Town's investments are composed entirely of funds on deposit with the State Treasurer at the end of the current fiscal year.

Investments

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Certificates of Deposit - City National Bank	$ 75,848	$ -	$ -	$ -	$ 75,865
Certificates of Deposit - First Citizens Bank	33,682	-	-	-	33,683
West Virginia State Treasurer	436,038	436,038	-	-	436,038
Total cash and equivalents	$ 545,567	$ 436,038	$ -	$ -	$ 545,586

Restricted assets

Certain assets are restricted for plant construction and for the servicing of long-term debt. The Town's deposits are

categorized to give an indication of the level of custodial credit risk assumed by the Town at June 30, 2018. The categories are described as follows:

Category 1 - Uncollateralized.

Category 2 - Collateralized with securities held by the pledging financial institution.

Category 3 - Collateralized with securities held by the pledging financial institution's trust department or agent but not in the Town's name.

Restricted assets, categorized by level of risk, are:

Restricted assets

	Bank Balance	Category 1	Category 2	Category 3	Carrying Amount
Cash - First Citizens Bank	$ 80,505	$ -	$ -	$ -	$ 80,505
West Virginia State Treasurer	51,649	51,649	-	-	51,649
Municipal bond commission	165,453	165,453	-	-	165,453
Total cash and equivalents	$ 297,606	$ 217,101	$ -	$ -	$ 297,606

NOTE 7. PROPERTY AND EQUIPMENT

The following is a summary of the changes in capital assets for the fiscal year ended June 30, 2018.

Governmental Activities

	June 30, 2017	Additions	Retirements	June 30, 2018
Land	$ 160,340	$ -	$ -	$ 160,340
Buildings	838,897	3,999	-	842,896
Infrastructure	198,035	-	-	198,035
Furniture and equipment	276,234	14,229		290,463
	$ 1,473,506	$ 18,228	$ -	$ 1,491,734

Business-type Activities

Water Fund

	June 30, 2017	Additions	Retirements	June 30, 2018
Land	$ 29,263	$ -	$ -	$ 29,263
Buildings	597,848		-	597,848
Equipment	137,077	16,371		153,448
Infrastructure	7,751,598	-	-	7,751,598
Construction in progress	307,856	114,096	-	421,952
	$ 8,823,642	$ 130,467	$ -	$ 8,954,109

Sewer Fund

	June 30, 2017	Additions	Retirements	June 30, 2018
Land	$ 57,507	$ -	$ -	$ 57,507
Buildings	145,881	-	-	145,881
Equipment	357,607	3,735	-	361,342
Infrastructure	4,098,267	2,300	-	4,100,567
Construction in progress	28,972	-	-	28,972
	$ 4,688,234	$ 6,035	$ -	$ 4,694,269

Depreciation was charged to governmental functions as follows:

Governmental Activities

General government	$ 19,174
Public safety	137
Highways and streets	14,391
Health and sanitation	-
Culture and recreation	105
Social services	904
Total governmental activities	$ 34,711

Business-type Activities

Water utilities	$	229,693
Sewer utilities		113,814
Total business-type activities	$	343,507

NOTE 8. LONG-TERM DEBT

Revenues derived from the respective proprietary funds are pledged for the payment of revenue bond debt service. Bond indentures contain significant requirements for annual debt service and flow of funds through various restricted accounts.

The following is a summary of bonds and notes payable at June 30, 2018:

USRDA Loans

Issue Date	Series	Maturity Date	Interest Rate	Total Amount Issued	Amount Retired	Outstanding Beginning of Year	Current Year Issued	Current Year Retired	Amount Outstanding End of Year	Due Within One Year
4/5/1982		4/5/2019	5.00%	$ 550,000	$ 550,000	$ 34,618	$ -	$(34,618)	$ -	$ -
Total USRDA Loans Payable at June 30, 2018									$ -	$ -

West Virginia SRF Revenue Bonds

Issue Date	Series	Maturity Date	Interest Rate	Total Amount Issued	Amount Retired	Outstanding Beginning of Year	Current Year Issued	Current Year Retired	Amount Outstanding End of Year	Due Within One Year
3/1/1997	1997A	6/1/2030	0.00%	$ 239,495	$ 127,232	$ 118,250	$ -	$ (5,987)	$ 112,263	$ 5,987
12/1/1997	1997B	6/1/2037	0.00%	555,450	288,272	281,240	-	(14,062)	267,178	14,062
12/1/1998	1998A	6/1/2037	0.00%	705,400	429,134	299,778	-	(23,512)	276,266	23,512
Total West Virginia SRF Revenue Bonds Payable at June 30, 2018									$ 655,707	$ 43,561

West Virginia Infrastructure Revenue Bonds

Issue Date	Series	Maturity Date	Interest Rate	Total Amount Issued	Amount Retired	Outstanding Beginning of Year	Current Year Issued	Current Year Retired	Amount Outstanding End of Year	Due Within One Year
6/1/2005	2005A	6/1/2037	0.00%	$ 1,660,766	$ 636,640	$ 1,079,486	$ -	$(55,360)	$ 1,024,126	$ 55,360
3/1/2008	2008A	6/1/2049	0.00%	2,187,000	487,550	1,755,170	-	(55,720)	1,699,450	55,720
5/1/2018	2018A	6/1/2058	1.00%	55,342	-	-	55,342	55,342	55,342	-
Total West Virginia Infrastructure Revenue Bonds Payable at June 30, 2018									$ 2,778,918	$ 111,080

Other Long-Term Liabilities

	Outstanding Beginning of Year	Current Year Additions	Current Year Reductions	Amount Outstanding End of Year	Due Within One Year
Net pension liability	$ 76,956	$ 20,963	$ -	$ 97,919	$ -

The annual debt service requirements to maturity for long-term debt as of June 30 are as follows:

	Total Principal	Total Interest	Total Payments
Principal Outstanding	$ 3,434,625	$ 119,786	$ 3,554,411
2019	154,641	7,742	162,383
2020	154,641	7,742	162,383
2021	199,058	8,186	207,244
2022	165,566	7,851	173,417
2023	154,641	7,742	162,383
2024 - 2028	773,205	38,710	811,915
2029 - 2033	696,791	27,153	723,944
2034 - 2038	551,032	14,660	565,692
2039 - 2043	278,600	-	278,600
2044 - 2048	278,600	-	278,600
2049 - 2053	27,850	-	27,850
2054 - 2058	-	-	-
Total	$ 3,434,625	$ 119,786	$ 3,554,411

NOTE 9. 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 1 of the year for which the assessment is made, and becomes delinquent on October 1, and the second installment is payable on the first day of the following March and becomes delinquent on April 1. Taxes paid on or before the date 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 per 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 of which are 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.

The levy rates per $100 of assessed valuation for each class of property of the Town of Marlinton, West Virginia, for the fiscal year ended June 30, 2018 were as follows:

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	$ -	12.50 ¢
Class II	10,228,864	25.00 ¢
Class IV	25,914,989	50.00 ¢
Total	$ 36,143,853	

NOTE 10. EMPLOYEES RETIREMENT SYSTEM

The Town of Marlinton elected to become a participating public employer under the West Virginia Public Employees Retirement System for the coverage of all eligible employees.

Plan Description

The Town of Marlinton contributes to the West Virginia Public Employees Retirement System (PERS) which is a multiple employer defined benefit cost sharing public employee retirement system covering substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another state or municipal retirement system. The PERS was established on July 1, 1961 and is administered by the West Virginia Consolidated Public Retirement Board. The cost to administer the plan is financed through the contributions and investment earnings of the plan. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and the required supplementary information for the West Virginia Public Employees Retirement System. That report may be obtained on the West Virginia Consolidated Public Retirement Board website at www.wvretirement.com.

The Board is managed by a Board of Trustees, which consists of, by virtue of their position, 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: four 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 Teachers' Retirement System (TRS), the State Police Death, Disability and Retirement System (SPDDRS), the State Police Retirement System (SPRS), the Deputy Sheriff Retirement System (DSRS), the Emergency Medical Services Retirement System (EMSRS), Municipal Police Officers and Firefighters Retirement System (MPFRS) and the Teachers' Defined Contribution Retirement System (TDCRS).

The number of participating employers as of June 30, 2017 are as follows:

	2017
West Virginia state agencies	138
Cities and towns	118
Counties	55
Special districts	344
	655

Employee membership data related to the West Virginia Public Employees Retirement System, as of July 1, 2017 was as follows:

Retirees and beneficiaries currently receiving benefits	26,552
Terminated employees entitled to but not yet receiving benefits	4,153
Terminated nonvested members	18,102
Active plan members:	36,812
Total	85,619

Pension Benefits

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent 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 retirement annuity beginning at age 62.

Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature. In certain circumstances, this Article also permits members of TRS to transfer accumulated service credit and member contributions into PERS.

Regular Retirement - A member who is currently working for a participating PERS agency may:

- Retire with full benefits at age 55 if age plus contributing service equals 80 or more.
- Retire with full benefits at age 60 if he or she has 5 or more years of contributing service.
- Retire with reduced benefits at age 55 if he or she has 10 or more years of credited service.

Deferred Retirement - A member who is not currently working for a participating PERS agency and has not withdrawn his or her contributions may:

- Retire at age 62 with full benefits if he or she has 5 or more years of credited service and was hired prior to July 1, 2002.
- Retire at age 62 with full benefits if he or she has 5 or more years of contributory service and was hired on or after July 1, 2002.
- Retire with full benefits at age 55 if age plus contributing service equals 80 or more.
- Retire with reduced benefits at age 55 if he or she has between 20 and 25 years of service.
- Retire with reduced benefits if less than 55 years of age and he or she has 30 or more years of credited service.

Use of Unused Sick and Annual Leave at Retirement - Any member of PERS who works for an employer with a leave policy that allows for the conversion of unused annual and/or sick leave, may elect to use one of two options:

Option 1: Members may elect to acquire additional credited service under PERS.

A member may elect to use unused annual and/or sick leave towards an increase in retirement benefits. A retiree may receive one month of service credit for each ten days of unused annual and/or sick leave. However, such credited service shall not be used in meeting initial eligibility for retirement.

Option 2: Members may elect to use such leave to purchase health insurance under the Public Employees Insurance Agency (PEIA).

If an individual was enrolled in a PEIA insurance plan before July 1, 1988, and coverage has been continuous since that time, his or her unused annual and/or sick leave may be used to pay towards health insurance premiums. The retiree may purchase one month of single health coverage for every two days of unused annual and/or sick leave, or one month of family health coverage for every three days of unused annual and/or sick leave. If an individual was enrolled in a PEIA insurance plan between July 1, 1988 and June 30, 2001, the retiree may purchase one-half month of single health coverage for every two days of unused annual and/or sick leave, or one-half month of family health coverage for every three days of unused annual and/or sick leave. Members enrolled in a PEIA insurance plan on or after July 1, 2001 are not eligible to use unused annual and/or sick leave towards the purchase of health insurance.

Unused leave cannot be used for both options. Members who retire from city, county, or other non-direct employers of the State should contact their employer regarding eligibility for PEIA insurance. If the member plans to separate from employment prior to eligibility for a retirement annuity (deferred retirement), they should refer to their employer's leave policy to determine if unused leave is cancelled at the time of separation from employment.

Contributions

This plan is fully-qualified by the Internal Revenue Service. Thus, all employee contributions are tax deferred. Members hired before July 1, 2015 contribute 4.5% of annual earnings (Tier I), while members hired after July 1, 2015 contribute 6.00% of annual earnings (Tier II). State and non-state governmental employers' contribution rates were 11.0% and 12.0% of covered employees' annual earnings for fiscal years ending June 30, 2018 and 2017, respectively. Effective July 1, 2018 employer contribution rates decreased to 10.0% of members annual earnings. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the Board. Employer contributions from State and non-State agencies for the fiscal years ended June 30, 2017 and 2016, were (in thousands):

	2017	2016
State	$ 109,742	$ 125,089
Non-State	55,934	61,681
	$ 165,676	$ 186,770

The employer's contribution to the West Virginia Public Employees Retirement System for the year ended June 30, 2018 was:

	Gross Payroll	Percentage of Payroll	Gross Amount
Employer Share (Tier I)	$ 262,732	11.00%	$ 28,901
Employee Share (Tier I)	262,732	4.50%	11,823
Employer Share (Tier II)	97,256	11.00%	10,698
Employee Share (Tier II)	97,256	6.00%	5,835
Total contribution			$ 57,257

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

The West Virginia Public Employees Retirement System schedule of net pension liability and changes in net pension liability, presented as required supplemental information (RSI) following the notes to the financial statements of the West Virginia Consolidated Public Retirement Board, is as follows for the years ending June 30:

	PERS		
	2017	2016	2015
Total pension liability:			
Service cost	$ 124,129	$ 123,073	$ 137,207
Interest	490,075	475,335	456,022
Differences between actual and expected experience	(1,271)	674	152,277
Assumption changes	-	-	(89,556)
Benefit payments	(412,779)	(394,454)	(374,164)
Net change in total pension liability	200,154	204,628	281,786
Total pension liability-beginning	6,616,588	6,411,960	6,130,174
Total pension liability - ending (a)	6,816,742	6,616,588	6,411,960
Plan fiduciary net position:			
Contributions - employer	165,676	186,867	189,947
Contributions - member	64,599	62,982	61,838
Other statutorily required contributions	-	-	-
Other contributions - appropriations	-	-	-
Net investment income	875,090	(6,827)	219,329
Benefit payments	(412,779)	(394,454)	(374,164)
Administrative expense	(4,989)	(4,887)	(4,785)
Other	120	142	282
Net change in plan fiduciary net position	687,717	(156,177)	92,447
Plan fiduciary net position-beginning	5,697,470	5,853,556	5,761,109
Prior period adjustment	(90)	91	-
Plan fiduciary net position - beginning, as restated	5,697,380	5,853,647	5,761,109
Plan fiduciary net position - ending (b)	6,385,097	5,697,470	5,853,556
Net pension liability - ending (a) - (b)	$ 431,645	$ 919,118	$ 558,404
Plan fiduciary net position as a percentage of total pension liability	93.67%	86.11%	91.29%
Covered-employee payroll	$ 1,414,584	$ 1,392,113	$ 1,373,129
Net pension liability as a percentage of covered-employee payroll	30.51%	66.02%	40.67%

The schedules of net pension liability and changes in net pension liability, presented as required supplemental information (RSI) following the notes to the financial statements, present trend information about whether the actuarial values of plan fiduciary net position are increasing or decreasing over time relative to the actuarial values of the total pension liability. Selected information for each plan as of June 30, 2017, the most recent actuarial valuation date, is as follows (in thousands):

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
PERS	$6,816,742	$6,385,097	$ 431,645	93.67%

At June 30, 2018, the Town of Marlinton reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town of Marlinton's proportion of the net pension liability was based on the Town of Marlinton's share of contributions in the West Virginia Public Employees Retirement System pension plan relative to the total contributions of all participating West Virginia Public Employees Retirement System employers. At June 30, 2017, the Town of Marlinton's proportion was 0.022685% (percent). This is a 0.58529% increase from the prior year.

For the year June 30, 2018, the Town of Marlinton recognized pension expense (revenue) of $27,974. At June 30, 2018, the Town of Marlinton reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net differences between projected and actual investment earnings	$ -	$ 23,806
Changes in employer proportion and differences between contributions and proportionate share	11,910	2,502
Difference in assumptions	-	5,079
Differences between expected and actual experience	8,714	217
Employer contributions subsequent to measurement date	39,599	-
Total	$ 60,223	$ 31,604

$39,599 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

The net difference between projected and actual investment earnings on pension plan investments is amortized over a five-year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in these schedules are amortized and included in pension expense over the average remaining service life (4.03 years for 2017).

The amortization of the deferred outlfows and deferred inflows related to changes in the proportionate share of contributions from year to year for each entity is available from the West Virginia Consolidated Public Retirement Board.

Information regarding the amortization of deferred outflows and deferred inflows of resources related to pension amounts are as follows:

Combined Amortization of All Deferred Outflows and Inflows

Year Ended June 30:		
2020	$	(1,033)
2021		(1,033)
2022		(1,033)
2023		(3,121)
2024		(4,761)
2023		-
Thereafter		-
Total	$	(10,980)

Actuarial Assumptions and Methods

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2016 and rolled forward to June 30, 2017 using the actuarial assumptions and methods described in the Actuarial Assumptions and Methods section of this note.

Significant assumptions used in the actuarial valuations for the PERS are as follows:

Actuarial cost method: Individual entry age normal with level percentage of payroll
Asset valuation method: Market value
Amortization method: Level dollar, fixed period
Amortization period: Through FY 2035
Actuarial assumptions:
Investment rate of return 7.5%
Projected salary increases:
PERS:
State 3.00 - 4.60%

	Nonstate	3.35 - 6.00%
Inflation rate		3.0%
Discount rate		7.5%
Mortality rates		Males – 110% RP-2000, Non-annuitant, scale AA, fully generational Females – 101% RP-2000, Non-annuitant, scale AA, fully generational Healthy males – 110% RP-2000, Non-annuitant, scale AA, fully generational Healthy females – 101% RP-2000, Non-annuitant, scale AA, fully generational Disabled males – 96% RP-2000, Disabled annuitant, scale AA, fully generational Disabled females – 107% RP-2000, Disabled annuitant, scale AA, fully generational
Withdrawal rates		
	State	1.75% - 35.1%
	Non-state	2% - 35.88%
	Disability rates	0 - .675%
	Retirement rates	12% - 100%
	Date range in most recent experience study	2009 - 2014

Long-Term Expected Rates of Return

The long-term rates of return on pension plan investments were determined using the building block method in which estimates of expected 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 percentages and by adding expected inflation. Rates summarized in the following table include the inflation component and were used for all defined benefit plans:

US Equity (Russell 3000)	7.0%
International Equity (ACWI ex US)	7.7%
Core Fixed Income	2.7%
High Yield	5.5%
TIPS	2.7%
Real Estate	5.6%
Private Equity	9.4%
Hedge Funds	4.7%

Discount Rate

The discount rate used to measure the total pension liability was 7.5% for all defined benefit plans. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position of each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

Regarding the sensitivity of the net pension liability to changes in the discount rate, the following table presents the plans' net pension liabilities calculated using the current discount rate of 7.5% as well as the plans' net pension liabilities if they were calculated using a discount rate that is one percentage point lower or one percentage point higher:

	Total Net Pension Liability		
	1% Decrease	Current Discount Rate	1% Increase
Sensitivity of Discount Rate	(6.5%)	(7.5%)	(8.5%)
Total net pension asset (liability)	$ (1,194,983,000)	$ (431,645,000)	$ 213,751,000

Annual Money-Weighted Rates of Return

The following table provides the annual money-weighted rates of return, net of investment expenses, for the year ending June 30 for each defined benefit pension plan:

	2017	2016
PERS	15.82%	-0.12%

Investments

The Board has adopted investment guidelines that are consistent with those specified in the West Virginia Code. Those guidelines authorize the Board to invest with IMB in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities, equity securities, real estate, and guaranteed investment contracts. Plan assets of the defined benefit plans are invested by the IMB. Investments are managed by a third-party administrator as the trustee for the TDCRS.

The IMB invests plan assets in accordance with West Virginia Code and policies established by the IMB. Individual defined benefit plan assets are invested by the IMB in the various IMB pools. The following is a summary of the investments held by IMB for each plan as of June 30, 2017 (in thousands):

June 30, 2017	PERS
Large cap equity	$1,314,918
Non-large cap equity	265,878
International qualified	619,041
International equity	1,161,509
Private equity	660,702
Real estate	657,835
Total return fixed income	626,141
Core fixed income	267,966
Hedge fund	601,483
Opportunistic debt	123,627
Short term fixed income	12,781
Total investments	$6,311,881

Detailed information about the pension plan's investment policy and performance is available in the separately issued PERS Comprehensive Annual Financial Report. That report may be obtained on the West Virginia Consolidated Public Retirement Board website at www.wvretirement.com.

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report. PERS issues a publicly available financial report that includes financial statements and the required supplementary information for PERS. That report may be obtained on the West Virginia Consolidated Public Retirement Board 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.

Payables to the pension plan

At June 30, 2018, the Town of Marlinton reported no payables to the defined benefit pension plan for legally required employer contributions or for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERS.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

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

	Total Net Pension Liability		
		Current	
	1% Decrease	Discount Rate	1% Increase
Sensitivity of Discount Rate	(6.5%)	(7.5%)	(8.5%)
Employer's proportionate share of the net pension liability (asset)	$ (271,082)	$ (97,919)	$ 48,489

NOTE 11. SUBSEQUENT EVENTS

Certain events that occur between the date of the financial statements, June 30, 2018, and the date they are issued, November 17, 2020, must be disclosed. There are two ways that subsequent events may affect the financial statements: (1) Recognized events are those that existed at the date of the financial statement and provide additional information available prior to the issuance of the financial statements. (2) Nonrecognized events are those that provide additional information prior to the issuance of the financial statements but did not exist at the date of the financial statement.

The Town has evaluated subsequent events through December 13, 2020, which is the date the financial statements were available to be issued, and is not aware of any recognized or unrecognized subsequent events that should be reported in the financial statements.

NOTE 12. RESTATEMENT OF NET POSITION

The net position of the Water Fund as of June 30, 2017 was adjusted to reflect a correction to construction in progress transactions that were understated.

Water Fund		
Net position as previosly reported June 30, 2017		3,466,028
Adjustments:		
Construction grants receivable understated	22,227	
Construction in progress understated	92,173	
Construction accounts payable understated	(22,227)	
Net Restatement		92,173
Net position, corrected July 1, 2017		3,558,201

Town of Marlinton, West Virginia
For the Fiscal Year Ended June 30, 2018

Required Supplementary Information

Town of Marlinton, West Virginia
Schedule of the Government's Proportionate Share of the Net Pension Liability
PERS – West Virginia Public Employees Retirement System
Last 10 Fiscal Years*
For the Fiscal Year Ended June 30, 2018

	2017	2016
Government's proportion of the net pension liability	0.022685%	0.022553%
Government's proportionate share of the net pension liability	$ 97,919	$ 207,289
Government's covered-employee payroll	$ 311,442	$ 313,602
Government's proportionate share of the net pension liability as a percentage of its covered-employee payroll	31.44%	66.10%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%

	2015	2014
Government's proportion of the net pension liability	0.019533%	0.020851%
Government's proportionate share of the net pension liability	$ 109,073	$ 76,954
Government's covered-employee payroll	$ 264,892	$ 279,214
Government's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.18%	27.56%
Plan fiduciary net position as a percentage of the total pension liability	94.23%	93.98%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Town of Marlinton will present information for those use for which information is available.

Data reported is measured as of July 1, 2017 (measurement date).

Town of Marlinton, West Virginia
Schedule of Employer Contributions - Pensions
PERS – West Virginia Public Employees Retirement System
Last 10 Fiscal Years*
For the Fiscal Year Ended June 30, 2018

	2018	2017
Statutorily required contribution	$ 39,599	$ 37,373
Contributions in relation to the statutorily required contribution	$ (39,599)	$ (37,373)
Contribution (deficiency) excess	$ -	$ -
Government's covered-employee payroll	$ 359,988	$ 311,442
Contributions as a percentage of covered-employee payroll	11.00%	12.00%

	2016	2015
Statutorily required contribution	$ 42,336	$ 37,085
Contributions in relation to the statutorily required contribution	$ (42,336)	$ (37,085)
Contribution (deficiency) excess	$ -	$ -
Government's covered-employee payroll	$ 313,602	$ 264,892
Contributions as a percentage of covered-employee payroll	13.50%	14.00%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Town of Marlinton will present information for those use for which information is available.

Data is reported is measured as of June 30, 2018.

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*

Honorable Mayor and Council
Municipality of Marlinton, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Municipality of Marlinton, West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Municipality of Marlinton, West Virginia 's basic financial statements and have issued our report thereon dated May 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Municipality of Marlinton, West Virginia '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 Municipality of Marlinton, West Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality of Marlinton, West Virginia's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiency in internal control that we consider to be a material weaknesses and significant deficiency.

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. We consider the deficiency described in the accompany schedule of findings and response as items 2018-001 to be a material deficiency and was not correct from the prior year's statements.

Compliance and Other Matters

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

Municipality of Marlinton, West Virginia's Response to Finding

Municipality of Marlinton, West Virginia management did not response to the finding identified in our audit.

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.

Stephen P Glaser CPA
St Albans, WV
May 17, 2021

SCHEDULE OF FINDINGS AND RESPONSE

Control over Financial Statement Preparation and Accounting Records
2018-001

CONDITION:

It was noted during our audit that the Municipality has not maintained complete and accurate accounting records for all funds or have prepared financial statements in a timely manner. The accounting records were not complete at the start of the audit conducted in the fall of 2020 that needed to have material adjustments to account balances to properly reflect the Municipality's financial position and activity.

CRITERIA:

Proper internal control over accounting records for all funds is necessary for the preparation accurate financial statements to allow for

- more effective oversite by those charged with governance,
- the detection in a timely manner errors or omission that may lead misstatements, and
- the provide the ability to satisfy their fiduciary responsibilities to the public.

CAUSE:

The entity has not implemented proper control procedures required to maintain complete accounting records for all funds and generate financial statements in a timely manner, such as within six months of the close of the fiscal year.

EFFECT:

The lack of implementing controls to require all fund accounting records to be completed in a timely manner and generate financial statements to maintain proper oversite of the organization.

RECOMMENDATION:

The Municipality should require the function of accounting staff to complete accounting records for all funds and generate financial statements to be presented to those in charged with governance in a timely manner after the close of the fiscal year .

AUDITED AGENCY'S RESPONSE:

None