# AUDIT REPORT OF
# THE MUNICIPALITY OF MARLINTON, WEST VIRGINIA
# FOR THE FISCAL YEAR ENDED JUNE 30, 2021

THE MUNICIPALITY OF MARLINTON, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

**GOVERNMENTAL FUND TYPES**

**MAJOR FUNDS**

General
Coal Severance Tax
American Rescue

**NONMAJOR FUND**

Special Revenue Fund

Housing Rehab
Community Savings

**PROPRIETARY FUND TYPE**

**MAJOR FUNDS**

Water
Sewerage

THE MUNICIPALITY OF MARLINTON, WEST VIRGINIA
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# *INTRODUCTORY SECTION*

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
MUNICIPAL OFFICIALS
For the Fiscal Year Ended June 30, 2021

| OFFICE | NAME | TERM |
|---|---|---|
| | Elective | |
| Mayor: | Samuel M. Felton, Jr. | 07/01/20 / 06/30/25 |
| Council Members: | Roberta J. Gudmundsson | 07/01/20 / 06/30/25 |
| | Doreen S. Helton | 07/01/20 / 06/30/25 |
| | Adam R. Irvine | 07/01/20 / 06/30/25 |
| | Norris F. Long | 07/01/20 / 06/30/25 |
| | Don E. Morrision | 07/01/20 / 06/30/25 |
| | Mark D. Strauss | 07/01/20 / 06/30/25 |
| | Appointive | |
| Finance Director: | Star Barlow | |

*FINANCIAL SECTION*

Harold Fortner, CPA

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White Hall WV,
26554 harold.fortner.cpa@gmail.com

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council
Municipality of Marlinton
Marlinton, West Virginia 24954

### *Opinion*

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 (the Municipality), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activites, each major fund, and the aggregate remaining fund information of the Municipality of Marlinton ( the Muncipality), as of June 30, 2021, 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.

### *Basis for Opinions*

We conducted our audit in accordance with auditng 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Municipality of Marlinton, and to meet our other ethical responsibilites, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management 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. In preparing of the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality of Fairview's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Municipality of Marlinton's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

  Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Municipality of Marlinton's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that are identified during the audit.

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, the Governments' Proportionate Share of the Net Pension Liability and the Governments' Proportionate Share of the OPEB Liability and the Schedule of Government Contributions on pages 34 thru 39 be presented to supplement the basic financial statements. Such information is the responsibility of manageent, and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Municipality's basic financial statements. The Schedule of Rate Covenant Compliance is presented for purpose of additional analysis, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the Schedule of Rate Covenant Compliance is fairly stated, in all material respects, in relation to the basic financial statements as a whole

***Other Information***

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exits between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2023, on our consideration of the Municipality's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Municipality of Marlinton, West Virginia's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.

Respectfully submitted,

Harold Fortner

Harold Fortner, CPA
Whitehall, WV 26554

July 31, 2023

MUNICIPALITY OF MARLINTON
STATEMENT OF NET POSITION
June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **ASSETS** | | | |
| Current assets: | | | |
| Cash and cash equivalents | $ 114,848 | $ 484,318 | $ 599,166 |
| Investments | 327,614 | -- | 327,614 |
| Receivables: | | | |
| Taxes | 60,515 | -- | 60,515 |
| Accounts | 57,348 | 190,326 | 247,674 |
| Internal balances | 189,653 | ( 189,653) | -- |
| Loans | 50,000 | -- | 50,000 |
| Prepaids | 24,355 | 7,639 | 31,994 |
| Total current assets | 824,333 | 492,630 | 1,316,963 |
| Noncurrent assets: | | | |
| Regular account | -- | 27,463 | 27,463 |
| Reserve account | -- | 172,045 | 172,045 |
| Reserve for bond retirement | -- | 95,062 | 95,062 |
| Reserve for depreciation | -- | 104,663 | 104,663 |
| Reserve for construction | -- | 155,224 | 155,224 |
| Customer deposits | -- | 61,065 | 61,065 |
| Capital assets: | | | |
| Nondepreciable: | | | |
| Land | 164,895 | 86,770 | 251,665 |
| Construction in progress | -- | 3,017,042 | 3,017,042 |
| Depreciable: | | | |
| Buildings | 1,094,450 | 743,729 | 1,838,179 |
| Structures and improvements | -- | 14,566,760 | 14,566,760 |
| Infrastructure | 198,035 | -- | 198,035 |
| Machinery and equipment | 580,926 | 564,620 | 1,145,546 |
| Less: accumulated depreciation | ( 1,174,662) | ( 6,143,849) | ( 7,318,511) |
| Total noncurrent assets | 863,644 | 13,450,594 | 14,314,238 |
| Total assets | 1,687,977 | 13,943,224 | 15,631,201 |

MUNICIPALITY OF MARLINTON
STATEMENT OF NET POSITION
June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **DEFERRED OUTFLOWS** | | | |
| Public Employees Retirement System (PERS) and Public Employees Insurance Agency (PEIA): | | | |
| Contributions made after measurement date | 20,703 | 32,538 | 53,241 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 17,466 | 59,930 | 77,396 |
| Net difference between projected and actual investment earnings on pension plan and OPEB | 18,991 | 24,171 | 43,162 |
| Difference between expected and actual experience | 9,472 | 13,684 | 23,156 |
| Total deferred outflows of resources | 66,632 | 130,323 | 196,955 |
| Total assets and deferred outflows | $ 1,754,609 | 14,073,547 | 15,828,156 |
| **LIABILITIES** | | | |
| Current liabilities payable from current assets: | | | |
| Accounts payable | $ 29,401 | $ 26,507 | $ 55,908 |
| Compensated absences | 7,278 | 14,093 | 21,371 |
| Customer deposits | | 26,948 | 26,948 |
| Notes payable | -- | 50,000 | 50,000 |
| Bonds payable | -- | 251,350 | 251,350 |
| Total current liabilities | 36,679 | 368,898 | 405,577 |
| Noncurrent liabilities due in more than one year: | | | |
| Bonds payable | -- | 6,653,772 | 6,653,772 |
| Net pension liability | 59,917 | 76,259 | 136,176 |
| Other post employment benefits payable | 5,966 | 22,443 | 28,409 |
| Total noncurrent liabilities | 65,883 | 6,752,474 | 6,818,357 |
| Total liabilities | 102,562 | 7,121,372 | 7,223,934 |

MUNICIPALITY OF MARLINTON
STATEMENT OF NET POSITION
June 30, 2021

| | Governmental Activities | Business-type Activities | Total |
|---|---|---|---|
| **DEFERRED INFLOWS** | | | |
| Public Employees Retirement System (PERS) and Public Employees Insurance Agency (PEIA): | | | |
| Difference between expected and actual experience | 538 | 2,407 | 2,945 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,373 | 2,479 | 3,852 |
| Change in assumptions | 17,006 | 54,019 | 71,025 |
| Net difference between projected and actual investment earnings on pension plan and OPEB investments | 3,868 | 14,551 | 18,419 |
| Total deferred inflows of resources | 22,785 | 73,456 | 96,241 |
| Total liabilities and deferred inflows | 125,347 | 7,194,828 | 7,320,175 |
| **NET POSITION** | | | |
| Net investment in capital assets | 863,644 | 5,929,950 | 6,793,594 |
| Restricted for: | | | |
| Debt service | -- | 279,555 | 279,555 |
| Depreciation | -- | 104,663 | 104,663 |
| Construction | -- | 193,000 | 193,000 |
| Customer deposits | -- | 11,356 | 11,356 |
| Unrestricted | 765,618 | 360,195 | 1,125,813 |
| Total net position | $ 1,629,262 | $ 6,878,719 | $ 8,507,981 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

| | | Program Revenues | | Net (Expense) Revenues and Changes in Net Position | | |
|---|---|---|---|---|---|---|
| | Expenses | Charges for Services | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| **Functions / Programs** | | | | | | |
| Governmental activities: | | | | | | |
| General government | $ 89,056 | $ 135,205 | $ 75,559 | $ 121,708 | $ -- | $ 121,708 |
| Public safety | 110,385 | 347 | 38,554 | ( 71,484) | -- | ( 71,484) |
| Streets and transportation | 100,794 | -- | -- | ( 100,794) | -- | ( 100,794) |
| Health and sanitation | 179,278 | 259,590 | | 80,312 | -- | 80,312 |
| Culture and recreation | 75,779 | -- | -- | ( 75,779) | -- | ( 75,779) |
| Social services | 50,567 | -- | -- | ( 50,567) | -- | ( 50,567) |
| Interest on long-term debt | -- | -- | -- | -- | ( 37,400) | ( 37,400) |
| Total governmental activities | 605,859 | 395,142 | 114,113 | ( 96,604) | ( 37,400) | ( 134,004) |
| Business-type activities: | | | | | | |
| Water | 566,257 | 641,957 | 525,019 | -- | 600,719 | 600,719 |
| Sewerage | 395,886 | 257,464 | -- | -- | ( 138,422) | ( 138,422) |
| Total business-type activities | 566,257 | 641,957 | 525,019 | -- | 462,297 | 462,297 |
| Total government | $ 1,172,116 | $ 1,037,099 | $ 639,132 | ( 96,604) | 424,897 | 335,130 |
| General revenues: | | | | | | |
| Ad valorem property taxes | | | | 165,304 | -- | 165,304 |
| Business and occupation tax | | | | 86,842 | -- | 86,842 |
| Alcoholic beverages tax | | | | 6,396 | -- | 6,396 |
| Utility tax | | | | 50,798 | -- | 50,798 |
| Hotel motel Tax | | | | 18,460 | | 18,460 |
| Gas and oil severance tax | | | | 1,683 | -- | 1,683 |
| Amusement tax | | | | 9,877 | -- | 9,877 |
| Animal tax | | | | 448 | -- | 448 |
| Coal severance tax | | | | 1,985 | -- | 1,985 |
| Unrestricted investment earnings | | | | 2,623 | 1,183 | 3,806 |
| Video lottery | | | | 1,178 | -- | 1,178 |
| Miscellaneous | | | | 6,118 | -- | 6,118 |
| Total general revenues | | | | 351,712 | 1,183 | 352,895 |
| Change in net position | | | | 255,108 | 426,080 | 681,188 |
| Net position - beginning | | | | 1,374,154 | 6,452,639 | 7,826,793 |
| Net position - ending | | | | $ 1,629,262 | $ 6,878,719 | $ 8,507,981 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2021

| | General | Coal Severance Tax | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Assets:** | | | | |
| **Current:** | | | | |
| Cash and cash equivalents | $ 195,184 | $ 4,627 | $ 30,224 | $ 230,035 |
| Investments | 212,427 | -- | -- | 212,427 |
| Receivables: | | | | |
| Taxes | 59,915 | 600 | -- | 60,515 |
| Accounts | 57,348 | -- | -- | 57,348 |
| Loans | 50,000 | -- | -- | 50,000 |
| Due from other funds | 189,653 | -- | -- | 189,653 |
| Prepaids | 24,355 | -- | -- | 24,355 |
| Total assets | $ 788,882 | $ 5,227 | $ 30,224 | $ 824,333 |
| **LIABILITIES AND FUND BALANCE** | | | | |
| **Liabilities:** | | | | |
| Accounts payable | 28,996 | 405 | -- | 29,401 |
| Compensated absences | 7,278 | -- | -- | 7,278 |
| Total liabilities | 36,274 | 405 | -- | 36,679 |
| Deferred inflows | | | | |
| Taxes | 10,189 | -- | -- | 10,189 |
| Deferred license fees | 6,020 | -- | -- | 6,020 |
| Total deferred inflows | 16,209 | -- | -- | 16,209 |
| Total liabilities and deferred inflows | 52,483 | 405 | -- | 52,888 |
| **Fund balances:** | | | | |
| Restricted | 24,355 | -- | -- | 24,355 |
| Committed | -- | 4,822 | -- | 4,822 |
| Assigned | -- | -- | 30,224 | 30,224 |
| Unassigned | 712,044 | -- | -- | 712,044 |
| Total fund balances | 736,399 | 4,822 | 30,224 | 771,445 |
| Total liabilities and fund balances | $ 788,882 | 4,822 | $ 30,224 | $ 824,333 |

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

MUNICIPALITY OF MARLINTON
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2021

| | | |
|---|---|---|
| Total fund balances on the governmental fund's balance sheet | $ | 771,445 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore not reported in the funds (Note III.C.). | | 863,644 |
| Certain revenues are not available to fund current year expenditures and therefore are deferred in the funds. This is the amount of deferred taxes and defrred license fees (Note III.B.). | | 16,209 |
| Deferred inflows and outflows related to pension activity and health care are not required to be reported in the funds but are required to be reported at the government-wide level (Note VI.A and VII.A.) | | |
| *Public Employees Retirement System (PERS) and Public employees Insurance Agency* | | |
| Deferred outflows: | | |
| Contributions made after the measurement date | | 20,703 |
| Changes in proportion and differences between employer contributions and proportionate of contributions | | 17,466 |
| Net difference between projected and actual investment earnings on pension plan investments | | 18,991 |
| Difference between expected and actual experience | | 9,472 |
| Deferred inflows: | | |
| Changes in proportion and differences between employer contributions and proportionte share of contributions | | (1,373) |
| Net difference between projected and actual investment earnings on pension plan investments | | (3,868) |
| Difference between expected and actual experience | | (538) |
| Change in assumptions | | (17,006) |
| Long-term liabilities, including the net pension liability and OPEB liability are not due and payable in the current period and therefore are not reported in the funds (Note IV.G.): | | |
| Net pension liability - PERS | | ( 59,917) |
| Other post employment benefits payable | | ( 5,966) |
| Net position of governmental activities | $ | 1,629,262 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2021

| | General | Coal Severance Tax | Other Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Taxes: | | | | |
| Ad valorem property taxes | $ 166,040 | $ -- | $ -- | $ 166,040 |
| Business and occupation tax | 86,842 | -- | -- | 86,842 |
| Alcoholic beverage tax | 6,396 | -- | -- | 6,396 |
| Utility tax | 50,798 | -- | -- | 50,798 |
| Animal tax | 448 | -- | -- | 448 |
| Amusement tax | 9,877 | -- | -- | 9,877 |
| Hotel motel tax | 18,460 | -- | -- | 18,460 |
| Gas and oil severance tax | 1,683 | -- | -- | 1,683 |
| Coal severance tax | | 1,985 | -- | 1,985 |
| Intergovernmental: | | | | |
| Federal | 68,128 | -- | -- | 68,128 |
| State | 2,411 | -- | -- | 2,411 |
| Local | 38,554 | -- | -- | 38,554 |
| Licenses and permits | 135,205 | -- | -- | 135,205 |
| Charges for services | 259,590 | -- | -- | 259,590 |
| Fines and forfeits | 347 | -- | -- | 347 |
| Interest and investment earnings | 2,616 | -- | 7 | 2,623 |
| Video lottery | 1,178 | -- | -- | 1,178 |
| Contributions and donations | | -- | 5,020 | 5,020 |
| Miscellaneous | 6,118 | -- | -- | 6,118 |
| Total revenues | 854,691 | 1,985 | 5,027 | 861,703 |
| **EXPENDITURES** | | | | |
| Current: | | | | |
| General government | 80,427 | -- | 1,792 | 82,219 |
| Public safety | 149,150 | -- | -- | 149,150 |
| Streets and transportation | 137,043 | 2,516 | -- | 139,559 |
| Health and sanitation | 188,235 | -- | -- | 188,235 |
| Culture and recreation | 75,779 | -- | -- | 75,779 |
| Social services | 50,567 | -- | -- | 50,567 |
| Total expenditures | 681,201 | 2,516 | 1,792 | 685,509 |
| Net change in fund balances | 173,490 | ( 531) | 3,235 | 176,194 |
| Fund balances - beginning | 562,909 | 5,353 | 26,989 | 595,251 |
| Fund balances - ending | $ 736,399 | $ 4,822 | $ 30,224 | $ 771,445 |

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

MUNICIPALITY OF MARLINTON
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, 2021

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 176,194 |
| Capital outlays are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year (Note III.C.). | | 135,006 |
| Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year (Note III.C.). | | ( 56,740) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the difference in deferred taxes and deferred license fees from the prior year (Note III.B.) | | 736 |
| Certain pension expenses and health care expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB 68 and GASB 75 (Note II): | | |
| *Public Employees Retirement System:* | | |
| Change in contributions | | ( 1,376) |
| Amount of pension expense recognized at the government-wide level | | 649 |
| *Public Employees Insurance Agency:* | | |
| Change in contributions | | 582 |
| Amount of health care expense recognized at the government-wide level | | 57 |
| Change in net position of governmental activities | $ | 255,108 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Sewerage | Totals |
| **ASSETS** | | | |
| Current: | | | |
| Cash and cash equivalents | $ 484,318 | $ -- | $ 484,318 |
| Receivables: | | | |
| Accounts | 113,624 | 76,702 | 190,326 |
| Prepaids | 4,778 | 2,861 | 7,639 |
| Total current assets | 602,720 | 79,563 | 682,283 |
| Noncurrent assets: | | | |
| Restricted assets: | | | |
| Regular account | 20,421 | 7,052 | 27,473 |
| Reserve account | 98,812 | 73,296 | 172,108 |
| Reserve for depreciation | 75,189 | 29,474 | 104,663 |
| Reserve for construction | 147,043 | 45,957 | 193,000 |
| Reserve for bond retirement | 43,796 | 36,178 | 79,974 |
| Customer deposits | 38,304 | -- | 38,304 |
| Total restricted assets | 423,565 | 191,957 | 615,522 |
| Nondepreciable: | | | |
| Land | 29,263 | 57,507 | 86,770 |
| Construction in progress | 2,988,070 | 29,305 | 3,017,375 |
| Depreciable: | | | |
| Buildings | 597,848 | 145,881 | 743,729 |
| Infrastructure | 10,466,193 | 4,100,234 | 14,566,427 |
| Equipment | 155,872 | 408,748 | 564,620 |
| Less: accumulated depreciation | ( 4,294,630) | ( 1,849,219) | ( 6,143,849) |
| Total capital assets (net of accumulated depreciation) | 9,942,616 | 2,892,456 | 12,835,072 |
| Total noncurrent assets | 10,366,181 | 3,084,413 | 13,450,594 |
| Total assets | 10,968,901 | 3,163,976 | 14,132,877 |
| **DEFERRED OUTFLOWS** | | | |
| Public Employees Retirement System (PERS) and Public Employees Insurance Agency: | | | |
| Contributions made after measurement date | 24,019 | 8,519 | 32,538 |
| Net difference between projected and actual investments and non-investment earnings on pension plan and health investments of contributions | 18,128 | 6,043 | 24,171 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 42,604 | 17,326 | 59,930 |
| Difference between expected and actual experience | 10,162 | 3,522 | 13,684 |
| Total deferred outflows of resources | 94,913 | 35,410 | 130,323 |
| Total assets and deferred outflows | $ 11,063,814 | $ 3,199,386 | $ 14,263,200 |

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Sewerage | Totals |
| **LIABILITIES** | | | |
| Current liabilities payable from current assets: | | ( 3,199.459) | |
| Accounts payable | $ 15,584 | 10,923 | $ 26,507 |
| Customer deposits | 26,948 | | 26,948 |
| Due to other funds | - - | 189,653 | 189,653 |
| Compensated absences | 7,725 | 6,368 | 14,093 |
| Bonds payable | 181,930 | 69,420 | 251,350 |
| Notes payable | - - | 50,000 | 50,000 |
| Total current liabilities payable from current assets | 232,187 | 326,364 | 558,551 |
| Noncurrent liabilities | | | |
| Bonds payable | 5,640,154 | 1,013,618 | 6,653,772 |
| Net pension obligation | 57,194 | 19,065 | 76,259 |
| Other post employment benefits payable | 15,909 | 6,534 | 22,443 |
| Total noncurrent liabilities | 5,713,257 | 1,039,217 | 6,752,474 |
| Total liabilities | 5,945,444 | 1,365,581 | 7,311,025 |
| **DEFERRED INFLOWS** | | | |
| Public Employees Retirement System (PERS) and Public Employees Insurance Agency: | | | |
| Difference between expected and actual experience | 1,718 | 689 | 2,407 |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 1,866 | 613 | 2,479 |
| Net difference between projected and actual investments and non-investment earnings on pension plan and health investments | 10,315 | 4,236 | 14,551 |
| Changes in assumptions | 38,430 | 15,589 | 54,019 |
| Total deferred inflows of resources | 52,329 | 21,127 | 73,456 |
| Total liabilities and deferred inflows | 5,997,773 | 1,386,708 | 7,384,481 |
| **NET POSITION** | | | |
| Net investment in capital assets | 4,120,532 | 2,892,456 | 7,012,988 |
| Restricted for debt service | 163,029 | 116,526 | 279,555 |
| Restricted for depreciation | 75,189 | 29,474 | 104,663 |
| Restricted for customer deposits | 11,356 | - - | 11,356 |
| Restricted for construction | 147,043 | 45,957 | 193,000 |
| Unrestricted | 548,892 | ( 1,271,735) | ( 722,843) |
| Total net position | $ 5,066,041 | $ 1,812,678 | $ 6,878,719 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Sewerage | Totals |
| Operating revenues: | | | |
| Sales and services to customers | $ 640,077 | $ 252,222 | $ 892,299 |
| Total revenues | 640,077 | 252,222 | 892,299 |
| Operating expenses: | | | |
| Personal services | 157,241 | 81,493 | 238,734 |
| Contractual services | 33,796 | 77,052 | 110,848 |
| Administrative and general | 81,433 | 71,682 | 153,115 |
| Rents | 958 | 798 | 1,756 |
| Miscellaneous | 14,689 | 6,022 | 20,711 |
| Materials and supplies | 30,881 | 24,787 | 55,668 |
| Utilities | 36,026 | 20,275 | 56,301 |
| Depreciation | 211,233 | 113,777 | 325,010 |
| Total operating expenses | 566,257 | 395,886 | 962,143 |
| Operating income (loss) | 73,820 | ( 143,664) | ( 69,844) |
| Nonoperating revenues (expenses): | | | |
| Interest revenue | 878 | 305 | 1,183 |
| Interest and fiscal charges | ( 33,214) | ( 4,186) | ( 37,400) |
| Miscellaneous | 1,880 | 1,200 | 3,080 |
| Tap fees | - - | 4,042 | 4,042 |
| Total nonoperating revenues (expenses) | ( 30,456) | 1,361 | ( 29,095) |
| Income before operating transfers and contributions | 43,364 | ( 142,303) | ( 98,939) |
| Capital contributions | 525,019 | - - | 525,019 |
| Change in net position | 568,383 | ( 142,303) | 426,080 |
| Net position at beginning of year | 4,497,658 | 1,954,981 | 6,452,639 |
| Net position at end of year | $ 5,066,041 | $ 1,812,678 | $ 6,878,719 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Sewerage | Totals |
| **Cash flows from operating activities:** | | | |
| Cash received from customers | $ 642,721 | $ 242,627 | $ 885,348 |
| Cash paid for goods and services | ( 65,020) | ( 13,969) | ( 78,989) |
| Cash paid to employees | ( 154,396) | ( 79,890) | ( 234,286) |
| Net cash provided (used) by operating activities | 423,305 | 148,768 | 572,073 |
| **Cash flows from noncapital and related financing activities:** | | | |
| Miscellaneous | 1,880 | 1,200 | 3,080 |
| Tap fees | -- | 4,042 | 4,042 |
| Net cash provided (used) by noncapital | 1,880 | 5,242 | 7,122 |
| **Cash flows from capital and related financing activities:** | | | |
| Proceeds from capital debt | 273,885 | 50,000 | 323,885 |
| Principal paid on capital debt | ( 151,928) | ( 69,422) | ( 221,350) |
| Interest paid on capital debt | ( 33,214) | ( 4,186) | ( 37,400) |
| Purchase of capital assets | ( 367,533) | ( 42,361) | ( 409,894) |
| Net cash provided (used) by capital and related financing activities | ( 278,790) | ( 65,969) | ( 344,759) |
| **Cash flows from investing activities:** | | | |
| Interest received | 878 | 305 | 1,183 |
| Net cash provided (used) by investing activities | 878 | 305 | 1,183 |
| Net increase (decrease) in cash and cash equivalents | 147,273 | 88,346 | 235,619 |
| Cash and cash equivalents, July 1, 2020 (including $331,136 in restricted accounts) | 760,610 | 103,611 | 864,221 |
| Cash and cash equivalents, June 30, 2021 (including $615,522 in restricted accounts) | $ 907,883 | $ 191,957 | $ 1,099,840 |

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
STATEMENT OF CASH FLOWS- PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2021

| | Business-type Activities - Enterprise Funds | | |
|---|---|---|---|
| | Water | Sewerage | Totals |
| **Reconciliation of operating income to net cash provided (used) by operating activities:** | | | |
| Operating income (loss) | $ 73,820 | ( 143,664) | $ ( 69,844) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | |
| Depreciation expense | 211,233 | 113,777 | 325,010 |
| Decrease (increase) in accounts receivable | 868 | ( 9,595) | ( 8,727) |
| Decrease (increase) in other receivable | 7,327 | | 7,327 |
| Decrease (increase) in prepaids | | 268 | 268 |
| Decrease (increase) in deferred outflows | ( 14,448) | 6,803 | ( 7,645) |
| Increase (decrease) in customer deposits | 1,776 | - - | 1,776 |
| Increase (decrease) in accounts payable | 162,218 | ( 13,639) | 148,579 |
| Increase (decrease) in deferred inflows | ( 17,647) | 8,043 | ( 9,604) |
| Increase (decrease) in net pension obligation | 33,046 | 11,016 | 44,062 |
| Increase (decrease) in other postemployment benefits payabl | ( 37,733) | ( 15,497) | ( 53,230) |
| Increase (decrease) in compensated absences | 2,845 | 1,603 | 4,448 |
| Increase (decrease) in due to other funds | - - | 189,653 | 189,653 |
| Net cash provided by operations | $ 423,305 | $ 148,768 | $ 572,073 |

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

## I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Municipality of Belington, West Virginia, do not conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies.

### A. Reporting Entity

The Municipality of Marlinton is a municipal corporation governed by an elected mayor and eight member council. The accompanying financial statements present the government as required by generally accepted accounting principles.

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

The accompanying financial statements present the government as required by the 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 on the Municipality. Based upon the above criteria, the Municipality does not have any component units.

### B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The Municipality of Belington does not present government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Interest on general long-term debt liabilities is considered an indirect expense and is reported in the Statement of Activities as a separate line.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, franchise taxes, interest and special assessments are susceptible to accrual. Also, certain taxpayer-assessed revenues such as business and occupation and utility taxes are accrued as revenue at year end. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The government reports the following major governmental funds:

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

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

The government reports the following major proprietary funds:

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

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

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

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

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

**1. Deposits and Investments**

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

The government reports its investments at fair value, except for 1) non-participating investment contracts (nonnegotiable certificates of deposits and repurchase agreement) which are reported at cost, which approximates fair value and 2) investments held by 2a7-like external investment pools such as the WV Money Markey and WV Government Money Market pools which are measured at amortized cost, as permissible under Governmental Accounting Board (GASB) Statement No.31, as amended by GASB Statement Nos. 72 and 79. Investments of the Municipal Bond Commission are reported at fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is the price that would be received to sell an assets or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The composition of investments and fair value are presented in Note III-A.

State statutes authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the State of West Virginia, obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this State if the payment is substantially insured or guaranteed by the federal government, pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded in the top three ratings, at the time of acquisition; interest earning deposits which are fully insured or collateralized; and mutual funds registered with S.E.C. which have fund assets over three hundred million dollars.

State statute §8-13-22c places limitations on the aforementioned investments include the following: at no time can investment portfolios consist of more than seventy-five percent of the indebtedness of any private corporation nor can the portfolio have over twenty-five percent of its portfolio consisting of the indebtedness of a private corporation's debt which matures in less than one year; at no time may more than nine percent of the portfolio be invested in securities issued by a single private corporation or association; and at no time can more than sixty percent of the portfolio be invested in equity mutual funds.

The Municipality categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The Municipal Bond Commission investments are considered Level 1.

The government recognizes transfers of assets into and out of levels as of the date an event or change in circumstances caused the transfer. There were no transfers between levels in the year ended June 30, 2021.

## 2. Receivables and Payables

*Interfund Transactions*

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables or payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balance outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

*Trade Receivables*

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

The government periodically analyzes delinquent accounts and uses the direct write-off method. There were no accounts written off during the year.

*Property Tax Receivable*

All current taxes assessed on real and personal property may be paid in two installments, the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in 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 the date they are 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 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per $100 of assessed valuation for each class of property for the fiscal year ended June 30, 2021, were as follows:

| Class of Property | Assessed Valuation For Tax Purposes | Current Expense |
|---|---|---|
| Class I | - - | 12.50 cents |
| Class II | 9,900,210 | 25 cents |
| Class IV | 29,174,828 | 50 cents |

## 3. Restricted Assets

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

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

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

The "reserve for bond retirement" account is used to report those proceeds of revenue bond and grants that are restricted for use in debt service payments.

The "reserve for depreciation" account is used to report those proceeds of revenue bond and grants that are restricted for use in emergency repairs and replacement to utility plant.

The "customer deposit" account is used to report the segregation of returnable cash deposits from customers of the utility upon initial receipt of the service.

The "reserve for construction" account is used to report the segregation of cash deposits used fro future construction projects.

**4. Capital Assets and Depreciation**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of capitalization policy amount example $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|---|---|
| Buildings | 05-50 |
| Infrastructure | 05-50 |
| Equipment | 05-10 |

**5. Compensated Absences**

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

**6. Long-term obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

**7. Fund Balances**

In the governmental fund financial statements, fund balance is reported in five classifications.

| | |
|---|---|
| Nonspendable fund balance | Inventories and prepaid amounts represent fund balance amounts that are not in spendable form. |
| Restricted | The restricted category is the portion of fund balance that is externally imposed by creditors, grantors, contributors or laws or regulations. It also is imposed by law through constitutional provisions or enabling legislation. There is no restricted fund balance for the year. |
| Committed | The committed category is the portion of fund balance whose use is constrained by limitations have been approved by an order (the highest level of formal action) of the City Council, and that remain binding unless removed in the same manner. The approval does not automatically lapse at the end of the fiscal year. |
| Assigned | The assigned category is the portion of fund balance that has been approved by formal action of the City Council to assign amounts for any amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. |

| | |
|---|---|
| Unassigned | The unassigned category is the portion of fund balance that has not been reported in any other classification. Only the general fund can report a positive amount of unassigned fund balance. However, any governmental fund in a deficit position could report a negative amount of unassigned fund balance. |

The City Council is the government's highest level of decision-making authority. The Council would take formal action to establish, and modify or rescind, a fund balance commitment or to assign fund balance amounts to a specific purpose. The government has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The government has the authority to deviate from this policy if it is in the best interest of the Municipality.

**8. Deferred Outflows/inflows of Resources**

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

In addition to liabilities, the statement of net 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.

**9. Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of the reources related to pensions, and pension expense, information about the fiduciary net position of Municipality of Marlinton's Public Employees Retirement system, (PERS) and additions to/ deduction from the Plan's fiduciry net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of empoyee contributions) are recognized when due and payable in accordance with the benefit terms.Investments are reported at fair value.

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

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the West Virginia Retiree Health Benefits Trust Fund (RHBT) and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reorted by the RHBT. RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

## II. ADJUSTMENTS SHOWN ON THE FINANCIAL STATEMENTS

### A. Explanation of Adjustments Shown on the Statement of Revenues, Expenditures , and Changes in Fund Balance/ Statement of Activities

Deferred inflows and outflows related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level. The details of the $ 649 pension expense are as follows:

| | | |
|---|---|---|
| Change in net pension liability | $ | (34,620) |
| Changes in deferred outflows | | 24,196 |
| Changes in deferred inflows | | 11,073 |
| Amount of pension expenses recognized at government-wide level* | $ | 649 |

Deferred inflows and outflows related to health insurance activity are not required to be reported in the funds but are required to be reported at the government-wide level. The details of the $ 57 health insurance expense are as follows:

| | | |
|---|---|---|
| Change in OPEB | $ | 14,150 |
| Changes in deferred outflows | | (3,334) |
| Changes in deferred inflows | | (10,759) |
| Amount of health care expenses recognized at government-wide level* | $ | 57 |

## II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

The Municipality of Marlinton, West Virginia prepares its budget for the general fund and coal severance tax fund on the cash basis of accounting, therefore, a reconciliation has been performed on the Statement of Revenues, Expenditures and Changes it Fund Balance - Budget and Actual for the General Fund and Coal Severance Tax Fund.

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

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments and revenue related revisions to the budget require approval from the governing council and then submission to the State Auditor for approval. Revisions become effective when approved by the State Auditor and budgeted amounts in the financial statements reflect only such approved amounts. The governing body made the following material supplementary budgetary appropriations throughout the year.

| Amount | Description |
|---|---|
| $ 174,866 | General Government Expenditure Increase - General Fund |
| $ 30,500 | Public Safety Expenditure Increase - General Fund |
| $ 5,000 | Streets and Transportation Expenditure Increase - General Fund |
| $ 120,008 | Health and sanitation Expenditure Increase - General Fund |
| $ 71,500 | Culture and Recreation Expenditure Increase - General Fund |
| $ 3,465 | Social Services Expenditure Increase - General Fund |
| $ 3,326 | Streets and Transportation Expenditure Increase - Coal Severance Tax Fund |

## III. DETAILED NOTES ON ALL FUNDS

### A. Deposits and Investments

At year end, the government had investments with the Municipal Bond Commissioon and the Consolidated Investment Account with the State of West Virginia.
The government had the following investments with the recurring fair value measurement as of June 30, 2021

| | | Credit Risk Rating | |
|---|---|---|---|
| | Fair Value | Standard & Poor's and Fitch | Moody's Investment Services |
| West Virginia Consolidated Investment Fund-General Fund | $ 212,427 | n/a | n/a |
| West Virginia Consolidated Investment Fund-Water Fund | 43,797 | n/a | n/a |
| West Virginia Consolidated Investment Fund-Sewerage Fund | 13,416 | n/a | n/a |
| Municipal Bond Commission - Sewerage Fund | 80,275 | n/a | n/a |
| Municipal Bond Commission - Water Fund | 119,233 | n/a | n/a |
| Total | $ 469,148 | | |

*Custodial Credit Risk*

For deposits, the government could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government's policy for custodial credit risk is to pledge funds in excess of the FDIC limits. At year end, the government's bank balances were $1,073,154 of which $250,000 was collateralized by the FDIC and the remainder was collateralized by the financial institution's trust department or agent in the government's name.

For investments, the government could be exposed to risk in the event of the failure of the counterparty where the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The government does not have a deposit policy for custodial credit risk. At year end, the government's investment balances were $469,148 which was collateralized by the West Virginia Municipal Bond Commission and the West Virginia Consolidated Investment Fund.

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

| | |
|---|---|
| Cash and cash equivalents | $ 1,073,154 |
| Investments - collateralized and secured | 469,148 |
| Total | $ 1,542,302 |
| Cash and cash equivalents | $ 657,140 |
| Cash and cash equivalents-restricted | 416,014 |
| Investments | 212,427 |
| Investments-restricted | 256,721 |
| Total | $ 1,542,302 |

## B. Receivables

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

| | General | Coal Severance | Water | Sewerage | Total |
|---|---|---|---|---|---|
| Receivables: | | | | | |
| Accounts | $ 57,348 | $ -- | $ 113,624 | $ 76,702 | $ 247,674 |
| Taxes | 59,915 | 600 | -- | -- | 60,515 |
| Loans | 50,000 | -- | -- | -- | 50,000 |
| Gross Receivables | 117,263 | 600 | 113,624 | 76,702 | 358,189 |
| Less: Allowance for Uncollectible | -- | -- | -- | -- | -- |
| Net Total Receivables | $ 117,263 | $ 600 | $ 113,624 | $ 76,702 | $ 358,189 |

## C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Governmental-type activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 160,430 | $ 4,465 | $ -- | $ 164,895 |
| Total capital assets, not being depreciated | 160,430 | 4,465 | -- | 164,895 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,094,450 | -- | -- | 1,094,450 |
| Equipment | 450,475 | 130,451 | -- | 580,926 |
| Infrastructure | 198,035 | -- | -- | 198,035 |
| Less: accumulated depreciation | ( 1,117,922) | ( 56,740) | -- | ( 1,174,662) |
| Total capital assets being depreciated, net | 625,038 | 73,711 | -- | 698,749 |
| Governmental-type activities capital assets, net | $ 785,468 | 78,176 | $ -- | $ 863,644 |

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| **Business-type activities:** | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | $ 86,770 | $ -- | $ -- | $ 86,770 |
| Contruction in progress | 3,017,375 | | | 3,017,375 |
| Total capital assets, not being depreciated | 3,104,145 | -- | -- | 3,104,145 |
| Capital assets being depreciated: | | | | |
| Buildings | 743,729 | | | 743,729 |
| Equipment | 521,926 | 42,694 | | 564,620 |
| Infrastructure | 14,199,227 | 367,200 | | 14,566,427 |
| Less: accumulated depreciation | ( 5,818,839) | ( 325,010) | -- | ( 6,143,849) |
| Total capital assets being depreciated, net | 9,646,043 | 84,884 | -- | 9,730,927 |
| Business-type activities capital assets, net | $ 12,750,188 | 84,884 | $ -- | $ 12,835,072 |

Depreciation expense was charged to functions/programs of the government as follows:

| | |
|---|---|
| Governmental activities: | |
| General government | $ 37,014 |
| Public safety | 837 |
| Streets and highways | 8,687 |
| Health and sanitation | 7,062 |
| Culture and recreation | 105 |
| Social services | 3,035 |
| Total depreciation expense-governmental activities | $ 56,740 |

Depreciation expense was charged to functions/programs of the government as follows:

| | |
|---|---|
| Business-type activities | |
| Water | $ 211,233 |
| Sewerage | 113,777 |
| Total depreciation expense-business-type activities | $ 325,010 |

## D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2021 is as follows:

*Interfund receivables payables:*

| Receivable Fund | Payable Fund | Purpose | Amount |
|---|---|---|---|
| General | Sewerage | Reimbursement | $ 189,653 |
| | Total | | $ 189,653 |

Interfund transfers provide appropriations to subsidize the funds to support the programs and activities of the government.

## E. Fund Balance Detail

At year-end, the detail of the government's fund balances is as follows:

| | General Fund | Coal Severance | Other Governmental Funds | Totals Fund Balances |
|---|---|---|---|---|
| Restricted | | | | |
| Capital projects | $ 24,355 | $ -- | $ -- | $ 24,355 |
| Committed | | | | |
| Streets and transportation | -- | 4,822 | -- | 4,822 |
| Assigned | | | | |
| General government | -- | -- | 30,224 | 30,224 |
| Unassigned | 712,044 | -- | -- | 712,044 |
| Total fund balances | $ 736,399 | $ 4,822 | $ 30,224 | $ 771,445 |

## F. Long-term Debt

*Revenue Bonds (Direct Placements)*

The Municipality issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service.

The proceeds of these bonds are being used to fund water and sewerage projects which includes the extension and replacement of water lines. The bonds are secured by revenues of the system, which are required to be in sufficient amount to pay principal and interest on the bonds when due. Revenue bonds outstanding at year end are as follows:

| Purpose | Maturity Dates | Interest Rates | Issued | Retired | June 30, 2021 |
|---|---|---|---|---|---|
| **Business-type activities:** | | | | | |
| Series 1997 A | 2030 | 0% | $ 239,495 | $ (145,195) | $ 94,300 |
| Series 1997 B | 2037 | 0% | 555,450 | (330,458) | 224,992 |
| Series 1998 A | 2037 | 0% | 705,400 | (499,670) | 205,730 |
| Series 2005 A | 2037 | 0% | 1,660,766 | (802,720) | 858,046 |
| Series 2008 A | 2049 | 0% | 2,187,000 | (654,710) | 1,532,290 |
| Series 2018 A | 2058 | 1% | 4,056,472 | (66,709) | 3,989,763 |
| | Total Revenue Bonds | | $ 9,404,583 | $ (2,499,462) | $ 6,905,121 |

Revenue bond debt service requirements to maturity are as follows:

| Year Ended | Business-type Activities Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 251,350 | $ 38,048 | $ 289,398 |
| 2023 | 244,365 | 47,369 | 291,734 |
| 2024 | 245,267 | 46,469 | 291,736 |
| 2025 | 246,176 | 45,559 | 291,735 |
| 2026 | 245,323 | 44,075 | 289,398 |
| 2027 - 2031 | 1,237,218 | 78,275 | 1,315,493 |
| 2032 - 2036 | 1,156,417 | 191,313 | 1,347,730 |
| 2037 - 2041 | 617,725 | 225,333 | 843,058 |
| 2042- 2046 | 278,600 | -- | 278,600 |
| 2047 - 2051 | 250,730 | -- | 250,730 |
| 2052- 2056 | 2,131,951 | -- | 2,131,951 |
| 2057 - 2061 | | | |
| Totals | $ 6,905,122 | $ 716,441 | 7,621,563 |

*Utility Pledged Revenues*

The Municipality has pledged future water customer revenues, net of specified operating expenses, to repay $239,495 in water system revenue bonds issued in 1997. Proceeds from the bonds provided financing for the construction of new water lines. The bonds are payable solely from water customer net revenues and are payable through 2030. Annual principal payments on the bonds are expected to require less than 2 percent of net revenues. The total principal remaining to be paid on the bonds is $94,300. Principal paid for the current year and total customer net revenues was $5,987 and $ 287,811, respectively.

The Municipality has pledged future water customer revenues, net of specified operating expenses, to repay $705,400 in water system revenue bonds issued in 1998. Proceeds from the bonds provided financing for the construction of new water plant. The bonds are payable solely from water customer net revenues and are payable through 2037. Annual principal payments on the bonds are expected to require less than 9 percent of net revenues. The total principal remaining to be paid on the bonds is $205,730. Principal paid for the current year and total customer net revenues was $23,512 and $ 287,811, respectively.

The Municipality has pledged future sewerage customer revenues, net of specified operating expenses, to repay $555,450 in sewerage system revenue bonds issued in 1997. Proceeds from the bonds provided financing for the construction of new sewerage plant. The bonds are payable solely from sewerage customer net revenues and are payable through 2052. Annual principal payments on the bonds are expected to require more than 100 percent of net revenues. The total principal remaining to be paid on the bonds is $224,992. Principal paid for the current year and total customer net revenues was $14,062 and $ (24,346), respectively.

The Municipality has pledged future sewerage customer revenues, net of specified operating expenses, to repay $1,660,766 in sewerage system revenue bonds issued in 2005. Proceeds from the bonds provided financing for the construction of new sewerage plant. The bonds are payable solely from sewerage customer net revenues and are payable through 2052. Annual principal payments on the bonds are expected to require more than 100 percent of net revenues. The total principal remaining to be paid on the bonds is $858,046. Principal paid for the current year and total customer net revenues was $55,360 and $ (24,336), respectively.

The Municipality has pledged future water customer revenues, net of specified operating expenses, to repay $2,187,000 in water system revenue bonds issued in 2008. Proceeds from the bonds provided financing for the construction of new water plant. The bonds are payable solely from water customer net revenues and are payable through 2052. Annual principal payments on the bonds are expected to require more less than 20 percent of net revenues. The total principal remaining to be paid on the bonds is $1,532,290. Principal paid for the current year and total customer net revenues was $55,720 and $287,811, respectively.

The Municipality has pledged future water customer revenues, net of specified operating expenses, to repay $4,056,472 in water system revenue bonds issued in 2018. Proceeds from the bonds provided financing for the construction of new water plant. The bonds are payable solely from water customer net revenues and are payable through 2058. Annual principal and interest payments on the bonds are expected to require less than 34 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $4,706,205. Principal and interest paid for the current year and total customer net revenues was $96,229 and $ 287,811, respectively.

All of the bonds contain simar default conditions including (a) failure to pay bond principal and interest when due, (b) issuer's failure to comply with conditions set forth in the agreement and (c) bankruptcy or insolvency of the issuer. Default remedies for the borrower include (a) bringing suit to recover unpaid principal and interest and, (b) by action of law compel the issuer to perform duties including the collection of sufficient rates for the system.

**Changes in Long-term Liabilities**

| | Governmental-type Activities | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Net Pension Liability | $ 25,297 | $ 34,620 | $ -- | $ 59,917 | $ -- |
| OPEB | 20,116 | -- | ( 14,150) | 5,966 | -- |
| Business-type activities Long-term liabilities | $ 45,413 | $ 34,620 | $ (14,150) | $ 65,883 | $ -- |

| | Business-type Activities | | | | |
|---|---|---|---|---|---|
| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
| Bonds payable | $ 6,852,587 | $ 273,885 | $ (221,350) | $ 6,905,122 | $ 251,350 |
| Total bonds payable | 6,852,587 | 273,885 | ( 221,350) | 6,905,122 | 251,350 |
| Net Pension Liability | 57,494 | 18,765 | -- | 76,259 | -- |
| OPEB | 75,673 | -- | ( 53,230) | 22,443 | -- |
| Notes payable | -- | 50,000 | -- | 50,000 | 50,000 |
| Business-type activities Long-term liabilities | $ 6,985,754 | $ 342,650 | $ (274,580) | $ 7,053,824 | $ 177,817 |

### G. Restricted Assets

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

| | Business-type Activities |
|---|---|
| Customer deposits | $ 38,304 |
| Revenue bond operations and maintenance account | 279,555 |
| Revenue bond depreciation account | 104,663 |
| Construction | 193,000 |
| Total restricted assets | $ 615,522 |

## V. OTHER INFORMATION

### A. Risk Management

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

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

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

### B. Contingent Liabilities

It is the opinion of the government's counsel that there are no pending lawsuits or unasserted claims against the Municipality of Marlinton, West Virginia.

### C. Subsequent Events

The Town's management has evaluated the effect that subsequent events would have on the financial statements through September 30, 2021, which is the date the financial statements were available to be released.

### D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

## VI. EMPLOYEE RETIREMENT SYSTEMS AND PLANS

*Plan Descriptions, Contribution Information, and Funding Policies*

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

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

**Public Employees Retirement System (PERS)**

| | |
|---|---|
| Eligibility to participate | All government full-time employees |
| Authority establishing contribution | State Statute |
| Obligations and benefit provisions: | |
| Plan member's contribution rate | 4.50% |
| Plan member's contribution rate hired after 7/01/2015 | 6.00% |
| Municipality's contribution rate | 10.00% |
| Period required to vest | Five years |
| Benefits and eligibility for distribution | A member who has attained age 50 and has earned 20 or more years of contributing service, or age 50 when age plus contributory service equals 70 while still in covered employment; or the attainment of age 60 and completion of 10 years contributory service while still in covered employment; or attainment of age 62 and completion of 5 years of contributory service. The final average salary is the average of the highest annual compensation received by the member during covered employment for any 5 consecutive plan years (January 1 - December 31) within the last 10 years of service. |

| | |
|---|---|
| Deferred retirement option | No deferred retirement option is available. |
| Provisions for: | |
| Cost of living | No |
| Death benefits | Yes |

*Trend Information*

**Public Employees Retirement System (PERS)**

| Fiscal Year | Annual Pension Cost | Percentage Contributed |
|---|---|---|
| 2021 | $ 41,402 | 100% |
| 2020 | $ 40,026 | 100% |
| 2019 | $ 39,257 | 100% |
| 2018 | $ 39,599 | 100% |
| 2017 | $ 37,373 | 100% |

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

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

At fiscal year-end, the government reported the following liabilities for its proportionate share of the net pension liabilities. The net pension asset or liability, deferred inflows and outflows of resources, and pension expense were determined by actuarial valuations as of July 1, 2019 rolled forward to June 30, 2020, which is the measurement date. The government's proportion of the net pension liabilities was based on a projection of the government's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020, the government's reported the following proportions and increase/decreases from its proportion measured as of June 30, 2019:

| | PERS |
|---|---|
| Amount for proportionate share of net pension liability | $ 136,176 |
| Percentage for proportionate share of net pension liability | 0.02578% |
| Decrease % from prior proportion measured | 0.00090% |

PERS change in benefit terms: Under HB 3095, a minimum monthly benefit of $750 was established for current pensioners as of June 3, 2019 who had completed at least 25 years of service. A corresponding minimum of $375 was set for beneficiaries in pay status under 50% joint-and-survivor annuity options where the original member had completed at least 25 years of service.

PERS change in assumptions: Mortality, withdrawal rates, disability rates, retirement rates, salary scales, and non-contributory service loads were changed to reflect the most recent experience study for June 1, 2013 through June 30, 2018.

WVDSRS change in benefit terms: Due to the passage of Senate Bill 501 during the 2018 Regular Session of the West Virginia Legislature, the WVDSRS benefit multiplier was increased from 2.25% to 2.50%.

For this fiscal year, the government recognized the following pension expense:

| | PERS |
|---|---|
| Pension expense | $ 38,509 |

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

**Pubic Employees Retirement System**

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in proportion and differences between government contributions and proportionate share of contributions | $ 5,273 | $ (2,364) |
| Net difference between projected and actual investment earnings on pension plan investments | 43,161 | -- |
| Difference between expected and actual experience | 20,039 | (2,807) |
| Deferred difference in assumptions | -- | (6,000) |
| Government contributions subsequent to the measurement date | 41,402 | -- |
| | $ 109,875 | $ (11,171) |

The amount reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows related to pensions will be recognized in pension expense as follows:

| Year Ended June 30: | |
|---|---|
| 2022 | $ (447) |
| 2023 | 17,400 |
| 2024 | 24,327 |
| 2025 | 16,022 |
| Total | $ 57,302 |

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of July 1, 2019 and rolled forward to June 30, 2020 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

**Public Employees Retirement System**

| | |
|---|---|
| Actuarial cost method | Individual entry age normal cost with level percentage of payroll |
| Asset valuation method | Fair value |
| Amortization method | Level dollar, fixed period |
| Amortization period | 30 years from July 2008 |
| Actuarial assumptions: | |
| Inflation rate | 3.00% |
| Projected salary increases | By age from 4.75% at age 30, declining to 3.25% at age 65 |
| Investment Rate of Return | 7.50% |
| Discount rate | 7.50% |
| Mortality rates | Active - RP-2014 Employee Mortality Tables, rolled back to 2006 & projected with Scale MP-2016 fully generational |
| | Healthy male retirees - 103% of RP-2014 Male Healthy Annuitant table, rolled back to 2006 and projected with Scale MP-2016 fully generational |
| | Healthy female retirees - RP-2014 Female Healthy Annuitant tables, rolled back to 2006 and projected with Scale MP-2016 fully generational |
| | Disabled males - RP-2014 Male Disabled Retiree table, rolled back to 2006 and projected with Scale MP-2016 fully generational |
| | Disabled females - RP-2014 Female Disabled Retiree table, rolled back to 2006 and projected with Scale MP-2016 fully generational |
| Withdrawal rates | 6.00% - 28.00% |
| Disability rates | 0.04% - 0.60% |
| Retirement rates | 25% - 100% |

The date range of the most recent experience study/review was from 2011-2016.

The long-term expected rates of return on pension plan investments were determined using the building-block method in which estimates of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following tables and were used for all defined benefit plans:

| Investment | Long-term Expected Real Rate of Return | Target Asset Allocation |
|---|---|---|
| Domestic Equity | 5.5% | 27.5% |
| International Equity | 7.0% | 27.5% |
| Fixed Income | 2.2% | 15.0% |
| Real Estate | 6.6% | 10.0% |
| Private Equity | 8.5% | 10.0% |
| Hedge Funds | 4.0% | 10.0% |
| | | 100.0% |

*Discount rate*. The discount rate used to measure the total pension liability was 7.5 percent for all defined benefit plans. The projection 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 for 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 rate of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate.

| | 1% Decrease 6.50% | 1% Increase 7.50% | 1% Increase 8.50% |
|---|---|---|---|
| Government's proportionate share of PERS's net pension liability | $ 1,320,719 | $ 136,176 | ########## |

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

## VII Postemployment Benefits Other Than Pensions (OPEB)

### *General Information about the OPEB Plan*

*Plan description*. The government contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple-employer defined benefit other postemployment benefit plan. The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. The four remaining members represent the public at large. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th. Street, SE, Suite 2, Charleston, WV, 25304.

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

*Contributions*. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute to the RHBT the pay-go premium at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately $142 million for the fiscal year ending June 30, 2020. Contributions to the OPEB plan from the government were $9,280 for the current fiscal year.

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

At fiscal year-end, the government reported a liability of $28,409 for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of June 30, 2019, rolled forward to June 30, 2020, which is the measurement date. OPEB amounts were allocated to each contributing employer, including the government, based on their proportionate share of employer contributions to the RHBT for the fiscal year ended June 30, 2020. At June 30, 2020, the government's proportion was .001043%, which was a decrease of .00003% from its proportion measured as of June 30, 2019.

For this fiscal year, the government recognized OPEB expense of $11,236.

The government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Changes in proportion and differences between government contributions and proportionate share of contributions | $ 72,124 | $ (1,544) |
| Net difference between projected and actual investment and non -investment earnings on OPEB plan investments | -- | (962) |
| Difference between expected and actual experience | 3,118 | (18,420) |
| Changes of assumptions | -- | (64,125) |
| Government contributions subsequent to the measurement date | 11,840 | -- |
| | $ 87,082 | (85,051) |

The amount reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

The amount reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30: | |
|---|---|
| 2022 | $ (8,745) |
| 2023 | (7,510) |
| 2024 | (5,951) |
| 2025 | 12,397 |
| Total | $ (9,809) |

*Actuarial assumptions*. The net OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions:

| | |
|---|---|
| Inflation rate | 2.25% |
| Salary increases | Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation. |
| Investment Rate of Return | 6.65%, net of OPEB plan investment expense, including inflation |
| Healthcare cost trend rates | Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 3.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036. |
| Actuarial cost method | Entry Age Normal Cost Method |
| Amortization method | Level percentage of payroll over a 20-year closed period beginning June 30, 2017 |
| Retirement age | Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation. |
| Wage inflation | 2.75% for PERS and TRS, and 3.25% for Troopers |
| Asset valuation method | Market value |
| Aging factors | Based on the 2013 SOA Study "Health Care Costs - From Birth to Death" |

Mortality rates for Post-Retirement for PERS: Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females. Mortality rates for Pre-Retiremem for PERS: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 - June 30, 2020.

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2018 and a measurement date of June 30, 2020. The net effect of the assumption changes was approximately $1.147 million. The assumption changes included 1) decrease price inflation rate from 2.75% to 2.25%, 2) Decrease discount rate from 7.15% to 6.65%; 3) decrease wage inflation rate from 4.00% to 2.75% for PERS, 4) develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage; 5) develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage; 6) develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits; 7) develop termination, disability, and mortality rates based on experience specific to OPEB covered group, and 8) develop salary increase assumptions based on experience specific to the OPEB covered group.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future rates of return 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 rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (CMA), and forecast returns were provided by the Plan's investment advisors, including West Virginia Investment Management Board (WVIMB). The projected return for the Money Market Pool held with the West Virginia Board of Treasury Investments (WVBTI) was estimated based on WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|---|---|---|
| Global equity | 55.0% | 6.8% |
| Core plus fixed income | 15.0% | 4.1% |
| Core real estate | 10.0% | 6.1% |
| Hedge fund | 10.0% | 4.4% |
| Private equity | 10.0% | 8.8% |
| | 100.0% | |

*Discount rate*. A discount rate of 6.65% was used to measure the total OPEB liability. This discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a $30 million annual contribution from the State through 2037. Based on those assumptions, and that the plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

*Sensitivity of the government's proportionate share of the net OPEB liability to changes in the discount rate*. The following chart presents the government's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

| | 1% Decrease 5.65% | Current Discount Rate 6.65% | 1% Increase 7.65% |
|---|---|---|---|
| Net OPEB liability (asset) | $ 40,513 | $ 28,409 | $ 18,271 |

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

| | 1% Decrease 5.65% | Current Discount Rate 6.65% | 1% Increase 7.65% |
|---|---|---|---|
| Net OPEB liability (asset) | $ 17,093 | $ 28,409 | $ 42,073 |

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

*REQUIRED SUPPLEMENTARY INFORMATION*

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2021

| | Budgeted Amounts | | Actual Modified Accrual Basis | Adjustments Budget Basis | Actual Amounts Budget Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|---|
| | Original | Final | | | | |
| **REVENUES** | | | | | | |
| Taxes: | | | | | | |
| Ad valorem property taxes | $ 155,676 | 155,676 | $ 166,040 | ( 7,882) | $ 158,158 | $ 2,482 |
| Business and occupation tax | 95,000 | 101,000 | 86,842 | - - | 86,842 | ( 14,158) |
| Alcoholic beverage tax | 5,000 | 5,000 | 6,396 | - - | 6,396 | 1,396 |
| Utility tax | 52,029 | 52,029 | 50,798 | - - | 50,798 | ( 1,231) |
| Hotel motel tax | 18,500 | 18,500 | 18,460 | - - | 18,460 | ( 40) |
| Amusement tax | 11,000 | 5,000 | 9,877 | - - | 9,877 | 4,877 |
| Gas and oil severance tax | 3,321 | 3,321 | 1,683 | - - | 1,683 | ( 1,638) |
| Animal tax | 500 | 500 | 448 | - - | 448 | ( 52) |
| Intergovernmental: | | | | | - - | - - |
| Federal | - - | 68,350 | 68,128 | - - | 68,128 | ( 222) |
| State | - - | 39,550 | 2,411 | - - | 2,411 | ( 37,139) |
| Local | - - | - - | 38,554 | - - | 38,554 | 38,554 |
| Licenses and permits | 53,292 | 53,292 | 135,205 | 1,260 | 136,465 | 83,173 |
| Charges for services | 254,850 | 241,850 | 259,590 | ( 1,523) | 258,067 | 16,217 |
| Fines and forfeits | 1,000 | 500 | 347 | - - | 347 | ( 153) |
| Interest earnings | 7,500 | 2,000 | 2,616 | - - | 2,616 | 616 |
| Video lottery | 1,000 | 1,000 | 1,178 | - - | 1,178 | 178 |
| Miscellaneous | 1,594 | 2,094 | 6,118 | - - | 6,118 | 4,024 |
| Total revenues | 660,262 | 749,662 | 854,691 | ( 8,145) | 846,546 | 96,884 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | 214,553 | 389,419 | 270,080 | 113,989 | 384,069 | 5,350 |
| Public safety | 199,150 | 229,650 | 149,150 | ( 42,341) | 106,809 | 122,841 |
| Streets and transportation | 153,218 | 158,218 | 137,043 | 1,257 | 138,300 | 19,918 |
| Culture and recreation | 24,250 | 95,750 | 75,779 | - - | 75,779 | 19,971 |
| Health and sanitation | 173,747 | 293,755 | 188,235 | - - | 188,235 | 105,520 |
| Social services | 52,712 | 56,177 | 50,567 | - - | 50,567 | 5,610 |
| Total expenditures | 817,630 | 1,222,969 | 870,854 | ( 72,905) | 943,759 | 279,210 |
| Net change in fund balance | ( 157,368) | ( 473,307) | ( 16,163) | ( 81,050) | ( 97,213) | 376,094 |
| Fund balance - beginning | 157,368 | 473,307 | 562,909 | ( 58,085) | 504,824 | 31,517 |
| Fund balance - ending | $ - - | $ - - | $ 546,746 | ( 139,135) | $ 407,611 | $ 407,611 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
BUDGETARY COMPARISON SCHEDULE - COAL SEVERANCE TAX FUND
For the Fiscal Year Ended June 30, 2021

| | Budgeted Amounts | | Actual Modified Accrual Basis | Adjustments Budget Basis | Actual Modified Accrual Basis | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|---|---|
| | Original | Final | | | | |
| **REVENUES** | | | | | | |
| Taxes: | | | | | | |
| Coal severance tax | $ 3,500 | $ 2,000 | $ 1,985 | $ 266 | $ 2,251 | $ 251 |
| Total revenues | 3,500 | 2,000 | 1,985 | 266 | 2,251 | 251 |
| **EXPENDITURES** | | | | | | |
| Current: | | | | | | |
| General government | 500 | 500 | -- | -- | -- | 500 |
| Streets and transportation | 5,000 | 8,326 | 2,516 | -- | 2,516 | 5,810 |
| Total expenditures | 5,500 | 8,826 | 2,516 | -- | 2,516 | 6,310 |
| Net change in fund balance | ( 2,000) | ( 6,826) | ( 531) | 266 | ( 265) | 6,561 |
| Fund balance - beginning | 2,000 | 6,826 | 5,353 | ( 461) | 4,892 | ( 1,934) |
| Fund balance - ending | $ -- | $ -- | $ 4,822 | $ ( 195) | 4,627 | 4,627 |

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

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
SCHEDULES OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
For the Fiscal Year Ended June 30, 2021

Public Employees Retirement System
Last 6 Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Government's proportion of the net pension liability (asset) (percentage) | 0.002578% | 0.002674% | 0.002606% | 0.022685% | 0.022553% |
| Government's proportionate share of the net pension liability (asset) | 136,176 | $ 57,494 | $ 67,288 | $ 97,919 | 207,288 |
| Government's covered-employee payroll | 400,260 | $ 392,575 | $ 359,988 | $ 311,442 | 313,602 |
| Government's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 34.02% | 14.65% | 18.69% | 31.44% | 66.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 93.67% | 93.67% | 96.33% | 93.67% | 0.00% |

* - The amounts presented for each fiscal year were determined as of June 30, 2020

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2021

Public Employees Insurance Agency
Three Fiscal Years*

| | 2020 | 2019 | 2018 |
|---|---|---|---|
| Government's proportion of the net OPEB liability | ######## | 0.00577% | 0.00181% |
| Government's proportionate share of the net OPEB liability | $ 28,409 | $ 95,790 | $ 39,024 |
| Government's covered payroll | $ 400,260 | $ 392,575 | $ 359,988 |
| Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 7.10% | 24.40% | 10.84% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 39.69% | 39.69% | 30.98% |

* - Applicable information was available for only three years for this schedule.

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
SCHEDULE OF GOVERNMENT CONTRIBUTIONS-PERS
For the Fiscal Year Ended June 30, 2021

Public Employees Retirement System
Last 6 fiscal years

| | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Contractually required contribution | $ 41,401 | $ 40,026 | $ 39,257 | $ 39,599 | $ 37,373 |
| Contributions in relation to the contractually required contribution | (41,401) | (40,026) | (39,257) | (39,599) | (37,373) |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- | $ -- | $ -- |
| Government's covered-employee payroll | $ 414,209 | $ 400,260 | $ 392,575 | $ 359,988 | $ 311,442 |
| Plan fiduciary net position as a percentage of the total pension liability | 10.00% | 10.00% | 10.00% | 11.00% | 12.00% |

This schedule is presented to illustrate the requirement to show information for 3 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
SCHEDULE OF GOVERNMENT CONTRIBUTIONS-OPEB
For the Fiscal Year Ended June 30, 2021

Public Employees Insurance Agency
Three fiscal years

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Contractually required contribution | $ 11,840 | $ 12,432 | $ 11,895 |
| Contributions in relation to the contractually required contribution | (11,840) | (12,432) | (11,895) |
| Contribution deficiency (excess) | $ -- | $ -- | $ -- |
| Government's covered-employee payroll | $ 414,200 | $ 400,260 | $ 392,575 |
| Contributions as a percentage of covered payroll | 3.66% | 3.66% | 3.03% |

Applicable information was available for Three years for this schedule

*SUPPLEMENTARY INFORMATION*

# MUNICIPALITY OF MARLINTON
# SCHEDULE OF RATE COVENANT COMPLIANCE
## For the Fiscal Year Ended June 30, 2021

1. The Muncipality of Marlinton, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 2018 Water Bonds. Specifically, the entity must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"The issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2018 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve account established for any other obligations outstanding on a parity with or junior to the Bonds, including the prior Bonds, an amount at least equal to the requirement therefore, such percentage may be reduced to 110%."

The following schedule summarizes the provisions for the fiscal year ended June, 30, 2021.

**Rate Covenant**

| | Net Gross Revenues | Maximum Amount Annual Debt Service | Percentage | Percentage Required |
|---|---|---|---|---|
| $ | 287,811 | $ 75,290 | 382% | 110% |

As of June 30, 2021, the entity was in compliance with the provisions of the Series 2018 water revenue bond covenant which require revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the Series 2018 A revenue bond covenant require that assets be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year. The entity deposited $119,233 in the revenue and reserve accounts to comply with the bond provisions.

**MUNICIPALITY OF MARLINTON**
**SCHEDULE OF RATE COVENANT COMPLIANCE**
**For the Fiscal Year Ended June 30, 2021**

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I. The Muncipality of Marlinton, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 2005 Sewerage Bonds. Specifically, the entity must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"The issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal and interest, if any, on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with or junior to the Bonds, including the Prior Bonds; provided however, that so long as there exists in the Series 2005 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest, if any, which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve account established for any other obligations outstanding on a parity with or junior to the Bonds, including the prior Bonds, an amount at least equal to the requirement therefore, such percentage may be reduced to 110%."

The following schedule summarizes the provisions for the fiscal year ended June, 30, 2021

**Rate Covenant**

| | Net Gross Revenues | Maximum Amount Annual Debt Service | Percentage | Percentage Required |
|---|---|---|---|---|
| $ | ( 24,346) | $ 69,420 | -35% | 110% |

As of June 30, 2021, the entity was not in compliance with the provisions of the Series 2005 sewerage revenue bond covenant which require revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

The provisions of the Series 2005 A revenue bond covenant require that assets be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year. The entity deposited $80,275 in the revenue and reserve accounts to comply with the bond provisions.

*ACCOMPANYING INFORMATION*

Harold Fortner, CPA

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White Hall WV, 26554
harold.fortner.cpa@gmail.com

# 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*

## Independent Auditor's Report

Honorable Mayor and Council
Municipality of Marlinton
Marlinton, West Virginia 26250

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 (the Municipality), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated July 31, 2023.

### Internal Control Over Financial Reporting

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Municipality'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items 2021-001 and 2021-002.

**Entity's Response to Findings**

The Municipality's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The Municipality's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

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

Respectfully submitted,

Harold Fortner

Harold C Fortner, CPA
Whitehall, WV 26554

July 31, 2023

## Sewerage Refunding Revenue Bond Ordinance -Rate Covenant
## 2021-001

**CONDITION:**

It was determined during our examination that the Municipality of Marlinton Sewerageworks failed to assess sufficient rates or charges to comply with the 2005 Bond Rate Covenant Ordinance. The sewerageworks system failed to meet this covenant by an amount of $100,708 during the fiscal year ended June 30, 2021.

**CRITERIA:**

The Municipality of Marlinton's 2005 Sewerage Refunding Revenue Bond Ordinance Rate Covenant states in part that:

> "...The sewerageworks rates and charges shall be sufficient to provide each year gross revenues to make required payments into funds and accounts created by the bond ordinance. Gross revenues shall be equal to but not less than 110 percent of the average annual debt service requirements, principal and interest, and sufficient to pay all reasonable operating expenses of the system."

**CAUSE:**

The municipal sewerageworks system failed to assess adequate rates and charges to pay all operating expenses of the system and meet the bond rate covenant requirements.

**EFFECT:**

The Municipality incurred a net loss in the current fiscal year and therefore is in violation of the bond rate covenant. Further losses could inhibit the ability of the system from meeting financial obligations.

**RECOMMENDATION:**

The municipal officials are directed to review this ordinance and comply with the provisions set forth therein.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The Municipal officials stated that will monitor the situation in future years.

## Subsidizing Operation of Sewerage Fund
## 2021-001

**CONDITION:**

It was determined during this examination that the officials of the Municipality of Marlinton paid certain expenses of the Sewerage Fund from the General Fund. Although municipalities may make grants to their utility systems, such grants must be to fund plant expansion or to pay for unforeseen repair costs.

**CRITERIA:**

An opinion of the State Attorney General rendered April 3, 1979. (38 Op. Att'y Gen. 60 (1979) states in part that:

> "...It is the opinion that
> (1) a municipal corporation may not loan monies to its utility systems no matter what the source of the funds
>
> (2) the municipal corporation may make nonbinding grants to a municipal utility to fund plant expansion or to pay for unforeseen repair costs and those grants may include revenue sharing funds received by the municipality and
>
> (3) a municipal corporation may not subsidize the operation of its utilities with federal revenue sharing funds or any other funds in order to forego the necessity of increasing user charges to those levels prescribed by law..."

**CAUSE:**

The Municipal officials transferred money into the Sewerage Fund from the General Fund for operating expenses.

The Sewerage Fund are not operating as an independent fund and is being subsidized by the General Fund.

**RECOMMENDATION:**

The municipal officials are directed to discontinue subsidizing the operations of the Sewerage Fund from other municipal funds.

**AUDITED AGENCY'S RESPONSE:**

The municipal officials stated that they will cease subsidizing operations in the future.

## Failure to Submit Budget Revision to Appropriate the Unexpended Balance -General Fund
## 2021-003

**CONDITION:**

We determined during our audit that the officials of the Municipality of Marlinton failed to submit a budget revision for the General Fund to appropriate $31,517, the actual unexpended fund balance at June 30, 2021.

**CRITERIA:**

West Virginia Code §6-9-3 states in part that:

> "...All unexpended balances or appropriations shall be transferred to the credit of the fund from which originally appropriated or levied whenever the account with an appropriation is closed."

In addition, a State Supreme Court decision stated that:

> "...Any excesses or balances should be carried into the proper funds of the succeeding fiscal year and proper credit made therefore when levies are being laid for that year... Ireland v Board of Education, 115 WV 614, 177 S.E. 452 (1934)."

**CAUSE:**

The Municipality failed to revise the carryover balance for the General Fund.

**EFFECT:**

The Municipality did not appropriate all funds available.

**RECOMMENDATION:**

The Municipality should exercise proper budgetary practices.

**VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS:**

The Municipal officials stated they will revise the unencumbered balance for the General Fund in the future.

MUNICIPALITY OF MARLINTON, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Fiscal Year Ended June 30, 2021

Status of Prior Year Audit Findings

| | | |
|---|---|---|
| 2020-001 | Expenditures in Excess of Amounts Allocated in the Levy Estimate | Resolved |