

Audited Financial Statements

Region VII Planning and Development Council

Year Ended June 30, 2014

Audited Financial Statements
REGION VII PLANNING AND DEVELOPMENT COUNCIL
Year Ended June 30, 2014

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-7
Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Balance Sheet - Governmental Fund	10
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	11
Notes to Financial Statements	12-18
Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund	19
Note to Required Supplementary Information	20
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22

INDEPENDENT AUDITOR'S REPORT

To the Members of the
Region VII Planning and Development Council
Buckhannon, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the Region VII Planning and Development Council (the Council), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Region VII Planning and Development Council as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and pages 19 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014, on our consideration of the Council'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 describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the 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 Council's internal control over financial reporting and compliance.



Charleston, West Virginia
December 10, 2014

REGION VII PLANNING AND DEVELOPMENT COUNCIL

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

This section of the Region VII Planning and Development Council (the Council) annual financial report presents our discussion and analysis of the Council's financial performance during the fiscal year that ended June 30, 2014. This section introduces the financial statements and provides an analytical overview of the Council's financial activities. Please read it in conjunction with the Council's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT

Net Position - The Council's total combined net position is \$368,846 as of the close of the fiscal year.

Changes in Net Position - During the year, the Council's net position increased by \$39,338 or 11.9%. In the prior year net position increased by \$1,457 or 0.4%.

Revenues and Expenses - Total revenues decreased by \$26,235 or 4.6%. Total expenses decreased \$64,116 or 11.4%. The majority of the decrease in revenues was due to the Council receiving funding to complete a Regional Broadband Strategic Plan in 2013. This plan was substantially completed and funded in 2013 with only a small portion being recognized in 2014. The total decrease in revenues from this program was \$45,064. There was also a decrease from the Energy Efficiency Conservation Block Grant through the WV Division of Energy, which was completed in 2013. This program accounted for a decrease in both revenues and expenses of \$28,394 in 2014. Expenses also decreased significantly due to the retirement of a key employee during the prior fiscal year. No new employees were hired so full-time staffing was reduced by one employee.

Governmental Funds - Fund Balances - As of the close of the fiscal year 2014, the Council's governmental funds reported combined total fund equity of \$205,762, a decrease of \$15,639 or 7.1% in comparison with the prior year balance.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the Council's financial statements. The Council's financial statements are comprised of three components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-Wide Statements

Government-wide financial statements provide both long-term and short-term information about the Council's financial condition. Changes in the Council's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the Council's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

The fund financial statements focus on the individual parts of the Council, reporting the Council's operations, in more detail than the government-wide financial statements. Fund financial statements can include the statements for governmental, proprietary, and fiduciary funds and similar component units. The Council has only governmental funds.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Year Ended June 30, 2014

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS (Continued)**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

CONDENSED FINANCIAL INFORMATION**Condensed Statement of Net Position**

The following condensed financial information was derived from the government-wide statement of net position and summarizes the Council's net position as of June 30, 2014 and 2013.

Net Position as of June 30

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Total current assets	\$ 506,681	\$ 469,296	8.0%
Capital assets, net of accumulated depreciation	<u>7,561</u>	<u>12,765</u>	(40.8)%
Total assets	514,242	482,061	6.7%
Total current liabilities	<u>145,396</u>	<u>152,553</u>	(4.7)%
Total liabilities	145,396	152,553	(4.7)%
Investment in capital assets	7,561	12,765	(40.8)%
Unrestricted	<u>361,285</u>	<u>316,743</u>	14.1%
Total net position	<u>\$ 368,846</u>	<u>\$ 329,508</u>	11.9%

The change in capital assets, net of accumulated depreciation is due to the Council not making any significant purchases of capital assets while continuing to recognize depreciation expense on previously acquired capital assets.

The change in current liabilities is due to a decrease in accounts payable of \$6,629 (83.6%) and an increase in the accrued post-employment benefits other than pensions (OPEB), \$2,256 (1.8%). As in prior years, there is no requirement to fund the OPEB liability and the Council has no plans to pay down the liability at this time. Accordingly it will continue to increase over time.

The Council's unrestricted net position can be used for the operations of the Council.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Year Ended June 30, 2014

CONDENSED FINANCIAL INFORMATION (Continued)**Condensed Statement of Activities**

The following condensed financial information was derived from the government-wide statement of activities and reflects how the Council's net position changed during the fiscal year.

	<u>2014</u>	<u>2013</u>	<u>% Change</u>
Revenue:			
Local government assessments	\$ 112,089	\$ 72,671	54.2%
Miscellaneous	<u>10,554</u>	<u>6,861</u>	53.9%
Total general revenues	<u>122,643</u>	<u>79,532</u>	54.2%
Charges for service	241,475	245,192	(1.5)%
Operating grants	<u>175,532</u>	<u>241,161</u>	(27.2)%
Total program revenues	<u>417,007</u>	<u>486,353</u>	(14.3)%
Total revenues	<u>539,650</u>	<u>565,885</u>	(4.6)%
Expenses:			
Economic development	<u>500,312</u>	<u>564,428</u>	(11.4)%
Total expenses	<u>500,312</u>	<u>564,428</u>	(11.4)%
Changes in net position	39,338	1,457	26.0%
Net position, beginning	<u>329,508</u>	<u>328,051</u>	0.4%
Net position, ending	<u>368,846</u>	<u>329,508</u>	11.9%

Local government assessments increased from 2013 to 2014 due to the Council adopting an assessment dues increase that began in 2013 and continues through 2015. There is also a slight increase in the assessment dues that corresponds to the increase in population throughout the region, based on the bicentennial census.

The decrease in operating grants is related to the Energy Efficiency Conservation Block Grant and the Broadband Strategic Plan grant, which were completed, or substantially completed in 2013. The Energy Efficiency Conservation Block Grant and Broadband Strategic Plan grants decreased \$28,394 and \$45,064, respectively, from the prior year.

Over time, increases and decreases in net position measure whether the Council's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$39,338 or 11.9%.

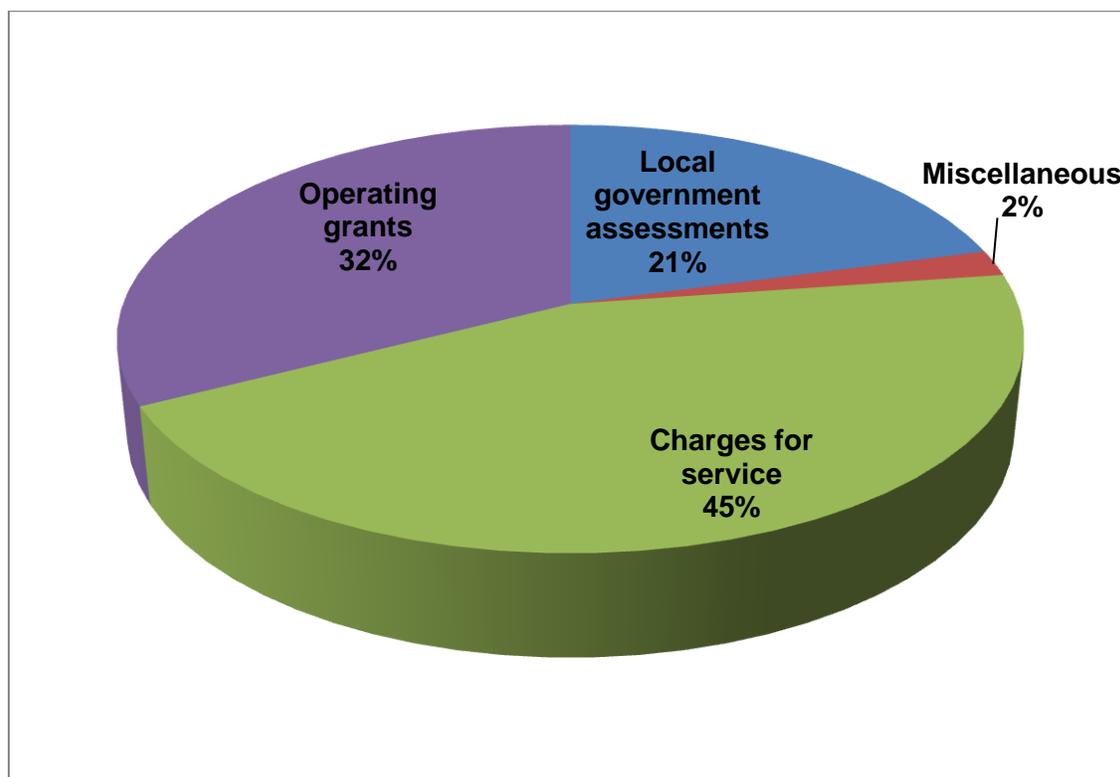
REGION VII PLANNING AND DEVELOPMENT COUNCIL

MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)

Year Ended June 30, 2014

CONDENSED FINANCIAL INFORMATION (Continued)

The following chart depicts the revenues of the Council for the fiscal year ended June 30, 2014.



In the current year, charges for service and local government assessments have become more significant sources of revenue for the Council. While the revenue generated by charges for service have remained steady and local government assessments have increased (and will continue to increase through 2015), operating grants have made up less of the Council's revenue. While administrative grants from the U.S. Economic Development Administration (EDA), Appalachian Regional Commission (ARC), and the West Virginia Development Office remain consistent, other grant sources such as the Energy Efficiency Conservation Block Grant (EECBG) was a one-time grant awarded during fiscal year 2011 and continued through 2013. The Council is not able to predict when grants such as the EECBG will be awarded and thus does not budget for them. It is expected that in the future charges for services will remain steady and that operating grants will fluctuate depending on funding opportunities.

REGION VII PLANNING AND DEVELOPMENT COUNCIL**MANAGEMENT DISCUSSION AND ANALYSIS
(Continued)**

Year Ended June 30, 2014

CONDENSED FINANCIAL INFORMATION (Continued)

Fees charged to member governments for project management services, charges for service, are contingent upon the continued utilization of the Council's services and the continued funding of community and economic development projects within the Council's seven county region.

The Council also relies on federal funds as a source of revenue. The federal aid is obtained in the form of operating grants and special project grants. The receipt of these grants is contingent upon continued funding of the federal awarding agencies.

Miscellaneous revenue items include interest on the Council's interest bearing accounts, in-kind donations, and other refunds or rebates.

All of the Council's expenses are related to community and economic development activities.

FINANCIAL ANALYSIS OF THE COUNCIL'S MAJOR FUNDS

The general fund is the Council's primary and only operating fund. At June 30, 2014, the Council reported a general fund balance of \$205,762. The entire balance is unassigned.

CAPITAL ASSETS

As of June 30, 2014, the Council had invested \$7,561, net of accumulated depreciation, in furniture and equipment. Depreciation charges for this fiscal year totaled \$8,475.

The Council replaces furniture and equipment as needed and has no significant equipment purchases planned.

REQUESTS FOR INFORMATION

This financial report is designed to provide an overview of the finances of the Council for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Region VII Planning & Development Council, 99 Edmiston Way, Suite 225, Buckhannon, WV 26201.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

STATEMENT OF NET POSITION

June 30, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 165,918
Certificates of deposits	86,223
Accounts receivable	247,114
Prepaid expenses	7,426
Capital assets, net	<u>7,561</u>
Total assets	<u>\$ 514,242</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 1,301
Accrued expenses	432
Compensated absences	15,944
Accrued post-employment benefits other than pensions	127,344
Unearned revenue	<u>375</u>
Total liabilities	<u>\$ 145,396</u>
<u>NET POSITION</u>	
Investment in capital assets	\$ 7,561
Unrestricted	<u>361,285</u>
Total net position	<u>\$ 368,846</u>

The accompanying notes are an integral part of these financial statements.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2014

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 165,918
Certificates of deposits	86,223
Accounts receivable	247,114
Prepaid expenses	<u>7,426</u>
Total assets	<u>\$ 506,681</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 1,301
Accrued expenses	432
Accrued post-employment benefits other than pensions	127,344
Unearned revenue	<u>375</u>
Total liabilities	<u>129,452</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred administrative revenue	<u>171,467</u>
 <u>FUND BALANCE</u>	
Unassigned	<u>205,762</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 506,681</u>

The accompanying notes are an integral part of these financial statements.

REGION VII PLANNING AND DEVELOPMENT COUNCIL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND

Year Ended June 30, 2014

	General Fund
Revenues:	
Grants	\$ 175,532
Local government assessments	112,089
Administrative contracts	180,902
Interest	525
Miscellaneous	3,350
In-kind	6,679
Total revenues	479,077
Expenditures:	
Salaries and wages	215,348
Fringe benefits	95,927
Contractual	16,398
Travel	8,984
Rent	33,498
Equipment	5,303
Supplies	2,709
Postage	2,099
Telephone	5,318
Printing and publications	3,075
Liability insurance	6,518
Legal fees	125
Consultants	67,312
Computers	4,778
Dues and memberships	4,647
Meetings and conferences	15,707
Miscellaneous	291
In-kind	6,679
Total expenditures	494,716
Net change in fund balance	(15,639)
Fund balance, beginning of year	221,401
Fund balance, end of year	\$ 205,762

The accompanying notes are an integral part of these financial statements.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF ENTITY

The financial statements of Region VII Planning and Development Council (the Council) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units as prescribed by the Governmental Accounting Standards Board (GASB).

The Council is a political subdivision of the State of West Virginia and functions as an association of local governments organized as a regional planning and development body. The Council serves the counties of Barbour, Braxton, Gilmer, Lewis, Randolph, Tucker, and Upshur within the State of West Virginia, by promoting the social, economic, educational, environmental, and general welfare of the citizens of this region.

Management has considered all potential component units to be included in the Council's reporting entity by applying the criteria set forth in GAAP. These criteria include consideration of organizations for which the Council is financially accountable, or organizations for which the nature and significance of their relationship with the Council are such that exclusion would cause the Council's financial statements to be misleading or incomplete.

The Council established the Central Appalachian Development Organization (CADO), a 501(c)(4) social welfare organization in 2013. The purpose of CADO is to engage in economic development efforts in coordination with and to support the efforts of the Council. CADO has had no activity since inception and therefore no transactions to report in the accompanying financial statements. No other organizations have been identified that meet these criteria, and therefore the Council does not report any component units.

2 - 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 nonfiduciary activities of the government and comprise the Council's *governmental activities*, which normally are supported by taxes and intergovernmental revenues.

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

Separate financial statements are provided for governmental funds.

3 - 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)**

Local government assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days 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.

The government's only major governmental fund is the *general fund* which represents the government's primary operating fund. It accounts for all financial resources of the general government.

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 as program revenues. Likewise, general revenues include all taxes.

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.

4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIESCash and Cash Equivalents

Cash equivalents include amounts in demand deposit accounts as well as short-term investments which have maturity dates within three months of the date acquired by the Council and are readily convertible to known amounts of cash.

Certificates of Deposit

Certificates of deposits include deposits which have maturity dates in excess of three months beyond the date acquired by the Council.

Accounts Receivable

Accounts receivable are shown at their carrying or net realizable value which includes reductions by management of the estimated portion that is expected to be uncollectable based on specific identification method as applicable.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Budget and Budgetary Accounting

The Council is required to legally adopt an annual budget for its general fund, in accordance with its bylaws and the laws of the State of West Virginia, to be submitted to the governmental units which contribute to the financing of the Council. The budget for the General Fund is prepared on a budgetary basis which is different from accounting principles generally accepted in the United States of America for government units. The annual required contribution of post employment benefits other than pension expense is not an outflow for budgetary purposes but is an expenditure for financial reporting purposes.

Compensated Absences

Employees of the Council earn annual leave based upon years of service. Annual leave policy permits up to 240 hours to be accumulated per year, subject to a 240 hour maximum that an employee, upon termination of employment, may be paid.

Sick leave policy permits the accumulation of 144 hours per year and unused balances can be carried over from year-to-year not to exceed 720 hours. Since employees are not compensated for unused sick leave upon termination, no provision has been made in the financial statements for unused sick leave upon termination.

Capital Assets

Purchases of equipment with a useful life of over one year and in an amount exceeding \$500, are subject to capitalization in the government-wide financial statements. Items are depreciated over their useful lives based on their category of use. Categories are as follows:

Furniture and equipment	7-10 years
Computer and other electronic equipment	3-5 years

Fund Balances

In the governmental fund financial statements fund balance can be reported in five classifications.

Nonspendable - Represent fund balance amounts that are not in spendable form.

Restricted - Represent fund balance which is restricted when constraints are placed on its use either: (1) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions and/or enabling legislation.

Committed - Represents fund balance that has been approved by the highest level of formal action of Region VII and does not lapse at year-end. Region VII does not have any committed fund balance at June 30, 2014.

Assigned - Represents amounts that are constrained by Region VII's intent to be used for a specific purpose, but are neither committed nor restricted. Assigned fund balance must be approved by formal action of Region VII. A modification to this amount requires action by Region VII; however this approval lapses at the end of the fiscal year.

Unassigned - Fund balance that has not been reported in any other classification.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Net Position

In the government-wide financial statements net position is the residual measure of the components of the statement of net position and is reported as investment in capital assets or as unrestricted in accordance with U.S. generally accepted accounting principles.

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position by the government that is applicable to a future reporting period and so will not be recognized as an inflow of resources (revenue) until then. The Council has classified deferred administrative revenue as deferred inflows of resources.

5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported in the statement of net position differ from the governmental fund balance sheet because of the following:

Total fund balance on governmental fund balance sheet	\$ 205,762
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet	(15,944)
Unearned revenue related to receivables that are not available to pay current expenditures at year end, and therefore are reported as deferred inflows of resources in the governmental fund balance sheet	171,467
Capital assets used in governmental activities that are not current financial resources and, therefore, are not reported in the governmental fund balance sheet	<u>7,561</u>
Net position of governmental activities	<u>\$ 368,846</u>

Amounts reported in the statement of activities differ from the statement of governmental fund revenues, expenditures, and changes in fund balance because of the following:

Net change in fund balance - governmental fund	\$ (15,639)
Revenue that is not available at year end for expenditure and therefore, is not reported in the governmental funds	60,573
Depreciation expense related to capital assets which is not reported in the governmental funds because it does not effect current financial resources	(8,475)

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds report capital outlays as expenditures while the cost of capital assets is allocated over their useful lives in the statement of activities	3,271
Compensated absences reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	<u>(392)</u>
Change in net position of governmental activities	<u>\$ 39,338</u>

6 - CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

At June 30, 2014, the Council had deposits in financial institutions reported as cash and cash equivalents and certificates of deposit with carrying balances of \$252,141 and corresponding bank balances of \$256,273. Bank balances of \$250,000 are covered by federal depository insurance; any remaining balance is collateralized by obligations held by the Council's financial institution.

In accordance with the terms of grant agreements, when applicable, all federal programs maintain separate accounts with financial institutions.

7 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 95,486	\$ 3,271	\$ (23,039)	\$ 75,718
Less accumulated depreciation for:				
Furniture and equipment	<u>(82,721)</u>	<u>(8,475)</u>	<u>23,039</u>	<u>(68,157)</u>
Capital assets, net	<u>\$ 12,765</u>	<u>\$ (5,204)</u>	<u>\$ -</u>	<u>\$ 7,561</u>

8 - COMPENSATED ABSENCES

The following is a summary of the long-term debt activity in the statement of net position for the year ended June 30, 2014:

	<u>Balance July 1, 2013</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2014</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 15,552</u>	<u>\$ 392</u>	<u>\$ -</u>	<u>\$ 15,944</u>	<u>\$ 15,944</u>

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**9 - RETIREMENT PLAN**Plan Description

The Council contributes to the Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. PERS provides retirement benefits to plan members and beneficiaries.

The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304, or by calling (304) 558-3570.

Funding Policy

The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The governmental entity contribution rate of 14.5% of covered payroll is determined by the legislature.

The current combined contribution rate is 19% of annual covered payroll. The Council's contributions to PERS for the years ended June 30, 2014, 2013, and 2012, were \$30,520, \$33,370, and \$40,785, respectively, which were equal to the required contributions for each year.

10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONSPlan Description

The Council participates in the West Virginia Other Postemployment Benefit Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia, 25304-2345, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with generally accepted accounting principles. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Participating plan employers are billed per active health policy per month.

The Council's ARC was \$8,592, \$10,616, and \$46,128, and the Council has paid premiums of \$6,336, \$7,298, and \$8,106, which represent 73.7%, 68.7%, and 17.4% of the ARC, respectively, for the years ending June 30, 2014, 2013, and 2012. As a result, a net OPEB Plan liability of \$127,344, is included in the Council's Statement of Net Position and Balance Sheet – Government Fund as of June 30, 2014.

REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - LEASES**

The Council leases equipment and office space under operating leases which expire through June 2016. Future minimum payments under these operating lease agreements are as follows:

Year ending <u>June 30</u>	
2015	\$ 34,680
2016	<u>34,032</u>
	<u>\$ 68,712</u>

12 - RISK MANAGEMENT

The Council is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Council carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a quarterly rated premium and in exchange has transferred the Council's risk to the carrier to provide compensation for injuries sustained in the course of employment.

The Council, for an annual premium, has transferred its risk through insurance coverage for general liability, property damage, business interruption, errors and omissions, and natural disasters to the West Virginia Counties Risk Pool, a self-insured risk pool entity insuring local government entities within the state of West Virginia. Liability coverage under the policy is limited to \$1,000,000 per occurrence.

13 - NEW ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the Council's June 30, 2015 financial statements. The Council has not yet determined the financial impact this statement will have on its financial statements; however Statement No. 68 will require the Council to recognize a liability equal to its proportionate share of the actuarially determined net pension liability of the State of West Virginia's Public Employees' Retirement System.

REQUIRED SUPPLEMENTARY INFORMATION

REGION VII PLANNING AND DEVELOPMENT COUNCIL

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND

Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Grants	\$ 173,704	\$ 173,704	\$ 175,532
Local government assessments	112,089	112,089	112,089
Administrative contracts	278,200	278,200	180,902
Interest	-	-	525
Miscellaneous	-	-	3,350
In-kind	-	-	6,679
	<u>563,993</u>	<u>563,993</u>	<u>479,077</u>
Total revenues			
Expenditures:			
Salaries and wages	234,450	234,450	215,348
Fringe benefits	105,277	105,277	93,671
Contractual	34,000	34,000	16,398
Travel	11,500	11,500	8,984
Rent	25,400	25,400	33,498
Equipment	5,000	5,000	5,303
Supplies	4,500	4,500	2,709
Postage	4,000	4,000	2,099
Telephone	8,000	8,000	5,318
Printing and publications	4,000	4,000	3,075
Liability insurance	6,000	6,000	6,518
Legal	75,000	75,000	125
Professional fees	10,000	10,000	67,312
Computers	6,000	6,000	4,778
Dues and memberships	5,000	5,000	4,647
Meetings and conferences	20,000	20,000	15,707
Miscellaneous	5,866	5,866	291
In-kind	-	-	6,679
	<u>563,993</u>	<u>563,993</u>	<u>492,460</u>
Total expenditures			
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(13,383)</u>

See Independent Auditor's Report and Note to Required Supplementary Information.

REGION VII PLANNING AND DEVELOPMENT COUNCIL
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

1 - RECONCILIATION OF BUDGET INFORMATION

A reconciliation for the change in fund balance for the year ending June 30, 2014, on the budgetary basis to the GAAP basis fund financial statements follow:

Net change in fund balance - budgetary basis	\$ (13,383)
The annual required contribution portion of post employment benefits other than pension expense is not an outflow for budgetary purposes but is an expenditure for financial reporting purposes	<u>(2,256)</u>
Net change in fund balance - GAAP basis	<u>\$ (15,639)</u>

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

To the Members of the
Region VII Planning and Development Council
Buckhannon, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Region VII Planning and Development Council (the Council) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated December 10, 2014.

Internal Control over Financial Reporting

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

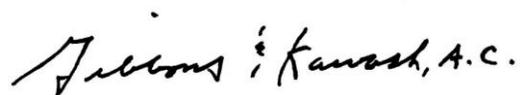
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Charleston, West Virginia
December 10, 2014