

Audited Financial Statements

Region VII Planning and Development Council

Year Ended June 30, 2015

Audited Financial Statements  
REGION VII PLANNING AND DEVELOPMENT COUNCIL  
Year Ended June 30, 2015

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## 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, 2015, 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 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, 2015, 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 on pages 3 through 7, and the budgetary comparison information, the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS on pages 23 through 26 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 January 13, 2016, 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 compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Council's internal control over financial reporting and compliance.



Charleston, West Virginia  
January 13, 2016

REGION VII PLANNING AND DEVELOPMENT COUNCIL  
MANAGEMENT DISCUSSION AND ANALYSIS (Unaudited)

Year Ended June 30, 2015

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, 2015. 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 \$301,368 as of the close of the fiscal year.

*Changes in Net Position* - During the year, the Council's net position decreased by \$67,478 or 18.3%. In the prior year net position increased by \$39,388 or 11.9%. The change in net position was significantly impacted by the implementation of a new accounting standard cumulative effect adjustment as described in Note 5 to the financial statements.

*Revenues and Expenses* - Total revenues increased by \$99,638 or 18.5%. Total expenses increased \$74,625 or 14.9%. The increase in revenues was due to the Council receiving funding to complete Source Water Protection Plans (SWAP) in 2015. This funding was new to 2015 and will carry over into 2016. The total increase in revenues from this program was \$118,250. Expenses also increased due to the SWAP plans, which required the hiring of outside consultants to produce the plans. The increase in expenses related to this program was \$107,500.

*Governmental Funds - Fund Balances* - As of the close of the fiscal year 2015, the Council's governmental funds reported combined total fund equity of \$322,486, an increase of \$116,724 or 56.7% 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 (Unaudited)  
(Continued)

Year Ended June 30, 2015

**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, 2015 and 2014.

**Net Position as of June 30:**

	<u>2015</u>	<u>2014</u>	<u>% Change</u>
Total current assets	\$ 542,665	\$ 506,681	7.1%
Capital assets, net of accumulated depreciation	<u>6,183</u>	<u>7,561</u>	(18.2)%
Total assets	<u>\$ 548,848</u>	<u>\$ 514,242</u>	6.7%
Deferred outflows of resources	<u>\$ 30,430</u>	<u>\$ -</u>	0.0%
Total liabilities	<u>\$ 201,948</u>	<u>\$ 145,396</u>	38.9%
Deferred inflows of resources	<u>\$ 75,962</u>	<u>\$ -</u>	0.0%
Investment in capital assets	\$ 6,183	\$ 7,561	(18.2)%
Unrestricted	<u>295,185</u>	<u>361,285</u>	(18.3)%
Total net position	<u>\$ 301,368</u>	<u>\$ 368,846</u>	(18.3)%

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.

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

Year Ended June 30, 2015

**CONDENSED FINANCIAL INFORMATION (Continued)**

**Condensed Statement of Net Position (Continued)**

The change in liabilities and unrestricted net position is due to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment to GASB Statement No. 68 during the year ended June 30, 2015. This pronouncement requires the Council, as a government agency whose employees participate in the West Virginia Public Employees' Retirement System, to recognize their proportionate share of the net pension liability of this cost sharing defined benefit plan. The Council determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position (of \$131,829) implementing this change as of July 1, 2014, which is comprised of the net pension liability of \$162,349 less deferred outflows of resources related to pension plan contributions of \$30,520 as of that date. See Note 10 to the financial statements for a description of pension plan activity.

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

**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>2015</u>	<u>2014</u>	<u>% Change</u>
Revenue:			
Local government assessments	\$ 149,452	\$ 112,089	33.3%
Miscellaneous	3,998	10,554	(62.1)%
Total general revenues	<u>153,450</u>	<u>122,643</u>	25.1%
Charges for service	184,338	241,475	(23.7)%
Operating grants	<u>301,500</u>	<u>175,532</u>	71.8%
Total program revenues	<u>485,838</u>	<u>417,007</u>	16.5%
Total revenues	<u>639,288</u>	<u>539,650</u>	18.5%
Expenses:			
Economic development	<u>574,937</u>	<u>500,312</u>	14.9%
Total expenses	<u>574,937</u>	<u>500,312</u>	14.9%
Changes in net position	64,351	39,338	63.6%
Net position, beginning of year	368,846	329,508	11.9%
Cumulative effect of change in accounting principle	<u>(131,829)</u>	<u>-</u>	0.0%
Net position, beginning of year, as restated	<u>237,017</u>	<u>328,508</u>	(28.1)%
Net position, end of year	<u>301,368</u>	<u>368,846</u>	(18.3)%

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

Year Ended June 30, 2015

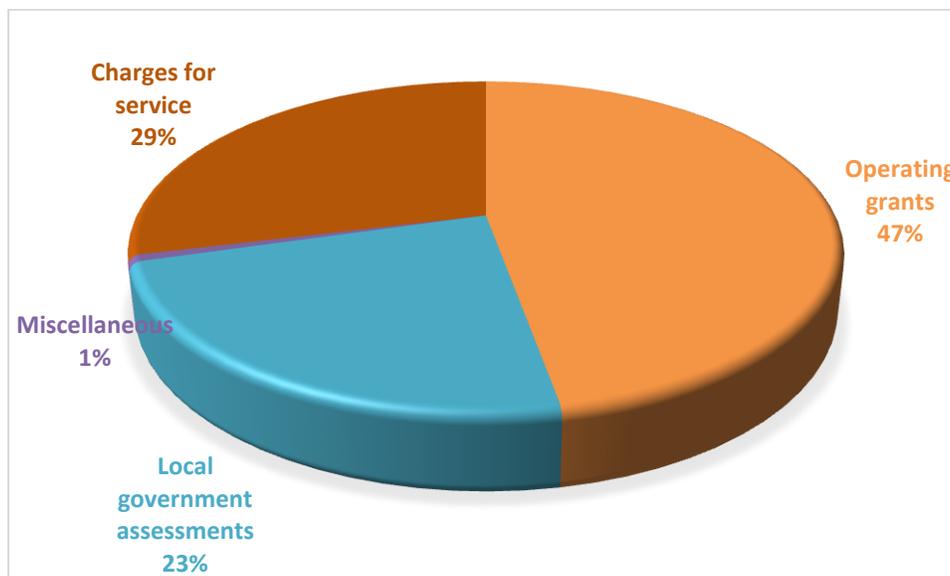
**CONDENSED FINANCIAL INFORMATION (Continued)**

Local government assessments increased from 2014 to 2015 due to the Council adopting an assessment dues increase that began in 2013. There are currently no other planned increases to this amount. The decrease in miscellaneous revenues is due to having grant related in-kind expenses in 2014 that were not repeated in 2015.

The decrease in charges for service is offset by the increase in operating grants. Since the Council receives grants in a manner similar to the revenue for services it provides, an increase in one revenue source can effect the generation of other income sources. In 2015 the Council received several grants to implement a Source Water Assessment and Protection (SWAP) program through West Virginia Department of Health and Human Resources. Similar grant funding will continue into 2016. The increase in economic development expenses is also directly related to expenses incurred for the SWAP program.

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 decreased by \$67,478 or 18.3%.

The following chart depicts the revenues of the Council for the fiscal year ended June 30, 2015.



In the current year, charges for services decreased while operating grants increased. While operating grants made up a larger portion of total revenues for the Council, this increase was offset by operating grant expenses. Local government assessments have continued to be a more significant source of revenue for the Council, with 2015 being the final year of a planned increase in assessment dues. 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 SWAP will continue to increase revenue through at least 2016. The Council is not able to predict when grants such as the SWAP will be awarded and thus does not budget for them unless a grant agreement is in place. 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 (Unaudited)  
(Continued)

Year Ended June 30, 2015

**CONDENSED FINANCIAL INFORMATION (Continued)**

Fees charged to member governments for project management services, charges for services, 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, event sponsorships, 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, 2015, the Council reported a general fund balance of \$322,486. The entire balance is unassigned.

**CAPITAL ASSETS**

As of June 30, 2015, the Council had invested \$6,183, net of accumulated depreciation, in furniture and equipment. Depreciation charges for this fiscal year totaled \$4,864.

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, 2015

<u>ASSETS</u>	<u>Governmental Activities</u>
Cash and cash equivalents	\$ 313,217
Certificates of deposits	86,484
Accounts receivable	135,484
Prepaid expenses	7,480
Capital assets, net	<u>6,183</u>
Total assets	<u>\$ 548,848</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Deferred outflows of resources related to pension amounts	<u>\$ 30,430</u>
 <u>LIABILITIES</u>	
Accounts payable	\$ 826
Accrued expenses	566
Compensated absences	9,802
Accrued post-employment benefits other than pensions	132,744
Net pension liability	<u>58,010</u>
Total liabilities	<u>\$ 201,948</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred inflows of resources related to pension amounts	<u>\$ 75,962</u>
 <u>NET POSITION</u>	
Investment in capital assets	\$ 6,183
Unrestricted	<u>295,185</u>
Total net position	<u>\$ 301,368</u>

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

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Services</u>		<u>Net Revenues</u> <u>(Expenses) and</u> <u>Changes in</u> <u>Net Position</u>
		<u>Charges for</u> <u>Services</u>	<u>Operating</u> <u>Grants</u>	<u>Governmental</u> <u>Activities</u>
Governmental activities:				
Economic development	\$ <u>574,937</u>	\$ <u>184,338</u>	\$ <u>301,500</u>	\$ <u>(89,099)</u>
General revenues:				
Local government assessments				149,452
Miscellaneous				<u>3,998</u>
Total general revenues				<u>153,450</u>
Change in net position				64,351
Net position, beginning of year				368,846
Cummulative effect of change in accounting principle				<u>(131,829)</u>
Net position, beginning of year, as restated				<u>237,017</u>
Net position, end of year				\$ <u>301,368</u>

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

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

## BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2015

	<u>General Fund</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 313,217
Certificates of deposits	86,484
Accounts receivable	135,484
Prepaid expenses	<u>7,480</u>
Total assets	<u>\$ 542,665</u>
<u>LIABILITIES</u>	
Accounts payable	\$ 826
Accrued expenses	566
Accrued post-employment benefits other than pensions	<u>132,744</u>
Total liabilities	<u>134,136</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>	
Deferred administrative revenue	<u>86,043</u>
<u>FUND BALANCE</u>	
Unassigned	<u>322,486</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 542,665</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, 2015

	General Fund
Revenues:	
Grants	\$ 301,500
Local government assessments	149,452
Administrative contracts	269,762
Interest	647
Miscellaneous	3,351
Total revenues	724,712
Expenditures:	
Salaries and wages	226,246
Fringe benefits	97,933
Contractual	118,185
Travel	9,062
Rent	33,633
Equipment	6,069
Supplies	2,428
Postage	2,247
Telephone	5,678
Printing and publications	4,019
Liability insurance	6,851
Consultants	58,000
Computers	9,861
Dues and memberships	4,499
Meetings and conferences	21,990
Miscellaneous	1,287
Total expenditures	607,988
Net change in fund balance	116,724
Fund balance, beginning of year	205,762
Fund balance, end of year	\$ 322,486

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 POLICIES**Cash 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 original maturity dates in excess of three months of the date of the Council's Statement of Net Position/Balance Sheet.

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, 2015.

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 Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Council reports \$30,430 related to pensions as deferred outflows of resources on the statement of net position.

The statement of net position and the balance sheet-governmental fund report a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position or fund balance that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Council reports \$75,962 as deferred inflows of resources related to pensions on the statement of net position and deferred administrative revenue of \$86,043 related to receivables that are not available to pay current expenditures at year end as deferred inflows of resources on the balance sheet - governmental fund.

Pension

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

**5 - CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE**

Effective July 1, 2014, the Council adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*-an amendment of GASB Statement No. 68. The Council determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of \$131,829 as of July 1, 2014, which is the net pension liability of \$162,349 less deferred outflows of resources related to pension plan contributions of \$30,520 as of that date. The Council further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of July 1, 2014 and these amounts are not reported.

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**6 - 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	\$ 322,486
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund balance sheet	(9,802)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund balance sheet	(58,010)
Deferrals of resources related to pensions that represent an acquisition of net position that applies to a future period, and therefore, are reported as deferred inflows of resources on the statement of net position	(75,962)
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	86,043
Capital assets used in governmental activities that are not current financial resources and, therefore, are not reported in the governmental fund balance sheet	6,183
Deferrals of resources related to pensions that represent a consumption of net position that applies to a future period, and therefore, is reported as deferred outflows of resources on the statement of net position	<u>30,430</u>
Net position of governmental activities	<u>\$ 301,368</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	\$ 116,724
Revenue that is not available at year end for expenditure and therefore, is not reported in the governmental funds	(85,424)
Depreciation expense related to capital assets which is not reported in the governmental funds because it does not effect current financial resources	(4,864)

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**6 - 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	3,486
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. This is the amount of the decrease in compensated absences of \$6,142 and the decrease in pension expense of \$28,287.	<u>34,429</u>
Change in net position of governmental activities	<u>\$ 64,351</u>

**7 - CASH, CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT**

At June 30, 2015, the Council had deposits in financial institutions reported as cash and cash equivalents and certificates of deposit with carrying balances of \$399,701 and corresponding bank balances of \$417,839. Bank balances of up to \$250,000 are covered by federal depository insurance; bank balances in excess of \$250,000 are collateralized through an investment pledged 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.

**8 - 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	\$ 75,718	\$ 3,486	\$ (4,475)	\$ 74,729
Less accumulated depreciation for:				
Furniture and equipment	<u>(68,157)</u>	<u>(4,864)</u>	<u>4,475</u>	<u>(68,546)</u>
Capital assets, net	<u>\$ 7,561</u>	<u>\$ (1,378)</u>	<u>\$ -</u>	<u>\$ 6,183</u>

**9 - 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, 2015:

	<u>Balance July 1, 2014</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2015</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 15,944</u>	<u>\$ -</u>	<u>\$ (6,142)</u>	<u>\$ 9,802</u>	<u>\$ 9,802</u>

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**10 - EMPLOYEE BENEFITS**Pension Plan*Plan Description*

The Council contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at [www.wvretirement.com](http://www.wvretirement.com).

*Benefits Provided*

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

*Contributions*

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Current funding policy requires contributions, consisting of member contributions of 4.5% of covered payroll and employer contributions of 14.0%, 14.5%, and 14.0% for the years ended June 30, 2015, 2014, and 2013, respectively.

During the years ended June 30, 2015, 2014, and 2013, the Council's contributions to PERS required and made were approximately \$30,430, \$30,520, and \$33,370, respectively.

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

At June 30, 2015, the Council reported a liability of \$58,010 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The Council's proportion of the net pension liability was based on the Council's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2014. At June 30, 2014, the Council's proportion was 0.015718%, which was an decrease of 0.002091 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Council recognized pension expense of \$2,143. At June 30, 2015, the Council reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**10 - EMPLOYEE BENEFITS (Continued)**Pension Plan (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 61,367
Changes in proportion and differences between the Council's contributions and proportionate share of contributions	-	14,595
The Council's contributions made subsequent to the measurement date of June 30, 2014	<u>30,430</u>	<u>-</u>
Total	<u>\$ 30,430</u>	<u>\$ 75,962</u>

\$30,430 reported as deferred outflows of resources related to pensions resulting from the Council's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2016	\$ (19,805)
2017	(19,805)
2018	(19,805)
2019	(16,547)

*Actuarial Assumptions*

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2 percent
Salary increases	4.25 - 6.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on the 1983 GAM for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

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

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**10 - EMPLOYEE BENEFITS (Continued)**Pension Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.0%	2.9 - 4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	<u>10.0%</u>	5.0%
Total	<u>100%</u>	

*Discount Rate*

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

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

The following presents the Council's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Council's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Council's proportionate share of the net pension liability (asset)	\$ 163,911	\$ 58,010	\$ (32,232)

Postemployment Benefits Other Than Pensions*Plan 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,

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**10 - EMPLOYEE BENEFITS (Continued)**Postemployment Benefits Other Than Pensions (Continued)

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 57<sup>th</sup> 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 \$11,304, \$8,592, and \$10,616, and the Council has paid premiums of \$5,904, \$6,336, and \$7,298, which represent 52.2%, 73.7%, and 68.7% of the ARC, respectively, for the years ending June 30, 2015, 2014, and 2013. As a result, a net OPEB Plan liability of \$132,744 is included in the Council's Statement of Net Position and Balance Sheet – Governmental Fund as of June 30, 2015.

**11 - LEASES**

The Council leases office space under an operating lease agreement which expires June 2016. Future minimum payments under this operating lease agreement are \$31,827 for the year ending June 30, 2016.

**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.

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

NOTES TO FINANCIAL STATEMENTS  
(Continued)**13 - NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Council has not determined the effect, if any, this statement will have on its financial statements.

The GASB has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of Statement No. 75 are effective for periods beginning after June 15, 2017. The Council has not determined the effect, if any, this statement will have on its financial statements.

The GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governments. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. The Council has not determined the effect, if any, this statement will have on its financial statements.

**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, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Grants	\$ 181,493	\$ 181,493	\$ 301,500
Local government assessments	149,452	149,452	149,452
Administrative contracts	235,000	235,000	269,762
Interest	-	-	647
Miscellaneous	-	-	3,351
	<u>565,945</u>	<u>565,945</u>	<u>724,712</u>
Total revenues			
Expenditures:			
Salaries and wages	248,615	248,615	226,246
Fringe benefits	117,103	117,103	92,533
Contractual	12,000	12,000	118,185
Travel	11,500	11,500	9,062
Rent	33,000	33,000	33,633
Equipment	4,500	4,500	6,069
Supplies	4,500	4,500	2,428
Postage	3,000	3,000	2,247
Telephone	7,000	7,000	5,678
Printing and publications	4,000	4,000	4,019
Liability insurance	7,000	7,000	6,851
Legal fees	2,500	2,500	-
Consultants	64,000	64,000	58,000
Computers	20,500	20,500	9,861
Dues and memberships	5,500	5,500	4,499
Meetings and conferences	20,800	20,800	21,990
Miscellaneous	427	427	1,287
	<u>565,945</u>	<u>565,945</u>	<u>602,588</u>
Total expenditures			
Net change in fund balance	\$ -	\$ -	\$ 122,124

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

REGION VII PLANNING AND DEVELOPMENT COUNCIL  
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Public Employees Retirement System Plan

	<u>Year Ended June 30</u> <u>2015</u>
Region VII Planning and Development Council's proportion (percentage) of the net pension liability	0.015718%
Region VII Planning and Development Council's proportionate share of the net pension liability	\$ 58,010
Region VII Planning and Development Council's covered employee payroll	\$ 210,480
Region VII Planning and Development Council's proportionate share of the net pension's liability as a percentage of its covered employee payroll	27.56%
Plan fiduciary net position as a percentage of the total pension liability	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

## REGION VII PLANNING AND DEVELOPMENT COUNCIL

## SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 30,430	\$ 30,520	\$ 33,370
Contributions in relation to the statutorily required contribution	<u>30,430</u>	<u>30,520</u>	<u>33,370</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Region VII Planning and Development Council's covered employee payroll	\$ 217,357	\$ 210,480	\$ 238,357
Contributions as a percentage of covered- employee payroll	14.00%	14.50%	14.00%

REGION VII PLANNING AND DEVELOPMENT COUNCIL  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**1 - RECONCILIATION OF BUDGET INFORMATION**

A reconciliation for the change in fund balance for the year ending June 30, 2015, on the budgetary basis to the GAAP basis fund financial statements follow:

Net change in fund balance - budgetary basis	\$ 122,124
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>(5,400)</u>
Net change in fund balance - GAAP basis	<u>\$ 116,724</u>

**2 - TREND INFORMATION PRESENTED**

The accompanying schedules of the Region VII Planning and Development Council's proportionate share of the net pension liability and contributions to the PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

**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, 2015, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated January 13, 2016.

#### **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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

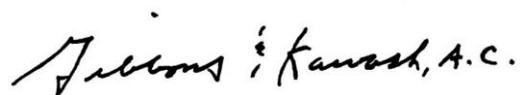
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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  
January 13, 2016