

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY
BAKER, WV**

REGULAR AUDIT

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

JUNE 30, 2019

RFP # 19-153



AHMAD ASSOCIATES, LTD (AAL)
A Professional Corporation
**CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT CONSULTANTS
MEMBER AICPA**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Hardy County Emergency Ambulance Authority
17940 SR55
Baker, West Virginia 26801

Report on the Financial Statements

We have audited the accompanying financial statements of the government-wide activities and each major fund of the Hardy County Emergency Ambulance Authority, Hardy County, West Virginia (the Authority), as of and for the year ended June 30, 2019 and notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 standards applicable to financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require us to plan and perform the audit to reasonably assure 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 judgement, 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 Authority'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 Authority's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's 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 the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardy County Emergency Ambulance Authority, Hardy County, West Virginia, as of June 30, 2019, and the changes in net position, and where applicable, cash flows, thereof, for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. The Authority has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the information related to the defined benefit other post-employment benefits plan on pages 12 to 15 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 applied certain limited procedures to the required supplementary information in accordance with the 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 February 13, 2020, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Authority's internal control over financial reporting and compliance

AAL, P.C.

AAL, P.C.
Vienna, VA
February 13, 2020

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY
BAKER, WV**

**Governmental Fund Balance Sheet / Statement of Net Position
As of June 30, 2019**

	<u>General</u>	<u>Adjustments</u>	<u>Governmental Fund Balance Sheet / Statement of Net Position</u>
ASSETS			
Current Assets			
Cash (Note 3)	\$207,019	\$0	\$207,019
Accounts Receivable, Net (Note 4)	86,864	-	86,864
Total Current Assets	<u>293,883</u>	<u>0</u>	<u>293,883</u>
Capital Assets			
Machinery and Equipment (Note 5)		610,966	610,966
Less: Accumulated Depreciation		(260,863)	(260,863)
Net Capital Assets	<u>-</u>	<u>350,103</u>	<u>\$350,103</u>
Deferred Outflow of Resources		<u>113,881</u>	<u>113,881</u>
Total Assets	<u>\$293,883</u>	<u>\$463,984</u>	<u>\$757,867</u>
LIABILITIES & NET ASSETS			
Current Liabilities			
Debt Due within one year (Note 6)	\$0	\$79,665	\$79,665
Total Current Liabilities	<u>-</u>	<u>79,665</u>	<u>79,665</u>
Long-Term Liability			
Net OPEB Liability (Note 7)		154,239	154,239
Debt due beyond one year (Note 6)		189,721	189,721
Total Long-Term Liability	<u>-</u>	<u>343,960</u>	<u>\$343,960</u>
Deferred Inflow of Resources	-	20,537	20,537
Total Liabilities	<u>-</u>	<u>20,537</u>	<u>20,537</u>
Fund Balance/Net Position			
Net Investment in Capital Assets	-	80,717	80,717
Unrestricted	-	232,988	232,988
Total Net Position	<u>-</u>	<u>313,705</u>	<u>313,705</u>
Total Liabilities and Net Position	<u>\$293,883</u>	<u>\$463,984</u>	<u>\$757,867</u>

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY
BAKER, WV**

**Statement of Revenues, Expenditure and Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2019**

	<u>General</u>	<u>Adjustments</u>	<u>Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities</u>
REVENUE			
Ambluance Service Fee	\$650,000	\$0	\$650,000
Insurance Billing	434,823		434,823
Write-Offs and Insurance Allowances	(191,443)		(191,443)
Total Revenue	<u>893,380</u>	<u>0</u>	<u>893,380</u>
OPERATING EXPENSES			
Personnel Cost	319,018		319,018
Insurance	72,803		72,803
OPEB- RHTB Health Insurance	56,339		56,339
Workers' Comp. Insurance	34,524		34,524
Stipend	75,000		75,000
Professional Fee	29,977		29,977
Medical Supplies	12,680		12,680
Postage	27,209		27,209
Building - Ground Maintenance	9,656		9,656
Utilities	15,214		15,214
Vehicles Maintenance	31,909		31,909
Fuel	18,496		18,496
Equipment Replacement	6,590		6,590
Equipment Maintenance	6,425		6,425
Office Supplies and Software	4,864		4,864
Miscellaneous	17,701		17,701
Training & Education	2,997		2,997
Uniform	196		196
Advertising	601		601
Depreciation	-	98,437	98,437
Total Operating Expenses	<u>742,199</u>	<u>98,437</u>	<u>840,785</u>
Total Operating Income/(Loss)	<u>151,181</u>	<u>(98,437)</u>	<u>52,744</u>
Non-Operating Revenue/(Expenses)			
Machinery and Equipment	82,733	(82,733)	0
Interest Expense	-	3,068	3,068
Total Non-Operating Revenue/(Expenses)	<u>82,733</u>	<u>(79,665)</u>	<u>3,068</u>
Change in Unrestricted Net Position	68,448	18,772	49,676
Net Position - Beginning of Year	<u>264,029</u>	-	<u>264,029</u>
Net Position- End of Year	<u>\$332,477</u>	<u>\$18,772</u>	<u>\$313,705</u>

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY
BAKER, WV**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hardy County Emergency Ambulance Authority (the Authority) was established by the Hardy County Commission. The Authority's primary responsibility is to provide emergency medical services to the residents of Hardy County. The Authority is primarily funded by the Hardy County Commission from the emergency ambulance service fees collected under the Special Emergency Ambulance Service Fee Ordinance authority, Chapter 7, Article 15, Section 17 of the West Virginia Code, as amended, for the purpose of establishing and maintaining an adequate emergency ambulance system within the geographic boundaries of Hardy County, West Virginia. An adequate emergency ambulance system is necessary to promote the health and welfare of the citizens of Hardy County. Emergency ambulance service is a public purpose and a responsibility of government.

The Authority, a component unit of the Hardy County Commission, is governed by a Board which is appointed by the County Commission. The Authority is a legally separate organization for which elected officials of the primary government are financially accountable.

Effective August 31, 2018, the Authority obtained tax exempt status under the Code Section 501(c)(3), as a charity, from the Internal Revenue Service per its letter dated April 29, 2019.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Authority accounts for its operation in a proprietary fund using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

A proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses of the Authority include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 62, the Board has elected to apply the provisions of all relevant pronouncements of the Government Accounting Standards Board.

Estimates

In preparing the financial statements in accordance with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from these estimates.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY
BAKER, WV**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For the Authority, cash and cash equivalents are considered to be cash on hand, demand deposit and short-term investments with original maturities of less than three months from the date of acquisition.

Inventories and Prepaids

The cost of inventories is recorded as expenditures when purchased rather than when consumed.

Capital Assets and Depreciation

Capital assets, which include machinery and equipment, are reported at cost for purchased items and at fair value for contributed items. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Authority's policy is to capitalize assets whose expended useful life is in excess of one year and cost (or fair value) is above an established threshold of \$5,000.

Estimated useful lives of the capital assets are as follows:

Machinery and Vehicles	5 - 7 years
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Net Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to other post-employment benefits, and other post-employment benefit expenses, information about the fiduciary net position of the Authority's Other Post-Employment Benefits Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF) and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the RHBTF. 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. Detailed information on the investment valuation can be found in the plans' financial statements.

Fund Balance

Fund balance is divided into five classification based primarily on the extent to which the Board is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- Non-spendable fund balances include amounts that cannot be spent because they are in a non-spendable form, such as inventory, or prepaid expense amounts, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Restricted fund balances are restricted due to legal restrictions from creditors (such as through other debt covenants), grantors, contributors, or laws and regulations of other governments or by legally enforceable enabling legislation or constitutional provisions.
- Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which for the Board of HCEAA is the five-member Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2019. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned fund balances are constrained by the intent to use funds for specific purposes but are neither restricted nor committed. Intent can be expressed by the five-member Board or by a body or official to whom the Board has delegated the authority to assign amounts to be used for specific purposes. By reporting particular amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund, the Board has assigned those amounts to the purposes of the respective funds.
- Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. In other funds, any negative fund balances would be unassigned.

The Authority applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between all other elements on the statement of financial position. The classifications are as follows:

- Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - This amount is restricted by external creditors, grantors, contributors, or laws and regulations of other governments.
- Unrestricted net position - This amount is all net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
BAKER, WV**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2109**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Authority's policy required employees to use all earned vacation time by June 30th of each year; therefore, no material liability is reported for accrued compensated absences.

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental fund balance sheet/statement of net position includes an adjustment between the governmental fund balance total and the governmental activities net position as reported in the statement of net position. Capital Assets are not reported on the governmental fund level, but are reported in net position. The details of this difference are as follows:

Fund balance - total governmental fund	\$293,883
Capital assets	350,103
Loans and leases	(269,386)
Deferred outflows related to other post-employment benefits	113,881
Deferred inflows related to other post-employment benefits	(20,537)
Net OPEB liability	(154,239)
Total Net Assets	<u>\$313,705</u>

The governmental fund statement of revenues, expenditures, and changes in fund balances/statement of activities include adjustments between net changes in fund balances-total governmental fund and changes in net position of governmental activities as reported in the Statement of Activities. The details of this difference are as follows:

Depreciation expense	\$ (98,437)
Loan & Lease principal payments expensed in fund financial statements	73,775
Expense recorded for GASB 75	8,957
Total	<u>\$ (15,705)</u>

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
BAKER, WV**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2109**

3. CASH AND CASH EQUIVALENTS

Cash at June 30, 2019, was as follows:

Cash deposits in bank accounts \$207,019

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The Authority's deposits at June 30, 2019, were covered by the federal depository insurance.

4. ACCOUNTS RECEIVABLE, NET

The Accounts Receivables of \$86,864 represent billings to insurance companies for emergency medical services provided. The net receivable amount was obtained from the statement of insurance billings & allowances/adjustments provided by Premier Accounts Receivable Management Inc., the agency handling the insurance billing for the Authority. It is the policy of this agency to write-off any balance not reimbursed within 60 days by insurance companies without further collection effort.

5. CAPITAL ASSETS

Asset Classification	Useful Life	Depreciation Mehod
Vehicles	7 years	Straight-Line, half-year convention
Machinery & Equipment	5 years	Straight-Line, half-year convention

Capital assets being depreciated during the Fiscal Year (FY) were as follows:

<u>Asset Classification</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Vehicles	\$415,729	\$0	\$0	\$415,729
Machinery & Equipment	195,237	-	-	195,237
Total	\$610,966	\$0	\$0	\$610,966
<i>Less: Accumulated Depreciation</i>				
Vehicles	(\$142,902)	(\$59,390)	\$0	(\$202,292)
Machinery & Equipment	(19,524)	(39,047)	-	(58,571)
Capital assets, net	\$ (162,426)	\$ (98,437)	\$ -	\$ (260,863)

Following vehicles were available to HCEAA during FY 2019 for providing emergency medical services:

5. CAPITAL ASSETS (Continued)

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2109**

Vehicles ID#	Make	Model	Year Acquired	Vehicle Description
371	Ford	2017	2018	Ambulance Vehicle
376	International	2003	2013	Ambulance Vehicle
379	Ford	2009	2013	Ambulance Vehicle, retired Jul 15, 2019
380	Dodge	2007	2013	SUV Chase Vehicle 4DR
381	Ford	2016	2016	Ford Chase Vehicle AWD
383	Ford	2016	2016	Ford Chase Vehicle AWD

6. LONG-TERM DEBT

Leases

The Hardy County Emergency Ambulance Authority leases various equipment under capital leases expiring in January 2022. The leases were entered into on December 22, 2017, and require annual lease payments of \$40,526, and each lease has a purchase option for \$1 at the end of the lease. The assets and liabilities under the capital lease are recorded at the present value of the lease payments.

The lease obligation is secured by the leased equipment. Depreciation of assets under capital lease is included in depreciation expense for the year ended June 30, 2019.

Future minimum lease payments under the capital lease as of June 30, 2019 are as follows:

2020	\$40,526
2021	40,526
2022	<u>33,131</u>
Total Lease Payments	<u>\$114,183</u>

Note Payable

The Hardy County Emergency Ambulance Authority obtained a note payable to purchase an ambulance on February 15, 2018. The note requires annual payments due on August 1 and will mature on August 1, 2022. The note has a stated interest rate of 3.45% and a maturity of 5.5 years.

Scheduled maturities of the note for years succeeding June 30, 2019 are as follows:

Year Ending	Principal	Interest	Total
2020	\$39,754	\$2,452	\$42,206
2021	40,439	1,767	42,206
2022	41,019	1,187	42,206
2023	<u>33,989</u>	<u>529</u>	<u>34,518</u>
Total	<u>\$155,201</u>	<u>\$5,935</u>	<u>\$161,136</u>

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

6. LONG-TERM DEBT (Continued)

Summary rollforward for all long-term debt is as follows:

	Balance Due June 30, 2018	Additions	Payments	Balance June 30, 2019	Due Within One Year
Notes	\$194,340	\$0	(\$39,139)	\$155,201	\$39,139
Leases	154,711	0	(40,526)	114,185	40,526
Total	\$349,051	\$0	(\$79,665)	\$269,386	\$79,665

7. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The Authority participates in the West Virginia Other Post-Employment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF), a cost sharing multiple-employer defined benefit post-employment healthcare plan for eligible employees administered by the West Virginia Public Employee 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 West Virginia Public Employees Insurance Agency, 601 57th Street, Charleston, WV 25304, or from the WVPEIA website at www.peja.wv. The Authority's required contributions for OPEB for fiscal year 2019 were \$14,232.

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

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation of any estimate of future post-employment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs option, changes in the investment rate of return and other matters increase the level of uncertainty of such estimates. As such, the estimate of post-employment program costs contains considerable uncertainty and variability and actual experience may vary significantly by the current estimated net OPEB liability.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

The net OPEB liability reported as of June 30, 2019 was measured as of June 30, 2017 and rolled forward to June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on the Authority's share of contributions to the OPEB plan relative to the projected contributions of all participating entities.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ -	\$ 2,281
Deferred difference in assumptions	-	15,401
Net difference between projected and actual earnings on OPEB plan investments	-	2,855
Changes in proportion	99,649	
Payments made after the report date	14,232	
	\$ 113,881	\$ 20,537

The amount of \$14,232 reported as deferred outflows of resources related to pension resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending June 30:

2020	\$	4,524
2021		4,524
2022		4,524
2023		4,524
2024		2,443
	\$	20,537

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15% net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post- Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over 21-year
Remaining amortization period	closed period 21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2016.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIBM) and an expected short-term rate of return of 3.0% for assets invested with the West Virginia Board of Treasury Investments (WVBTI). Long-term pre-funding assets are invested with the WVIBM. The strategic asset allocation consists of 27.5% U.S. equity, 27.5% International equity, 7.5% core fixed income, 7.5% high yield fixed income, 10% private equity, 10% hedge funds and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
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**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2019**

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Asset Class	Long-Term Expected Real Rate of Return (%)
Large Cap Domestic	17.0
Non- Large Cap Domestic	22.0
International Qualified	24.6
International Non-Qualified	24.3
International Equity	26.2
Short-Term Fixed	0.5
Total Return Fixed Income	6.7
Core Fixed Income	0.1
Hedge Fund	5.7
Private Equity	19.6
Real Estate	8.3
Opportunistic Income	4.8

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State

through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates. The discount rate used to measure the total OPEB liability at June 30, 2018 is a

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
BAKER, WV**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2109**

same 7.15% as it was as on the June 30,2017 valuation.

7. OTHER POST-EMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the RHBT, as well as what the RHBT's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage- point higher (8.15%) than the current discount rate:

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	{6.15%}	{7.15%}	{8.15%}
All employers' net OPEB Liability	\$2,521,532,915	\$2,145,435,896	\$1,831,918,777
HCEEA proportion of the net OPEB liability	0.007189157%	0.007189157%	0.007189157%
HCEEA proportionate share of the net OPEB liability	\$181,277	\$154,239	\$131,700

Other key assumptions

The projection assumes that the capped subsidy aggregate contribution limit of \$150 million for 2017 would increase by \$10 million per year on and after 2018. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected remain stable as a percentage of total costs following the year that the program is fully funded. After 2035, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Schedule of Proportionate Share of the Net Other Post-Employment Benefits Liability for the Year Ended June 30, 2019

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY.
BAKER, WV**

**Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2109**

	2019	2018	2017	2016
Contractually required contributions	\$ 14,232	\$ 14,262	\$ 4,281	\$ 3,423
Contributions in relation to the contractually required contributions	14,232	14,262	4,281	3,423
Contribution deficit(surplus)	\$ -	\$ -	\$ -	\$ -
HCEAA's covered payroll	296,347	270,593	206,637	90,783
Contribution as a percentage of covered employee payroll	4.80%	5.27%	2.07%	3.77%

8. RISK MANAGEMENT AND CONTINGENCIES

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority is provided coverage through the West Virginia Board of Risk.

The Authority receives worker's compensation coverage provided by Brick Street Mutual Insurance Company.

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

It is the opinion of the Authority's counsel that there are no pending lawsuits or unasserted claims against the Hardy County Emergency Ambulance Authority.

9. SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the financial statement through February 13, 2020, the date of the audit report. No events have occurred subsequent to the date of the financial statement through February 13, 2020 that would require adjustment or disclosure in the financial statements.



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**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**

Board of Directors
Hardy County Emergency Ambulance Authority
Baker, West Virginia.

**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards***

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the business-type activities of the Hardy County Emergency Ambulance Authority, Hardy County, West Virginia (the Authority) which comprise the statement of net position as of and for the year ended June 30, 2019, and the related statement of revenues, expenses and changes in fund net position, statement of cash flows, thereof, for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 13, 2020.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Authority's internal control. Accordingly, we have not opined on it.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A material weakness is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the entity's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of finding as Item 2019-1 to be material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the entity's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objection of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under Government Auditing Standards.

We also noted a certain matter not requiring inclusion in this report that we reported to the entity's management in a separate letter dated February 4, 2020.

Entity's Response to Finding

The entity's response to the finding identified in our audit report is described in the accompanying schedule of audit finding. We did not audit the entity's response and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not 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 under *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAL, P.C.

AAL, P.C.
Vienna, VA
February 13, 2020

**Hardy County Emergency Ambulance Authority
Schedule of Finding
For the Year Ended June 30, 2019**

**Finding Related to the Financial Statements
Required to be Reported in Accordance with GAGAS**

Type of Finding: Material Weakness

Item: 2019-1

Summary: HCEAA did not maintain GAAP compliant books and records including financial statements:

- Inadequate design of controls over the preparation of the financial statements being audited.
- Inadequate design of IT general and application controls that prevents the information system from providing complete and accurate information consistent with financial reporting objectives and current needs.
- HCEAA Employee who lack the qualifications and training to fulfill his/her assigned function related to bookkeeping and financial statement preparation.

Condition: The Hardy County Emergency Ambulance Authority's (HCEAA) books of account and resulting financial statements were not in accordance with GAAP as stated in the summary above as a result of material weakness in its internal control.

Criteria: Books of account including general ledger, trial balance, and resulting financial statements should be in accordance with generally accepted accounting principles (GAAP).

Effect: Non-GAAP compliant financial statements and books of account that required material adjustments.

Recommendation: We recommend that HCEAA's management look into a bookkeeping system that best suits its needs and provide the necessary technical training to its in-house personnel/ users.

Entity's Response:

Management stated that future books of account will be GAAP compliant along with a bookkeeping system.