



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

RFP # 17-059  
Hardy County

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AUDIT REPORT OF  
HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
REGULAR AUDIT

For the Year Ended June 30, 2018  
Fiscal Year Audited Under GAGAS: 2018

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**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
HARDY COUNTY, WEST VIRGINIA  
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FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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## **INTRODUCTORY SECTION**

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
HARDY COUNTY, WEST VIRGINIA  
BOARD OF DIRECTORS  
For the Fiscal Year Ended June 30, 2018**

<b>OFFICE</b>	<b>NAME</b>
Board Members:	<u>Appointive:</u> Bill Collins George Crump Ronald Crites Mary Fishel JR Keplinger Paul Lewis David Pratt Tim Ramsey Carmen Rexrode, MD
EMS Director:	Derek Alt

## **FINANCIAL SECTION**



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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## **Independent Auditor's Report**

Hardy County Emergency Ambulance Authority  
Hardy County, West Virginia  
17940 SR 55  
Baker, West Virginia 26801

To the Board of Directors:

### ***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, 2018 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 opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' Government Auditing Standards. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider 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 to the extent needed to opine 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 and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

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### *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, 2018, 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.

### *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, schedules of net other post-employment benefits liabilities and other post-employment benefits contributions 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 18 and 19 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 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.

#### Supplementary and Other Information

Our audit was conducted to opine on the Authority's basic financial statements taken as a whole.

The introductory section presents additional analysis and is not required part of the basic financial statements.

We did not subject the introductory section to the auditing procedures applied to the basic financial statements and, accordingly, we express no opinion or any other assurance on it.



Board of Directors  
Hardy County Emergency Ambulance Authority  
Hardy County, West Virginia  
Independent Auditor's Report  
Page 3

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

In accordance with Government Auditing Standards, we have also issued our report dated August 16, 2018, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine 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.

*BHM CPA Group*

BHM CPA Group, Inc  
Huntington, West Virginia  
August 16, 2018

HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
GOVERNMENTAL FUND BALANCE SHEET / STATEMENT OF NET POSITION  
June 30, 2018

	General	Adjustments	Statement of Net Position
<b>ASSETS</b>			
<b>CURRENT</b>			
Cash	\$ 122,929	-	\$ 122,929
Accounts Receivable, Net	77,961	-	77,961
<b>NONCURRENT</b>			
Capital Assets			
Depreciable			
Machinery and Equipment		610,966	610,966
Less: Accumulated Depreciation		(162,426)	(162,426)
<b>TOTAL ASSETS</b>	200,890	448,540	649,430
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Other Post Employment Benefits		15,891	15,891
<b>LIABILITIES</b>			
Current Liabilities Payable			
from Current Assets			
Debt Due within One Year		79,665	79,665
Noncurrent Liabilities Due			
in More than One Year:			
Net OPEB Liability		51,251	51,251
Debt Due Outside of One Year		269,386	269,386
<b>TOTAL LIABILITIES</b>		400,302	400,302
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Other Post Employment Benefits		990	990
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances			
Unassigned	200,890	(200,890)	-
<b>TOTAL FUND BALANCES</b>	\$ 200,890	(200,890)	-
Net Position:			
Net Investment in Capital Assets		99,489	99,489
Restricted for:			
Unrestricted		164,540	164,540
<b>TOTAL NET POSITION</b>		\$ 264,029	\$ 264,029

See accompanying notes to the financial statements.

HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE / STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

	General	Adjustments	Statement of Activities
<b>EXPENDITURES / EXPENSES</b>			
Current			
General Government	\$ 291,024	(40,526)	\$ 250,498
Personnel Expenditures	488,238	(9,420)	478,818
Depreciation		65,032	65,032
	<u>779,262</u>	<u>15,086</u>	<u>794,348</u>
Total Expenditures / Expenses			
	<u>779,262</u>	<u>15,086</u>	<u>794,348</u>
<b>PROGRAM REVENUES</b>			
Charges for Services	355,459	-	355,459
Less: Write-Offs and Insurance Allowances	(151,774)	-	(151,774)
	<u>203,685</u>	<u>-</u>	<u>203,685</u>
Total Program Revenue			
	<u>203,685</u>	<u>-</u>	<u>203,685</u>
Net Program Expense	(575,577)	15,086	(590,663)
	<u>(575,577)</u>	<u>15,086</u>	<u>(590,663)</u>
<b>GENERAL REVENUES</b>			
Intergovernmental:			
Local	625,625	-	625,625
	<u>625,625</u>	<u>-</u>	<u>625,625</u>
Total General Revenues			
	<u>625,625</u>	<u>-</u>	<u>625,625</u>
Deficiency of Revenues under Expenditures	50,048	(50,048)	-
Change in Net Position		34,962	34,962
Fund Balance/Net Position Beginning of Year, as restated (See Note IX)	150,842	-	229,067
	<u>150,842</u>	<u>-</u>	<u>229,067</u>
Fund Balance/Net Position End of Year	\$ 200,890	\$ -	\$ 264,029
	<u>\$ 200,890</u>	<u>\$ -</u>	<u>\$ 264,029</u>

See accompanying notes to the financial statements.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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

**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.

**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.



**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
HARDY COUNTY, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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**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 - 10 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.
- 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 Health is the five-member Board. Said specific purposes and amounts are recorded in the official Board minutes of the fiscal year ended June 30, 2018. 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.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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- 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.”

**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.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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**II. 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	\$ 200,890
Capital assets	448,540
Loans and leases	(349,051)
Deferred outflows related to other post-employment benefits	15,891
Deferred inflows related to other post-employment benefits	(990)
Net OPEB liability	<u>(51,251)</u>
Total	<u>\$ 264,029</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	\$ (65,032)
Loan and lease principal payments are expensed in the fund financial statements	40,526
Expense recorded for GASB 75	<u>9,420</u>
Total	<u>\$ (15,086)</u>

**III. CASH AND CASH EQUIVALENTS**

Cash and Cash Equivalents at June 30, 2018, were as follows:

Cash deposits in bank accounts	<u>\$122,929</u>
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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, 2018, were entirely covered by federal depository insurance.



**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

**IV. CAPITAL ASSETS**

Changes in capital assets during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities:</b>				
Capital assets being depreciated:				
Machinery and vehicles	\$221,389	\$389,577	\$ -	\$610,966
Less: accumulated depreciation				
Machinery and vehicles	( 97,394)	(65,032)	-	(162,426)
Governmental activities capital assets, net	<u>\$123,995</u>	<u>\$324,545</u>	<u>\$ -</u>	<u>\$448,540</u>

**V. LONG-TERM DEBT**

**Leases**

The Hardy County Emergency Ambulance Authority leases various equipment under a capital lease expiring in January 2022. The leases were entered into on December 22, 2017, and requires 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 minimum lease payments, which amounts to \$154,709.

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, 2018.

Estimated minimum future lease payments under the capital lease as of June 30, 2018 are as follows:

2019	\$ 40,526
2020	40,526
2021	40,526
2022	<u>33,131</u>
Total Lease Payments	<u>\$ 154,709</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<sup>st</sup> and will mature on August 1, 2022. The note has a stated interest rate of 3.45% and as of June 30, 2018, no payments have been made on the note.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

Scheduled maturities of the note for years succeeding June 30, 2018 are as follows:

Year Ending	Principal	Interest	Total
2019	\$ 39,139	\$ 3,067	\$ 42,206
2020	39,754	2,452	42,206
2021	40,439	1,767	42,206
2022	41,019	1,187	42,206
2023	33,989	529	34,518
Total	<u>\$ 194,340</u>	<u>\$ 9,002</u>	<u>\$ 203,342</u>

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

	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
Notes	\$ -	\$ 194,340	\$ -	\$ 194,340	\$ 39,139
Leases	-	195,237	(40,526)	154,711	40,526
Total	<u>\$ -</u>	<u>\$ 389,577</u>	<u>\$ (40,526)</u>	<u>\$ 349,051</u>	<u>\$ 79,665</u>

## **VI. OTHER POST-EMPLOYMENT BENEFITS**

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.peia.wv.gov](http://www.peia.wv.gov). The Authority's required contributions for OPEB for fiscal year 2018 were \$14,262.

### ***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

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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.

The net OPEB liability reported as of June 30, 2018 was measured as of June 30, 2016 and rolled forward to June 30, 2017, 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. Following is information related to the proportionate share as well as the OPEB expense:

Proportionate Share of the	
Net OPEB – Current Year	0.002084243%
Proportionate Share of the	
Net OPEB – Prior Year	0.002000977%
Change in Proportionate Share	0.000083266%
Proportion of the Net OPEB	
Liability	\$51,251
OPEB Expense	\$5,192

***Net OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)***

At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Deferred Outflows of Resources**

Difference from changes in proportion and between employer contributions and proportionate share of contributions	\$1,629
Authority contributions subsequent to the measurement date	<u>14,262</u>
Total	<u>\$15,891</u>

**Deferred Inflows of Resources**

Differences between expected and actual economic experience	\$172
Differences between projected and actual investment earnings	<u>818</u>
Total	<u>\$990</u>



**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

\$14,262 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:	
2019	\$ 188
2020	188
2021	188
2022	<u>75</u>
Total	<u>\$ 639</u>

***Actuarial assumptions***

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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 a 21-year closed period
Remaining amortization 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, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY**  
**HARDY COUNTY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2018**

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 (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the West Virginia Board of Treasury Investments (WVBTL). Long-term pre-funding assets are invested with the WVIMB. 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 WVBTL.

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:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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
Cash	0.0

***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, 2016 is a 0.45% increase from the June 30, 2015 valuation.

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
HARDY COUNTY, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

***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:

	1% Decrease <u>(6.15%)</u>	Discount Rate <u>(7.15%)</u>	1% Increase <u>(8.15%)</u>
Net OPEB liability	\$ 59,676	\$ 51,251	\$ 44,248

***Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates.***

The following presents the net OPEB liability of the Plan, as well as what the Plan's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or higher:

	(7.5% decreasing To 3.5%) <u>1% Decrease</u>	(8.5% decreasing to 4.5%) Healthcare Cost <u>Trend Rates</u>	(9.5% decreasing To 5.5%) <u>1% Increase</u>
Net OPEB liability	\$ 43,052	\$ 51,251	\$ 61,280

***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.



**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
HARDY COUNTY, WEST VIRGINIA  
NOTES TO THE FINANCIAL STATEMENTS  
For the Fiscal Year Ended June 30, 2018**

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**VII. 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.

**VIII. SUBSEQUENT EVENTS**

In preparing these financial statements, the Authority had evaluated any transactions for potential recognition or disclosure through August 16, 2018, the date the financial statements were available to be issued.

**IX. NEW ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING NET POSITION**

For the fiscal year ended June 30, 2018, the Authority has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, Statement No. 82, *Pension Issues-An Amendment of GASB Statements No. 67, No. 68, and No. 73*, and GASB Statement No. 85, *Omnibus 2017*.

GASB Statement No. 75 (GASB 75) establishes accounting and financial reporting requirements for governmental employers who have other post-employment benefits (OPEB) plans. The implementation of GASB Statement No. 75 did have an effect on the financial statements of the Authority as denoted below and certain additional disclosures have been made in the notes to the basic financial statements.

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. GASB Statement No. 82 did not have an effect on the financial statements of the Authority.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). GASB Statement No. 85 did not have an effect on the financial statements of the Authority.

**Restatement of Beginning Net Position**

Net Position, July 1, 2017 – As previously presented	\$274,477
Restatement for Implementation of GASB 75	<u>(45,410)</u>
Net Position, July 1, 2017 – As restated	<u>\$229,067</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
(A COMPONENT UNIT OF THE HARDY COUNTY COMMISSION)  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OTHER POST-EMPLOYMENT  
BENEFITS LIABILITY FOR THE YEAR ENDED JUNE 30, 2018**

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**Public Employees Insurance Agency**

	<u>2017</u>	<u>2016</u>
Authority's proportion of the net position liability (asset) (percentage)	0.002084243%	0.003833000%
Authority's proportionate share of the net pension liability	\$ 51,251	\$ 49,691
Authority's covered-employee payroll	\$ 206,637	\$ 90,783
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	24.80%	54.74%
Plan fiduciary net position as a percentage of the total net pension liability	86.11%	91.29%

**HARDY COUNTY EMERGENCY AMBULANCE AUTHORITY  
(A COMPONENT UNIT OF THE HARDY COUNTY COMMISSION)  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**Public Employees Insurance Agency**

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contributions	\$ 14,262	\$ 4,281	\$ 3,423
Contributions in relation to the contractually related contributions	<u>14,262</u>	<u>4,281</u>	<u>3,423</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Commission's covered payroll	\$ 270,593	\$ 206,637	\$ 90,783
Contributions as a percentage of covered- employee payroll	5.27%	2.07%	3.77%

\*Information prior to 2016 is not available

## **ACCOMPANYING INFORMATION**



**bhm cpa group, inc.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

Hardy County Emergency Ambulance Authority  
Hardy County, West Virginia  
17940 SR 55  
Baker, West Virginia 26801

To the Board of Directors:

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, 2018, 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 August 16, 2018.

***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.

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 Board'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.

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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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Board of Directors  
Hardy County Emergency Ambulance Authority  
Hardy County, West Virginia  
Report on Internal Control Over Financial Reporting and on Compliance  
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### *Compliance and Other Matters*

As part of reasonably assuring whether the Authority'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 objective 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.

### *Purpose of this Report*

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BHM CPA Group*

BHM CPA Group, Inc.  
Huntington, West Virginia  
August 16, 2018