

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

RFP # 17-262  
Jefferson County

---

AUDIT REPORT OF  
CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
A CLASS IV MUNICIPALITY IN JEFFERSON COUNTY  
SINGLE AUDIT

For the Year Ended June 30, 2017  
Fiscal Year Audited Under GAGAS: 2017



---

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 430-0590 • FAX (614) 448-4519  
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319  
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639  
PO Box 325 • Huntington, WV 25708 • (304) 521-2648

[www.bhmcgroup.com](http://www.bhmcgroup.com)

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
SCHEDULE OF FUNDS INCLUDED IN THE REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**GOVERNMENTAL FUND TYPES**

**MAJOR FUNDS**

General  
Coal Severance Tax  
Capital Reserve  
Potomac Street

**NONMAJOR FUND TYPES**

Parks and Recreation  
Hotel/Motel Tax  
Drug Forfeiture  
Swan Hilltop Investors Permit

**PROPRIETARY FUND TYPES**

**MAJOR FUNDS**

Water

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
TABLE OF CONTENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

TITLE	PAGE
<b>Introductory Section</b>	
Municipal Officials.....	1
<b>Financial Section</b>	
Independent Auditor’s Report .....	2
Basic Financial Statements:	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position .....	5
Statement of Activities .....	7
<i>Fund Financial Statements:</i>	
Balance Sheet – Governmental Funds .....	9
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position .....	10
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget And Actual (Budgetary Basis) – General Fund .....	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget And Actual (Budgetary Basis) – Coal Severance Tax Fund .....	15
Statement of Net Position – Proprietary Funds.....	16
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Notes to the Financial Statements.....	21
<b>Required Supplementary Information</b>	
Schedule of the Corporation’s Proportionate Share of the Net Pension Liability.....	35
Schedule of the Municipality’s Contributions .....	36
Schedule of Expenditures for Federal Awards .....	37
Notes to the Schedule of Expenditures of Federal Awards .....	38
<b>Supplementary Information</b>	
Schedule of Rate Covenant Compliance - Water .....	39
<i>Combining and Individual Fund Statements:</i>	
Combining Balance Sheet – Nonmajor Special Revenue Funds .....	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds .....	41

**Accompanying Information**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters  
Required by *Government Auditing Standards* .....42

Report on Compliance with Requirements Applicable to the Major Federal Program and on  
Internal Control over Compliance Required by OMB Uniform Guidance.....44

Schedule of Findings .....46

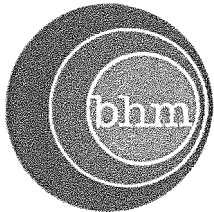
Corrective Action Plan .....48

## INTRODUCTORY SECTION

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
MUNICIPAL OFFICIALS  
For the Fiscal Year Ended June 30, 2017**

<b>OFFICE</b>	<b>NAME</b> <u>Elective</u>	<b>TERM</b>
Mayor:	Greg Vaughn	07-01-15 / 06-30-17
Recorder:	Kevin Carden	07-01-15 / 06-30-17
Council Members:	Beth Bainbridge	07-01-15 / 06-30-17
	Helen Becker	07-01-15 / 06-30-17
	Jerry Hutton	07-01-15 / 06-30-17
	Hardwick Johnson	07-01-15 / 06-30-17
	Charlotte Thompson	07-01-15 / 06-30-17

## **FINANCIAL SECTION**



**Independent Auditor's Report**

Corporation of Harpers Ferry  
Jefferson County, West Virginia  
P.O. Box 217  
Harpers Ferry, West Virginia, 25425

To the Mayor and Members of Council:

*Report on the Financial Statements*

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corporation of Harpers Ferry, Jefferson County, West Virginia (the Corporation), as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise the Corporation'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 Corporation'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 Corporation'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.



### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Corporation of Harpers Ferry, Jefferson County, West Virginia, as of June 30, 2017, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Fund, 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 and information related to the defined benefit pension plans 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. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about that methods of preparing the information and comparing the information for consistency with management's responses to our inquiries to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance. The Corporation has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information.

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

The Schedule of Expenditures of Federal Awards also presents additional analysis as required by the U.S. Office of Management and Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Supplementary Information

The Schedule of Rate Covenant Compliance (Schedule) and fund level statements for the nonmajor governmental funds (Statements) provide additional information required by the State of West Virginia, and are also not a required part of the basic financial statements.

The Schedule and Statements are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule and these statements to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this schedule and these statements directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule and these statements are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

#### Other Information

The introductory section presents additional analysis and is not a required part of the basic financial statements. We did not subject the introductory section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or any other assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2018, on our consideration of the Corporation'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 Corporation's internal control over financial reporting and compliance.



BHM CPA Group, Inc.  
Huntington, West Virginia  
June 8, 2018

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2017

	<u>Primary Government</u>		
	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,143,702	\$ 195,289	\$ 1,338,991
Receivables:			
Accounts	24,747	29,958	54,705
Taxes	92,638	--	92,638
Grants	156,428	17,000	173,428
Due from water fund	56,614	--	56,614
Prepaid expenses	345	--	345
	<u>1,474,474</u>	<u>242,247</u>	<u>1,716,721</u>
Total current assets			
Noncurrent assets:			
Renewal and replacement	--	159,019	159,019
Reserve for bond retirement	--	119,302	119,302
Customer deposits	--	14,859	14,859
Capital assets:			
Nondepreciable:			
Land	75,000	40,450	115,450
Construction in progress	2,887,635	120,438	3,008,073
Depreciable:			
Buildings	145,205	--	145,205
Structures and improvements	--	435,781	435,781
Machinery and equipment	225,279	2,426,307	2,651,586
Less: accumulated depreciation	<u>( 307,320)</u>	<u>( 1,799,833)</u>	<u>( 2,107,153)</u>
	<u>3,025,799</u>	<u>1,516,323</u>	<u>4,542,122</u>
Total noncurrent assets			
	<u>4,500,273</u>	<u>1,758,570</u>	<u>6,258,843</u>
Total assets			
	<u>\$ 4,500,273</u>	<u>\$ 1,758,570</u>	<u>\$ 6,258,843</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	<u>\$ 96,377</u>	<u>\$ 51,896</u>	<u>\$ 148,273</u>

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF NET ASSETS  
June 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES</b>			
Current liabilities payable			
from current assets:			
Accounts payable	\$ 253,605	\$ 7,214	\$ 260,819
Payroll payable	5,473	4,851	10,324
Other accrued expenses	16,308	--	16,308
Compensated absences payable	25,931	13,339	39,270
Other postemployment benefits payable	137,002	60,023	197,025
Customer deposits	--	15,078	15,078
Due to:			
General fund	--	56,614	56,614
Other governments	--	14,892	14,892
	438,319	172,011	610,330
Total current liabilities			
Noncurrent liabilities due			
within one year:			
Bonds payable	--	34,203	34,203
Notes payable	--	6,858	6,858
Compensated absences payable	34,139	--	34,139
Noncurrent liabilities due in more than one year:			
Bonds payable	--	656,068	656,068
Notes payable	--	18,764	18,764
Net pension obligation payable	166,426	89,614	256,040
	200,565	805,507	1,006,072
Total noncurrent liabilities			
Total liabilities	638,884	977,518	1,616,402
<b>DEFERRED INFLOWS OF RESOURCES</b>	24,797	13,353	38,150
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	3,025,799	507,250	3,533,049
Restricted for:			
Debt service	--	119,302	119,302
Renewal & Replacement	--	159,019	159,019
Unrestricted	907,170	34,024	941,194
Total net assets	3,932,969	819,595	4,752,564
Total liabilities and net assets	\$ 4,596,650	\$ 1,810,466	\$ 6,407,116

See accompanying notes to the financial statements. 6

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017

	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
<b>Functions / Programs</b>						
<b>Primary government:</b>						
Governmental activities:						
General government	\$ 188,721	\$ 131,637	\$ 5,845	\$ ( 51,239)	\$ --	\$ ( 51,239)
Public safety	263,383	55,887	80,000	( 127,496)	--	( 127,496)
Streets and transportation	118,600	--	--	( 118,600)	--	( 118,600)
Culture and recreation	27,305	--	--	( 27,305)	--	( 27,305)
Capital projects	7,550	--	2,350,076	2,342,526	--	2,342,526
Economic development	1,500	--	--	( 1,500)	--	( 1,500)
<b>Total governmental activities</b>	<b>607,059</b>	<b>187,524</b>	<b>2,435,921</b>	<b>2,016,386</b>	<b>--</b>	<b>2,016,386</b>
Business-type activities:						
Water Department	570,083	686,198	--	--	116,115	116,115
<b>Total business-type activities</b>	<b>570,083</b>	<b>686,198</b>	<b>--</b>	<b>--</b>	<b>116,115</b>	<b>116,115</b>
<b>Total primary government</b>	<b>\$ 1,177,142</b>	<b>\$ 873,722</b>	<b>\$ 2,435,921</b>	<b>2,016,386</b>	<b>116,115</b>	<b>2,132,501</b>

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017

Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Primary Government		
			Governmental Activities	Business-type Activities	Total
General revenues:					
Ad valorem property taxes			58,891	--	58,891
Business & occupation tax			163,369	--	163,369
Alcoholic beverages tax			42,370	--	42,370
Utility services tax			8,031	--	8,031
Hotel occupancy tax			35,929	--	35,929
Animal tax			124	--	124
Amusement tax			63,830	--	63,830
Other taxes			127,799	--	127,799
Coal severance tax			482	--	482
Unrestricted investment earnings			759	304	1,063
Refunds			147	--	147
Miscellaneous			1,332	--	1,332
Total general revenues and transfers			503,063	304	503,367
Change in net assets			2,519,449	116,419	2,635,868
Net assets			1,413,520	690,708	2,104,228
Net assets - ending			\$ 3,932,969	\$ 807,127	\$ 4,740,096

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2017

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Capital Reserve Fund</u>	<u>Potomac Street Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
<b>Current:</b>						
Cash and cash equivalents	\$ 687,718	\$ 963	\$ 296,581	\$ 80,375	\$ 78,065	\$ 1,143,702
Receivables:						
Taxes	85,552	--	--	--	7,086	92,638
Accounts	24,747	--	--	--	--	24,747
Grants	--	--	--	156,428	--	156,428
Due from:						
Other funds	1,925	--	--	--	--	1,925
Water Fund	56,614	--	--	--	--	56,614
Prepaid expenses	345	--	--	--	--	345
Total assets	<u>\$ 856,901</u>	<u>\$ 963</u>	<u>\$ 296,581</u>	<u>\$ 236,803</u>	<u>\$ 85,151</u>	<u>\$ 1,476,399</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	5,159	--	--	240,821	7,625	253,605
Payroll payable	5,473	--	--	--	--	5,473
Compensated absences payable	25,931	--	--	--	--	25,931
Other accrued expenses	16,308	--	--	--	--	16,308
Other postemployment benefits payable	137,002	--	--	--	--	137,002
Due to:						
Other funds	--	--	--	1,760	165	1,925
Total liabilities	<u>189,873</u>	<u>--</u>	<u>--</u>	<u>242,581</u>	<u>7,790</u>	<u>440,244</u>
<b>Fund balances:</b>						
Restricted	--	963	296,581	( 5,778)	77,361	369,127
Unassigned	667,028	--	--	--	--	667,028
Total fund balances	<u>\$ 667,028</u>	<u>963</u>	<u>296,581</u>	<u>( 5,778)</u>	<u>77,361</u>	<u>1,036,155</u>
Total liabilities and fund balances	<u>\$ 856,901</u>	<u>\$ 963</u>	<u>\$ 296,581</u>	<u>\$ 236,803</u>	<u>\$ 85,151</u>	<u>\$ 1,476,399</u>

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
June 30, 2017

---

Total fund balances on the governmental fund's balance sheet	\$ 1,036,155
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore not reported in the funds.	3,025,799
Compensated absences is now recorded at the governmental level rather than at the government-wide level	( 34,139)
the net pension liability is not due and payable in the current period, therefore, the liability and related deferred inflows are not reported in funds.	
Deferred outflows of resources related to pensions	96,377
Deferred inflows of resources related to pensions	( 24,797)
Net pension liability	<u>( 166,426)</u>
Net assets of governmental activities	<u>\$ 3,932,969</u>

See accompanying notes to the financial statements.



CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017

	General	Coal Severance Tax	Capital Reserve Fund	Potomac Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Ad valorem property taxes	\$ 58,891	\$ --	\$ --	\$ --	\$ --	\$ 58,891
Business & occupation tax	163,369	--	--	--	--	163,369
Alcoholic beverages tax	42,370	--	--	--	--	42,370
Utility services tax	8,031	--	--	--	--	8,031
Hotel occupancy tax	0	--	--	--	35,929	35,929
Animal tax	124	--	--	--	--	124
Other taxes	126,271	--	--	--	--	126,271
Coal severance tax	0	482	--	--	--	482
Licenses and permits	25,170	--	--	--	--	25,170
Intergovernmental:						
Federal grants	80,000	--	--	2,350,076	--	2,430,076
State grants	5,845	--	--	--	--	5,845
Charges for services	106,467	--	--	--	--	106,467
Fines and forfeits	55,887	--	--	--	--	55,887
Interest and investment earnings	621	--	87	--	51	759
Refunds & Reimbursements	147	--	--	--	--	147
Gaming income	15,988	--	--	--	--	15,988
IRP fees	1,528	--	--	--	--	1,528
Video Lottery	47,842	--	--	--	--	47,842
Miscellaneous	1,332	--	--	--	--	1,332
<b>Total revenues</b>	<b>739,883</b>	<b>482</b>	<b>87</b>	<b>2,350,076</b>	<b>35,980</b>	<b>\$ 3,126,508</b>

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2017

	General	Coal Severance Tax	Capital Reserve Fund	Potomac Street Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>EXPENDITURES</b>						
Current:						
General government	\$ 183,813	--	--	--	--	183,813
Public safety	261,651	600	--	--	--	262,251
Streets and transportation	118,600	--	--	--	--	118,600
Culture and recreation	2,414	--	--	--	24,891	27,305
Capital projects	7,550	--	--	2,438,855	--	2,446,405
Economic development	\$ -	--	--	--	1,500	1,500
<b>Total expenditures</b>	<b>\$ 574,028</b>	<b>600</b>	<b>--</b>	<b>2,438,855</b>	<b>26,391</b>	<b>3,039,874</b>
Excess (deficiency) of revenues over expenditures	\$ 165,855	( 118)	87	( 88,779)	9,589	86,634
Fund balances - beginning	\$ 501,173	1,081	296,494	83,001	67,772	949,521
Fund balances - ending	<u>\$ 667,028</u>	<u>\$ 963</u>	<u>\$ 296,581</u>	<u>\$ ( 5,778)</u>	<u>\$ 77,361</u>	<u>\$ 1,036,155</u>

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2017

---

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ 86,634
Capital outlays are reported as an expenditure in the governmental funds but are considered an asset at the government-wide level. This is the amount of capital assets that were purchased during the fiscal year.	2,438,855
Capital outlays are reported as an expenditure in the governmental funds. In the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense charged during the year.	( 15,294)
GASB 68 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.	<u>9,254</u>
Change in net assets of governmental activities	<u><u>\$ 2,519,449</u></u>

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		General Fund As Presented	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Ad valorem property taxes	\$ 63,342	\$ 63,342	\$ 58,891	\$ ( 4,451)
Business & occupation tax	82,645	125,000	163,369	38,369
Alcoholic beverages tax	38,250	38,250	42,370	4,120
Utility services tax	6,000	6,000	8,031	2,031
Hotel occupancy tax	18,000	35,000 (a)	--	( 35,000)
Animal tax	150	150	124	( 26)
Gas and oil severance tax	250	250	--	( 250)
Other taxes	47,421	109,999	126,271	16,272
Licenses and permits	9,200	23,800	25,170	1,370
Intergovernmental:				
Federal grants	80,000	80,000	80,000	--
State grants	2,000	2,000	5,845	3,845
Charges for services	71,861	79,571	106,467	26,896
Fines and forfeits	45,000	45,000	55,887	10,887
Interest earnings	500	500	621	121
Refunds & reimbursements	1,900	1,900	147	( 1,753)
Gaming income	15,300	15,300	15,988	688
IRP fees	1,000	1,366	1,528	162
Video Lottery	44,000	42,000	47,842	5,842
Miscellaneous	600	300	1,332	1,032
Total revenues	<u>527,419</u>	<u>669,728</u>	<u>739,883</u>	<u>70,155</u>
<b>EXPENDITURES</b>				
Current:				
General government	365,118	399,003	183,813	215,190
Public safety	323,169	325,194	261,651	63,543
Streets and transportation	86,329	113,450	118,600	( 5,150)
Culture and recreation	19,550	28,175 (b)	2,414	25,761
Capital projects	221,262	291,915	7,550	284,365
Total expenditures	<u>1,015,428</u>	<u>1,157,737</u>	<u>574,028</u>	<u>583,709</u>
Net change in fund balance	( 488,009)	( 488,009)	165,855	653,864
Fund balance - beginning	488,009	488,009	501,173	13,164
Fund balance - ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 667,028</u>	<u>\$ 667,028</u>

Notes:

(a) Hotel occupancy tax is budgeted in the general fund, however these revenues are posted to the hotel motel fund.

(b) Majority of the culture and recreation expenditures are recorded in the Park and Recreation fund which was budgeted in the general fund.

See accompanying notes to the financial statements.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND  
For the Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Coal severance tax	\$ 600	\$ 600	\$ 482	\$ (118)
Total revenues	<u>600</u>	<u>600</u>	<u>482</u>	<u>(118)</u>
<b>EXPENDITURES</b>				
Current:				
General government	74	74	--	74
Public safety	<u>667</u>	<u>667</u>	<u>600</u>	<u>67</u>
Total expenditures	<u>741</u>	<u>741</u>	<u>600</u>	<u>141</u>
Net change in fund balance	(141)	(141)	(118)	23
Fund balance - beginning	<u>141</u>	<u>141</u>	<u>1,081</u>	<u>940</u>
Fund balance - ending	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>963</u></u>	<u><u>963</u></u>

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
June 30, 2017

	Water Works
<b>ASSETS</b>	
Current:	
Cash and cash equivalents	\$ 195,289
Receivables:	
Accounts Receivable, net	29,958
Grants	17,000
	242,247
Total current assets	
	242,247
Noncurrent assets:	
Restricted assets:	
Renewal and replacement	159,019
Reserve for bond retirement	119,302
Customer deposits	14,859
	293,180
Total restricted assets	
	293,180
Capital assets:	
Nondepreciable:	
Land	40,450
Construction in progress	120,438
Depreciable:	
Structures and improvements	435,781
Machinery and equipment	2,426,307
Less: accumulated depreciation	( 1,799,833)
	1,223,143
Total capital assets (net of accumulated depreciation)	
	1,223,143
Total noncurrent assets	
	1,516,323
Total assets	
	1,758,570
<b>DEFERRED OUTFLOWS</b>	
Pension related outflows	51,896
Total deferred outflows of resources	
	51,896

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
June 30, 2017

		Water Works
<b>LIABILITIES</b>		
Current liabilities payable		
from current assets:		
Accounts payable	\$	7,214
Payroll payable		4,851
Other accrued expenses		
benefits payable		60,023
Compensated absences payable		13,339
Customer deposits		15,078
Accrued revenue bond/note		
Due to:		
Other funds		56,614
Other governments		14,892
		<u>172,011</u>
 Total current liabilities payable from current assets		 <u>172,011</u>
 Noncurrent liabilities		
Bonds payable		690,271
Notes payable		25,622
Net pension obligation payable		89,614
		<u>805,507</u>
 Total noncurrent liabilities		 <u>805,507</u>
 Total liabilities		 <u>977,518</u>
 <b>DEFERRED INFLOWS</b>		
Pension related inflows		<u>13,353</u>
 Total deferred inflows of resources		 <u>13,353</u>
 <b>NET POSITION</b>		
Net investment in capital assets		507,250
Restricted for debt service		119,302
Restricted for renewal & replacement		159,019
Unrestricted		34,024
		<u>819,595</u>
Total net position	\$	<u>819,595</u>

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2017

	-- Water Works
Operating revenues:	
Sales and services to customers	\$ 684,744
Miscellaneous Revenue	
Interest Income	454
Rental fees	1,000
	686,198
Operating expenses:	
Personnel Services	258,158
Contracted Services	1,790
Insurance	16,858
Rents	3,600
Administration and General	22,158
Materials and supplies	16,000
Utilities	45,183
Depreciation	83,518
Maintenance	88,614
	535,879
Operating income	150,319
Nonoperating revenues (expenses):	
Interest revenue	304
Miscellaneous Rev	9,750
Interest and fiscal charges	( 43,954)
	( 33,900)
Change in net position	116,419
Net position at beginning of year	703,176
Net position at end of year	\$ 819,595

See accompanying notes to the financial statements.



CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2017

	<u>Water Works</u>
<b>Cash flows from operating activities:</b>	
Cash received from customers	\$ 659,638
Cash received from rents and other income	1,454
Cash paid for suppliers and employees	<u>( 433,649)</u>
 Net cash provided by operating activities	 <u>227,443</u>
<b>Cash flows from capital and related financing activities:</b>	
Net change in restricted cash	( 61,916)
Purchases of capital assets	( 39,218)
Principal paid on bonds	( 32,093)
Miscellaneous revenue	9,750
Interest paid on capital debt	<u>( 43,954)</u>
 Net cash used by capital and related financing activities	 <u>( 167,431)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>304</u>
 Net increase (decrease) in cash and cash equivalents	 60,316
Cash and cash equivalents, July 1,	<u>134,973</u>
Cash and cash equivalents, June 30,	<u><u>\$ 195,289</u></u>

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
For the Fiscal Year Ended June 30, 2017

		Water Works
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>		
Operating income	\$	150,319
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense		83,518
Decrease (increase) in accounts receivable		( 8,106)
Decrease (increase) in grants receivable		( 17,000)
Decrease (increase) in deferred outflows		( 1,946)
Increase (decrease) in customer deposits		2,649
Increase (decrease) in accounts payable		( 504)
Increase (decrease) in net pension liability		27,190
Increase (decrease) in payroll payable		604
Increase (decrease) in due to other funds		7,004
Increase (decrease) in deferred outflows		( 30,228)
Increase (decrease) in due to other governments		14,892
Increase (decrease) in compensated absences		( 949)
		227,443
Net cash provided by operations	\$	227,443

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Except as noted, the accounting policies of Corporation of Harpers Ferry, West Virginia (the Municipality), conform to the other comprehensive basis of accounting prescribed by the West Virginia State Auditor's Office as applicable to Class IV Municipalities. The following is a summary of significant accounting policies:

**A. Reporting Entity**

The Municipality of Corporation of Harpers Ferry is a municipal corporation governed by an elected Mayor, Recorder, and a five member Council. The accompanying financial statements present the government and its component units as required by Generally Accepted Accounting Principles.

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

The accompanying financial statements present the government and its component units as required by the accounting principles generally accepted in the United States. In determining whether to include a governmental department, agency, commission or organization as a component unit, the government must evaluate each entity as to whether they are legally separate and financially accountable based on the criteria set forth by the Governmental Accounting Standards Board (GASB). Legal separateness is evaluated on the basis of (1) its corporate name, (2) the right to sue and be sued and (3) the right to buy, sell or lease and mortgage property. Financial accountability is based on (1) the appointment of the governing authority and (2) the ability to impose will or (3) the providing of specific financial benefit or imposition of specific financial burden. Another factor to consider in this evaluation is whether an entity is fiscally dependent on the Municipality.

Based upon the above criteria, the Municipality does not have any component units.

**B. Fund Financial Statements**

The government wide financial statement (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the government. For the most part, the effect of the interfund activity has been removed from the statements. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support.

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

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

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

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

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

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

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

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

The government reports the following governmental funds:

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

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

The Capital Reserve Fund, a special revenue fund, accounts for moneys set aside for future capital expenditures.

The Potomac Street Fund, a special revenue fund, accounts for revenues and expenditures from Federal, State, Local, and In-Kind sources set aside for Potomac Street capital expenditures.

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

Proprietary fund financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred as required by generally accepted accounting principles for proprietary funds.

The government reports the following proprietary funds:

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

The Municipality of Corporation of Harpers Ferry, West Virginia follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, that do not conflict with GASB Pronouncements in both the government wide and proprietary fund financial statements.

As a general rule, the effect of entry fun activity has been eliminated from the governmentwide financial statements.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations.

The principal operating revenue of the Water Fund (enterprise fund) is/are charges to customers for services. Operating expenses include cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

#### **D. Assets, Liabilities, and Net Position**

##### **1. Deposits**

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

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

The Municipality reports its investments at fair value, except for non-participating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Cash deposits are reported at carrying amount which reasonably estimates fair value. The composition of investments and fair values are presented in a subsequent note titled 'Deposits and Investments'.

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

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

## **2. Receivables and Payables**

### *Interfund Transactions*

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

### *Trade Receivables*

The government periodically analyzes delinquent accounts and uses the direct write-off method.

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

*Property Tax Revenue*

All current taxes assessed on real and personal property may be paid in two installments; the first installment is payable on September first of the year for which the assessment is made, and becomes delinquent on October first; the second installment is payable on the first day the following March and becomes delinquent on April first. Taxes paid on or before the date when they are payable, including both first and second installments, are subject to a discount of two and one-half percent. If the taxes are not paid on or before the date in which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until the date they are paid.

All municipalities within the State are authorized to levy taxes not in excess of the following maximum levies per \$100 of assessed valuation: On Class I property, twelve and five-tenths cents (12.5 cents); On Class II property, twenty-five cents (25 cents); On Class IV property, fifty cents (50 cents). In addition, municipalities may provide for an election to lay an excess levy; the rates not to exceed statutory limitations, provided at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per \$100 of assessed valuation for each class of property for the fiscal year ended June 30, 2017, were as follows:

Class of Property	Assessed Valuation For Tax Purposes	Current Expense	Excess Levy
Class I	\$ - -	6.93	
Class II	\$ 18,869,600	13.86	- -
Class IV	\$ 14,979,429	27.72	- -

**3. Restricted Assets**

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

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

The 'renewal and replacement' account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.

The "customer deposits" account is used to report deposits held in escrow.

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

**4. Capital Assets and Depreciation**

Capital assets, which include property, plant, and equipment, are reported in the applicable enterprise fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost as listed below and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is not reflected in the capitalized value of the asset constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	25 - 40
Structures and improvements	10 - 20
Transmission and distribution	10 - 40
Machinery and equipment	03 - 10

**5. Inventories**

The Corporation considers inventories of materials and supplies utilized in governmental fund types operations as expended at the time of purchase therefore, they do not appear in the Corporation's financial statements. Inventories of materials and supplies utilized in the proprietary fund type of operation, are considered expended at the time of consumption: therefore, balances on hand at year end, valued at cost (first in, first out) are presented in the Corporation's financial statements.



**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

**6. Compensated Absences**

The government's policy regarding earned vacation time is as follows:

To permit employees to accumulate earned but unused vacation and sick pay benefits as follows:

Annual leave may be accrued up to a maximum of 240 hours. The leave year will be based on the calendar year, i.e., January 1 through December 31. All annual leave accrued above the 240 hours and not used prior to December 31 of a given year will be forfeited. Annual leave is considered payable leave and will be paid in a lump sum not to exceed 240 hours at the time an employee's employment is terminated, with two-weeks notice. Computation for lump sum payment will be based on current annual salary divided by 2080 hours multiplied by the number of hours accrued. Annual leave is not payable in the event of resignation with less than two weeks notice. Accrued annual leave may be payable on a case-by-case basis in the event of involuntary termination. Annual leave may not be cashed in for compensation while employed. Sick

Time may be carried over up to 480 hours. There is no payment of accumulated annual sick leave when employment is terminated either by resignation, dismissal, or retirement. Upon retirement, an employee may choose to use accumulated sick and vacation leave as a credit for additional length of service to increase their retirement Annuity or, in some cases, to extend health insurance coverage, in accordance with provisions governed by the WV Consolidated Public Retirement Board.

No liability is reported for unpaid accumulated sick leave.

All vacation pay is accrued when incurred in the proprietary fund financial statements in accordance with GASB Statement No. 16, Accounting for Compensated Absences.

**7. Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the (effective interest/straight line) method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as expenses.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

**8. Deferred Outflows/Inflows of Resources - Proprietary Fund**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**9. Pensions**

All eligible employees are covered under the West Virginia Public Employee Retirement System due to the Corporation's electing to be a participating public employee.

**II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on the accrual basis for the General Fund and the Coal Severance Tax Special Revenue Fund. All annual appropriations lapse at fiscal year end.

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

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

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits**

The Corporation reporting entity considered highly liquid investments with an original maturity of 3 months or less when purchased to be cash equivalents.

**Deposits**

The Corporation's deposits are categorized to give an indication of the level of risk assumed by the Corporation at June 30, 2017. The Categories are described as follows:

**Category 1 -** Insured or collateralized with securities held by the entity or by its agent in the entity's name

**B. Receivables**

Receivables at year end for the government's proprietary funds are as follows:

General Fund Taxes Receivable	\$ 85,552
General Fund A/R	\$ 24,747
Hotel Motel Taxes Receivable	\$ 7,086
Water Fund	\$ 29,958

**C. Capital Assets**

Capital asset activity for the proprietary funds for the fiscal year ended June 30, 2017, are as follows:

	<b>Proprietary fund type</b>			<b>Ending Balance</b>
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 40,450	\$ --	\$ --	\$ 40,450
Construction in progress	81,220	39,218	--	120,438
Total capital assets, not being depreciated	<u>121,670</u>	<u>39,218</u>	<u>--</u>	<u>160,888</u>
Capital assets being depreciated:				
Structures and improvements	435,781	--	--	435,781
Machinery and equipment	2,416,415	--	9,892	2,426,307
Less: accumulated depreciation	<u>(1,706,723)</u>	<u>(83,518)</u>	<u>(9,592)</u>	<u>(1,799,833)</u>
Total capital assets being depreciated, net	<u>1,145,473</u>	<u>(83,518)</u>	<u>300</u>	<u>1,062,255</u>
Business-type activities capital assets, net	<u><u>\$ 1,267,143</u></u>	<u><u>(\$ 44,300)</u></u>	<u><u>\$ 300</u></u>	<u><u>\$ 1,223,143</u></u>

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

Business-type activities:	
Water Works	\$ 83,518
Total depreciation expense-business-type activities	\$ 83,518

	Governmental Activities			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ --	\$ --	\$ 75,000
Construction in progress	448,780	2,438,855	--	2,887,635
Total capital assets, not being depreciated	523,780	2,438,855	--	2,962,635
Capital assets being depreciated:				
Buildings	145,205	--	--	145,205
Structures and improvements	43,584	--	--	43,584
Vehicles	181,695	--	--	181,695
Less accumulated depreciation	( 292,026)	( 15,294)	--	( 307,320)
Total capital assets being depreciated, net	78,458	( 15,294)	--	63,164
Governmental activities capital assets, net	\$ 602,238	\$ 2,423,561	\$ --	\$ 3,025,799
Governmental activities:				
Public safety				\$ 9,780
General government				\$ 5,514
Total depreciation governmental funds				\$ 15,294

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2017, is as follows:

*Interfund receivables/payables:*

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	Water	Short term loan	\$ 56,614
	Total		\$ 56,614

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

**E. Fund Balance Detail**

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

	General Fund	Coal Severance	Capital Reserve Fund	Potomac Street Fund
Assigned	--	963	296,581	( 5,778)
Unassigned	667,028	--	--	--
Total fund balances	<u>\$ 667,028</u>	<u>\$ 963</u>	<u>\$ 296,581</u>	<u>(\$ 5,778)</u>

Purpose	Maturity Date	Interest Rate	Original amount		Balance June 30, 2017
			Issued	Retired	
<b>Business-type activities:</b>					
MBC 1986 Series A	2026	8.00%	\$ 611,912	\$ 256,976	\$ 354,936
MBC 1986 Series B	2026	0.00%	150,088	110,591	39,497
USDA 2007	2048	4.12%	350,000	54,162	295,838
			--	--	--
Total notes payable			<u>\$ 1,112,000</u>	<u>\$ 421,729</u>	<u>\$ 690,271</u>

Debt service requirements to maturity are as follows:

Year Ended	Business-type Activities	
	Principal	Interest
2018	\$ 34,203	41,830
2019	36,479	39,554
2020	38,935	37,098
2021	41,587	34,446
2022	44,448	31,585
2023 - 2027	273,803	106,358
2028 - 2032	50,816	40,569
2033 - 2037	62,431	28,954
2038 - 2042	76,706	14,679
2043 - 2047	30,863	1,182
Totals	<u>\$ 690,271</u>	<u>\$ 376,255</u>

*Revenue Bonds*

*Utility Pledged Revenues*

The Municipality has pledged future customer water revenues net of specified operating expenses to repay bond issuances. The bonds are payable solely from customer net revenues. .

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

The Corporation issued a note payable on 1/15/2016 in the original amount of \$34,562 to the Bank to acquire a truck for the Water Department. Repayment at 60 monthly payments of principal and interest at 3.19%, balance currently \$25,622.

Year Ended	Activities	
	Principal	Interest
2018	6,858	718
2019	7,080	496
2020	7,309	266
2021	4,375	47
2022	--	
<b>Totals</b>	<b>\$ 25,622</b>	<b>\$ 1,526</b>

**Changes in Long-term Liabilities**

	Business-type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable	\$ 722,364	\$ --	\$ (32,093)	\$ 690,271	\$ 34,203
Compensated absences	15,349	--	( 1,061)	14,288	--
Business-type activities					
Long-term liabilities	<u>\$ 737,713</u>	<u>\$ --</u>	<u>\$ (33,154)</u>	<u>\$ 704,559</u>	<u>\$ 34,203</u>

	Governmental - type Activities				
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	<u>\$ 34,137</u>	<u>\$ --</u>	<u>\$ (1,554)</u>	<u>\$ 32,583</u>	<u>\$ --</u>

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

**IV. OTHER INFORMATION**

**A. Risk Management**

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

**V. EMPLOYEE RETIREMENT SYSTEMS AND PLANS**

**A. Plan Descriptions Contribution Information and Funding Policies**

**1. Public Employee Retirement System (PERS)**

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

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

	<u>Public Employees Retirement System</u>
Eligibility to participate	All Municipal full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan member's contribution rate	4.5%
Municipality's contribution rate	12.00%
Period required to vest	Five Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended June 30, 2017**

---

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Ave S.E., Charleston, WV 25304.

**VI. RETIREMENT HEALTH PLAN (RHP)**

**1. Plan Description**

The Municipality contributes to the West Virginia Retiree Health Benefits Trust Fund (RHBT), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees Insurance Agency (PEIA). RHBT provides medical benefits to eligible retired employees of participating employers. RHBT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to: West Virginia Retiree Health Benefits Trust, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia, 25305-0710.

**2. Authority Establishing the Plan and Funding Policy**

Chapter 5, Article 16D of the West Virginia Code assigns the authority to establish and amend benefits and provisions to the RHBT. Plan members are currently required to contribute \$257 per month per active health policy. Participating employers are contractually required to contribute at a rate assessed each year by RHBT. The RHBT board sets the employer contribution rate based on the annual required contributions of the plan (ARC), an amount actuarially determined. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years.

The entity's contribution to RHBT for the year ended June 30, 2017, was:

12,234



**REQUIRED SUPPLEMENTARY INFORMATION**

**CORPORATION OF HARPERS FERRY**  
*Required Supplementary Information*  
*Schedule of the Corporation's Proportionate Share of the Net Pension Liability*  
*West Virginia Public Employees Retirement System*

---

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Board's proportion of the net pension liability	0.027857%	0.031940%	0.033180%	0.033691%
Board's proportionate share of the net pension liability	\$ 256,040	\$ 178,354	\$ 122,454	\$ 307,136
Board's covered-employee payroll	\$ 383,867	\$ 433,157	\$ 444,310	\$ 450,929
Board's proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.70%	41.20%	27.60%	68.10%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.30%	93.98%	79.70%

\* - Information for years prior to 2013 were not available.

See Notes to the Financial Statements

**CORPORATION OF HARPERS FERRY**  
*Required Supplementary Information*  
*Schedule of the Corporation Contributions*  
*West Virginia Public Employees Retirement System*  
*June 30, 2017*

---

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 46,464	\$ 51,822	\$ 60,642	\$ 64,425	\$ 63,130
Contributions in relation to the contractually required contribution	<u>46,464</u>	<u>51,822</u>	<u>60,642</u>	<u>64,425</u>	<u>63,130</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board covered-employee payroll	\$ 395,390	\$ 383,867	\$433,157	\$444,310	\$ 450,929
Contributions as a percentage of covered-employee payroll	11.75%	13.50%	14.00%	14.50%	14.00%

\*Information prior to 2013 is not available

See Notes to the Financial Statements

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Fiscal Year Ended June 30, 2017

<u>Name of Granting Agency</u>	<u>Federal Program Title</u>	<u>Pass-Through Programs From:</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Number</u>	<u>Total Expenditures</u>
United States Department of Transportation	Highway Planning and Construction	WV Department of Highways	20.205	U319-JEF/FE . 3.00	2,438,855

The accompanying notes are an integral part of this statement.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2017

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Municipality and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of *OMB Uniform Guidance*.

**SUPPLEMENTARY INFORMATION**

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
 SCHEDULE OF RATE COVENANT COMPLIANCE  
 For the Fiscal Year Ended June 30, 2017

I. The Corporation of Montgomery, West Virginia is subject to rate covenant compliance associated with the issuance of the Series 1986 Bonds. Specifically, the Corporation must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

“...the issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System and to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1986 Bonds and all other obligations ...”

The following schedule summarizes the provisions for the fiscal year ended June 30, 2017.

**Rate Covenant**

<u>Net Gross Revenues</u>	<u>Maximum Amount Annual Debt Service</u>	<u>Percentage</u>	<u>Percentage Required</u>
\$233,837	\$76,047	307%	115%

As of June 30, 2017, the Corporation was in compliance with the provisions of the Series 1986 revenue bond covenant which require revenues to be 115% or above the amount of the highest principal payment plus interest due in any given year.

CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
 COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE/CAPITAL PROJECT FUNDS  
 June 30, 2017

	Swan Investors Hilltop Permit	Parks and Recreation	Drug Forfeiture	Hotel/Motel Occupancy Tax	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>					
<b>Current:</b>					
Cash and cash equivalents	\$ 31,088	\$ 1,307	\$ 1,270	\$ 44,400	\$ 78,065
Receivables:					
Taxes	<u>    --</u>	<u>    --</u>	<u>    --</u>	<u>    7,086</u>	<u>    7,086</u>
Total assets	<u>\$ 31,088</u>	<u>\$ 1,307</u>	<u>\$ 1,270</u>	<u>\$ 51,486</u>	<u>\$ 85,151</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	--	--	--	7,625	7,625
Due to:					
Other funds	<u>    --</u>	<u>    120</u>	<u>    --</u>	<u>    45</u>	<u>    165</u>
Total liabilities	<u>    --</u>	<u>    120</u>	<u>    --</u>	<u>    7,670</u>	<u>    7,790</u>
<b>Fund balances:</b>					
Restricted	<u>    31,088</u>	<u>    1,187</u>	<u>    1,270</u>	<u>   43,816</u>	<u>   77,361</u>
Total fund balances	<u>    31,088</u>	<u>    1,187</u>	<u>    1,270</u>	<u>   43,816</u>	<u>   77,361</u>
Total liabilities and fund balances	<u>\$ 31,088</u>	<u>\$ 1,307</u>	<u>\$ 1,270</u>	<u>\$ 51,486</u>	<u>\$ 85,151</u>

See accompanying notes to the financial statements.

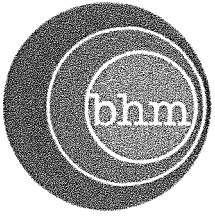


CORPORATION OF HARPERS FERRY, WEST VIRGINIA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES -  
 NONMAJOR SPECIAL REVENUE/CAPITAL PROJECT FUNDS  
 For the Fiscal Year Ended June 30, 2017

	Swan Investors Hilltop Permit	Parks and Recreation	Drug Forfeiture -	Hotel/Motel Occupancy Tax	Total Nonmajor Special Revenue Funds
<b>REVENUES</b>					
Taxes:					
Hotel occupancy tax	--	--	-	35,929	35,929
Interest and investment earnings	--	1	2	48	51
<b>Total revenues</b>	<u>--</u>	<u>1</u>	<u>2</u>	<u>35,977</u>	<u>35,980</u>
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	--	16	-	24,875	24,891
Economic development	--	--	-	1,500	1,500
<b>Total expenditures</b>	<u>--</u>	<u>16</u>	<u>-</u>	<u>26,375</u>	<u>26,391</u>
Net change in fund balance	--	( 15)	2	9,602	9,589
Fund balances - beginning	31,088	1,202	1,268	34,214	67,772
Fund balances - ending	<u>\$ 31,088</u>	<u>\$ 1,187</u>	<u>\$ 1,270</u>	<u>\$ 43,816</u>	<u>\$ 77,361</u>

See accompanying notes to the financial statements.

**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***

Corporation of Harpers Ferry  
Jefferson County, West Virginia  
P.O. Box 217  
Harpers Ferry, West Virginia 25425

To the Mayor and Members of Council:

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 governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Corporation of Harpers Ferry, Jefferson County, West Virginia (the Corporation) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated June 8, 2018.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Corporation'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 Corporation'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 Corporation'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 first paragraph of this section 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.

---

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 430-0590 • FAX (614) 448-4519  
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319  
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639  
PO Box • Huntington, West Virginia 25708 • (304) 521-2648  
[www.bhmcpagroup.com](http://www.bhmcpagroup.com)

Mayor and Members of Council  
Corporation of Harpers Ferry  
Jefferson County, West Virginia  
Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Required by Government Auditing Standards  
Page 2

***Compliance and Other Matters***

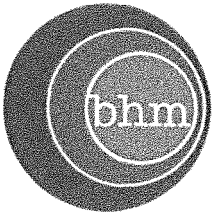
As part of reasonably assuring whether the Corporation's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial 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 Corporation's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Corporation'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  
June 8, 2018



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

---

**Report on Compliance with Requirements Applicable to The Major Federal Program and on Internal Control Over Compliance Required by OMB Uniform Guidance**

Corporation of Harpers Ferry  
Jefferson County, West Virginia  
P.O. Box 217  
Harpers Ferry, West Virginia, 25425

To the Mayor and Members of Council:

***Report on Compliance for the Major Federal Program***

We have audited the Corporation of Harpers Ferry's (the Corporation) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Uniform Guidance, Compliance Supplement* that could directly and materially affect the Corporation of Harpers Ferry's major federal program for the year ended June 30, 2017. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Corporation's major federal program.

***Management's Responsibility***

The Corporation's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to opine on the Corporation's compliance for the Corporation's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Corporation's major program. However, our audit does not provide a legal determination of the Corporation's compliance.

Mayor and Members of Council  
Corporation of Harpers Ferry  
Jefferson County, West Virginia  
Report on Compliance with Requirements Applicable to the Major Federal Program and on  
Internal Control Over Compliance Required by OMB Uniform Guidance  
Page 2

***Opinion on the Major Federal Program***

In our opinion, the Corporation of Harpers Ferry complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2017.

***Report on Internal Control Over Compliance***

The Corporation's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Corporation's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on the major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Corporation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did identify a deficiency in internal control over compliance that we consider to be a significant deficiency and is reported as Item 2017-001 in the Schedule of Findings.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

*BHM CPA Group*

BHM CPA Group, Inc.  
Huntington, West Virginia  
June 8, 2018

**Corporation of Harpers Ferry**  
*Jefferson County, West Virginia*

*Schedule of Findings*  
*OMB Uniform Guidance Section §.505*  
*June 30, 2017*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant internal control deficiencies reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Program's Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under §.510(a)?	No
(d)(1)(vii)	Major Programs (list):	Highway Construction and Planning CFDA# 20.205
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	No

**Corporation of Harpers Ferry**  
*Jefferson County, West Virginia*

*Schedule of Findings*  
*OMB Uniform Guidance Section §.505*  
*June 30, 2017*

---

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**None noted**

---

**3. FINDINGS FOR FEDERAL AWARDS**

**Non-Compliance/Significant Deficiency - Audit Not Filed in a Timely Matter**

The Corporation did not have their audit performed until June 2018. The Corporation did not have internal controls in place to comply with the reporting requirements of OMB Uniform Guidance. Federal regulations require that entities spending more than \$750,000 in federal monies must file their audit and their data collection form submission by the end of nine months after the end of their fiscal year. Failure to follow regulations may put future projects in jeopardy.

We recommend the Corporation develop policies and procedures to aid in reporting with federal requirements to insure they file their audit with the national clearinghouse within 9 months of the end of their fiscal year.

**Officials Response:**

Response found in corrective action plan.



**CORPORATION OF HARPERS FERRY, WEST VIRGINIA**

**CORRECTIVE ACTION PLAN**

*2 CFR 200.511(c)*

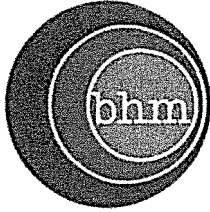
**FISCAL YEAR ENDING JUNE 30, 2017**

---

<b>Finding Number</b>	<b>Planned Corrective Action</b>	<b>Anticipated Completion Date</b>	<b>Responsible Contact Person</b>
2017-001	Reports will be filed as required by OMB Uniform Guidance. When we contract with our accounting firm next year to perform the audit, we will have the audit be completed before March 2019.	3/31/19	Wayne Bishop, Mayor



Charlotte



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

June 8, 2018

Mayor and Members of Council

Corporation of Harpers Ferry  
Jefferson County, West Virginia  
P.O. Box 217  
Harpers Ferry, WV 25425

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Corporation of Harpers Ferry for the years ended June 30, 2017 and 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 4, 2018. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Findings

##### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Corporation of Harpers Ferry are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017 or 2016. We noted no transactions entered into by the Corporation of Harpers Ferry during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Corporation's financial statements were):

Management's estimate of the depreciation expenses is based on depreciation expense of prior years. We evaluated the key factors and assumptions used to develop the depreciation expenses in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

##### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

##### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 8, 2018.

### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation of Harpers Ferry's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Other Matters

We applied certain limited procedures to Schedule of Changes in Net Pension Liability and Related Ratios, Notes to Schedules, Schedules of the Government's Proportionate Share of the Net Pension Obligation, Schedule of the Government's Contributions of the Net Pension Obligation, Schedule of Expenditures of Federal Awards, and Notes the Schedule of Expenditures of Federal Awards, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI

We were engaged to report on the Schedule of Rate Covenant Compliance, Statement of Net Position – Component Unit, Statement of Revenues, Expenses, and Changes in Fund Net Position – Component Unit, and Statement of Cash Flows – Component Unit, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on introductory section, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### Restriction on Use

This information is intended solely for the information and use of the Mayor, the Council, and management of the Corporation of Harpers Ferry and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



BHM CPA Group, Inc.