



Hardy County  
RFP #20-085

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED JUNE 30, 2021**

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**Independent Auditor's Report**

To the Board of Directors  
Hardy County Public Service District  
Moorefield, West Virginia

**Report on the Financial Statements**

We have audited the accompanying financial statements of Hardy County Public Service District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of Hardy County Public Service District as of June 30, 2021 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of the District's proportionate share of net pension and OPEB liability, schedules of the District's contributions, and notes to required supplementary information 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. Management has omitted the management's discussion and analysis. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the schedules of the District's proportionate share of the net pension and OPEB liabilities, schedules of the District's contributions and notes to required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hardy County Public Service District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2022, on our consideration of Hardy County Public Service District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hardy County Public Service District's internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering Hardy County Public Service District's internal control over financial reporting and compliance.

*Roth & White, A.C.*

Kingwood, West Virginia  
January 14, 2022

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**STATEMENT OF NET POSITION**

**June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 696 115	\$ 31 327	\$ 727 442
Receivables			
Fees and services	129 110	5 870	134 980
Construction receivable	6 220		6 220
Prepaid expenses	13 778		13 778
	-----	-----	-----
	845 223	37 197	882 420
	-----	-----	-----
Restricted Assets:			
Cash - customer deposits	59 286	284	59 570
Bond revenue funds	16 983	3 052	20 035
Construction accounts	53 909		53 909
Repair and replacement funds	961 057	15 592	976 649
	-----	-----	-----
	1 091 235	18 928	1 110 163
	-----	-----	-----
Total Current Assets	1 936 458	56 125	1 992 583
	-----	-----	-----
Noncurrent Assets:			
Restricted Assets:			
Bond reserve funds	352 094	20 595	372 689
	-----	-----	-----
Capital Assets:			
Land and land rights	256 467	35 761	292 228
Construction in progress	2 848 981		2 848 981
Plant and equipment	26 081 114	2 231 303	28 312 417
Less accumulated depreciation	(10 188 747)	(328 379)	(10 517 126)
	-----	-----	-----
	18 997 815	1 938 685	20 936 500
	-----	-----	-----
Total Noncurrent Assets	19 349 909	1 959 280	21 309 189
	-----	-----	-----
<b>TOTAL ASSETS</b>	<b>21 286 367</b>	<b>2 015 405</b>	<b>23 301 772</b>
	-----	-----	-----
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Employer contributions to pension plan subsequent to measurement date	37 457	3 705	41 162
Changes in proportion and differences between employer contributions and proportionate share of contributions	6 002	594	6 596
Net difference between projected and actual investment earnings	30 923	3 058	33 981
Differences between expected and actual experience	13 076	1 293	14 369
	-----	-----	-----
Total Deferred Outflows of Resources	87 458	8 650	96 108
	-----	-----	-----

The accompanying independent auditor's report and notes are an integral part of this statement.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**STATEMENT OF NET POSITION (CONTINUED)**

**June 30, 2021**

LIABILITIES	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>Current Liabilities:</b>			
Accounts payable	\$ 27 014	\$ 879	\$ 27 893
Construction payables	6 220		6 220
Accrued expenses	26 740	2 645	29 385
	-----	-----	-----
	59 974	3 524	63 498
	-----	-----	-----
<b>Current Liabilities Payable from Restricted Assets:</b>			
Customer deposits	55 560	300	55 860
Current portion of revenue bonds payable	217 202	32 824	250 026
Accrued bond interest payable	18 419		18 419
	-----	-----	-----
	291 181	33 124	324 305
	-----	-----	-----
Total Current Liabilities	351 155	36 648	387 803
	-----	-----	-----
<b>Long-term Liabilities:</b>			
Revenue bonds payable (net of current portion)	7 515 882	1 042 162	8 558 044
Net pension liability	88 852	8 788	97 640
Net OPEB liability	25 153	2 488	27 641
	-----	-----	-----
Total Long-term Liabilities	7 629 887	1 053 438	8 683 325
	-----	-----	-----
TOTAL LIABILITIES	7 981 042	1 090 086	9 071 128
	-----	-----	-----
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Changes in proportion and differences between employer contributions and proportionate share of contributions	8 631	854	9 485
Changes in assumptions	60 691	6 003	66 694
Differences between expected and actual experience	18 141	1 794	19 935
Reallocation of opt-out employer change in proportionate share	1 558	154	1 712
Net difference between projected and actual earnings on investments	852	84	936
	-----	-----	-----
Total Deferred Inflows of Resources	89 873	8 889	98 762
	-----	-----	-----
<b>NET POSITION</b>			
Net investment in capital assets	11 264 731	863 699	12 128 430
Restricted	1 384 043	39 239	1 423 282
Unrestricted	654 136	22 142	676 278
	-----	-----	-----
TOTAL NET POSITION	\$13 302 910	\$ 925 080	\$14 227 990
	=====	=====	=====

The accompanying independent auditor's report and notes are an integral part of this statement.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
Year Ended June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Revenue	\$ 1 528 289	\$ 65 182	\$ 1 593 471
	-----	-----	-----
Operating expenses			
Water purchases	168 879		168 879
Salaries, wages, payroll taxes and benefits	355 870	35 751	391 621
Power purchased for pumping	42 904	22	42 926
Operating supplies and expenses	37 596		37 596
Repairs and maintenance	6 816		6 816
Office supplies and expenses	19 626		19 626
Insurance	39 963	1 010	40 973
Outside services	37 436		37 436
Depreciation expense	670 401	60 002	730 403
Board of directors salaries	4 500		4 500
Office rent	7 715		7 715
Other sundry items	7 970		7 970
Travel	2 818		2 818
Telephone and office utilities	13 300		13 300
Vehicle expenses	13 898		13 898
Plant expenses	103 470	16 190	119 660
	-----	-----	-----
Total operating expenses	1 533 162	112 975	1 646 137
	-----	-----	-----
Operating income (loss)	(4 873)	(47 793)	(52 666)
Other income (expense)			
Interest (expense)	(147 358)		(147 358)
Interest income	2 146	35	2 181
Non-operating grants	798 099		798 099
Transfers	(43 283)	43 283	-0-
	-----	-----	-----
	609 604	43 318	652 922
	-----	-----	-----
Change in net position	604 731	(4 475)	600 256
Net position - beginning of year	12 698 179	929 555	13 627 734
	-----	-----	-----
Net position - end of year	\$ 13 302 910	\$ 925 080	\$ 14 227 990
	=====	=====	=====

The accompanying independent auditor's report and notes are an integral part of this statement.



**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**STATEMENT OF CASH FLOWS**  
**Year Ended June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 1 531 718	\$ 64 156	\$ 1 595 874
Cash paid for expenses	(508 566)	(16 288)	(524 854)
Cash paid for salaries, wages, payroll taxes and benefits	(405 728)	(45 447)	(451 175)
	-----	-----	-----
Net cash flows provided by operating activities	617 424	2 421	619 845
	-----	-----	-----
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Net increase (decrease) in customer deposits	5 527	(200)	5 327
Contributions (to) from associated funds	(43 283)	43 283	-0-
	-----	-----	-----
Net cash provided by (used in) non-capital financing activities	(37 756)	43 083	5 327
	-----	-----	-----
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from long-term debt	1 026 195		1 026 195
Proceeds from non-operating grants	791 879		791 879
Expenditures on additions to utility plant	(1 911 641)		(1 911 641)
Payments for retirement of long-term debt	(200 508)	(32 824)	(233 332)
Interest paid	(137 387)		(137 387)
	-----	-----	-----
Net cash (used in) capital and related financing activities	(431 462)	(32 824)	(464 286)
	-----	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest income	2 146	35	2 181
(Deposits) withdrawals to/from noncurrent MBC accounts	1 299	(3 298)	(1 999)
	-----	-----	-----
Net cash provided by (used in) investing activities	3 445	(3 263)	182
	-----	-----	-----
<b>NET INCREASE IN CASH</b>	<b>151 651</b>	<b>9 417</b>	<b>161 068</b>
<b>CASH AND CASH EQUIVALENTS, JULY 1</b>	<b>1 635 699</b>	<b>40 838</b>	<b>1 676 537</b>
	-----	-----	-----
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<b>\$ 1 787 350</b>	<b>\$ 50 255</b>	<b>\$ 1 837 605</b>
	=====	=====	=====

The accompanying independent auditor's report and notes are an integral part of this statement.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**STATEMENT OF CASH FLOWS (CONTINUED)**

**Year Ended June 30, 2021**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>RECONCILIATION TO STATEMENT OF ASSETS</b>			
Unrestricted cash	\$ 696 115	\$ 31 327	\$ 727 442
Restricted cash - customer deposits	59 286	284	59 570
Restricted cash - bond revenue funds	16 983	3 052	20 035
Restricted cash - repair and replacement funds	961 057	15 592	976 649
Restricted cash - construction accounts	53 909		53 909
	-----	-----	-----
Total Cash and Cash Equivalents, June 30	\$ 1 787 350	\$ 50 255	\$ 1 837 605
	=====	=====	=====
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (4 873)	\$ (47 793)	\$ (52 666)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	670 401	60 002	730 403
Pension and OPEB expense	(34 417)	(7 128)	(41 545)
Changes in assets and liabilities:			
(Increase) decrease in receivables	3 429	(1 026)	2 403
Increase (decrease) in accounts payable	(5 547)	24	(5 523)
Increase (decrease) in accrued expenses	(15 441)	(2 568)	(18 009)
(Increase) decrease in prepaid expenses	3 872	910	4 782
	-----	-----	-----
Net cash flows provided by operating activities	\$ 617 424	\$ 2 421	\$ 619 845
	=====	=====	=====

The accompanying independent auditor's report and notes are an integral part of this statement.

# HARDY COUNTY PUBLIC SERVICE DISTRICT

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### Note 1. Summary of Significant Accounting Policies

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to proprietary funds of governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles in the United States. The following is a summary of the more significant accounting policies:

#### **Reporting Entity**

The government is a public service district created by the county and governed by three commissioners appointed by the county commission. The District is regulated by the West Virginia Public Service Commission. The District's only customers are within its geographic service area.

The accompanying financial statements comply with the provisions of GASB Statement No. 14, "The Financial Reporting Entity" in that the financial statements do include all organizations, activities and functions that comprise the District. Component units are legally separate entities for which the primary entity is financially accountable. Financial accountability includes oversight responsibilities of appointing a voting majority of the organization's governing board, fiscal interdependence, and ability to impose its will over the organization. Using this criteria, the District does not have any component units that are not included in this statement.

#### **Nature of Business**

The Hardy County Public Service District provides water and sewer service to customers in the nonmunicipal areas of Hardy County and was established by the Hardy County Commission.

Water is purchased from the Town of Moorefield and the Town of Wardensville under long-term contracts. The District also produces water and treats sewer at plants in the Baker area.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement, regardless of the measurement focus applied.

The District has two major funds. The statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants are recognized when grantor eligibility requirements are met.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

Operating income reported in the financial statements includes revenues and expenses related to the primary, continuing operations of the District. Principal operating revenues for the District are charges to customers for sales or services. Tap fees intended to recover the cost of connecting new customers to the system are recorded as operating revenue. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as needed. See Note 2 for information describing restricted assets.

**Net Position**

Net position presents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the statement of net position. Net investment in capital assets is reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Restricted net position is reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulations of other governments. Not all restricted assets will be included in restricted net position. Customer deposits result from a continuing activity and do not meet the definition of restricted net position.

**Accounts Receivable**

Amounts due from private individuals, organizations, businesses, or other governments which pertain to charges for services rendered are reported as accounts receivable.

No allowance for doubtful accounts is netted against accounts receivable. Bad debts are recognized as specific write-offs when deemed uncollectible. While this method is a departure from generally accepted accounting principles, the resulting effect of this departure is not deemed material to the financial statements taken as a whole.

**Inventory**

The District expenses the cost of pipe, meters and supplies and does not capitalize inventory as of fiscal year end.

**Income Taxes**

The Hardy County Public Service District is exempt from Federal and State income taxes as a political subdivision of state and local governments.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Capitalized Interest**

The District follows the policy of capitalizing interest during construction as a component of the cost of property, plant, and equipment. Interest of \$21,108 was capitalized in the current year.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from the estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents captioned on the statement of cash flows include all highly liquid investments available for current use with an initial maturity of three months or less.

All cash accounts are F.D.I.C. insured or have collateral pledged to cover the excess, except for those with the WV Treasurer's Office. These amounts were not adequately collateralized with pledged assets for the year ending June 30, 2021. This represents a risk for potential loss. The District is authorized by statute to provide excess funds to either the State Investment Pool or the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record and bankers' acceptances repurchase agreements. The District is also authorized to enter into reverse repurchase agreements.

The District is permitted by law to provide excess funds to certificates of deposit. The District does not limit the amount of the investment in any one issuer. The additional concentration is not viewed to be an additional risk to the District. All certificates of deposit included as cash equivalents have maturities of three months or less as of the District's year end.

The carrying values are the same as market values.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Cash and Cash Equivalents (Continued)**

Cash and cash equivalents consist of the following:

	<u>Water</u>	<u>Sewer</u>
Checking accounts	\$ 344 816	\$ 31 327
Interest bearing accounts	1 425 551	15 876
Municipal Bond Commission	16 983	3 052
	-----	-----
Total	\$ 1 787 350	\$ 50 255
	=====	=====

**Compensated Absences**

Compensated absences are those for which employees have a right to receive consideration for future absences. The District has adopted a policy concerning unused vacation and sick pay benefits. The amount of annual leave that can be carried forward from one year to the next varies by years of service. Unused vacation leave of \$27,931 has been accrued and is included in accrued expenses. There is no limit on the amount of sick leave which can be accrued or carried forward from year to year; however, sick leave cannot be claimed for non-medical purposes and is forfeited upon termination. Consequently, no sick leave is accrued in these financial statements.

**Capital Assets and Depreciation**

Property, furniture and equipment are stated at original cost. Part of the cost of property, furniture and equipment is charged against earnings each year as depreciation expense. These charges are computed by the straight-line method, which means that an equal portion of the cost of any item is charged against operations each year of the estimated useful life.

Depreciation expense of \$730,403 has been recognized for the fiscal year. Depreciation is determined by the straight-line method based on estimated useful lives of 40 years, except for general equipment and office furniture and fixtures. Depreciation of these items is determined by the straight-line method based on estimated useful lives of 5-10 years.

**Interest Rate Risk**

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

**Prepaid Expenses**

The account consists of prepaid insurance.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Contributed Capital and Capital Grants**

As required by GASB 33, "Accounting and Financial Reporting for Nonexchange Transactions," the District recognizes grants, entitlements and shared revenues restricted for the acquisition or construction of capital assets as revenue rather than as contributed capital.

**Customer Deposits**

Customer deposits are refunded after bills for service have been paid on time for twelve consecutive months.

**Deferred Outflow of Resources**

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future period. The District has four items of deferred outflows of resources related to the pension and OPEB plans at June 30, 2021: Employer contributions to pension plan subsequent to the measurement date, changes in proportion and differences between employer contributions and proportionate share of contributions, differences between expected and actual experience and net difference between projected and actual investment earnings.

**Deferred Inflow of Resources**

A deferred inflow of resources is an acquisition of net position by the government that is applicable to a future reporting period. The District has five items of deferred inflows of resources related to the pension and OPEB plans at June 30, 2021: Changes in proportion and differences between employer contributions and proportionate share of contributions, changes in assumptions, differences between expected and actual experience, net difference between projected and actual earnings on investments and reallocation of opt-out employer change in proportionate share.

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefits Trust Fund (RHBT) and additions

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Postemployment Benefits Other Than Pensions (OPEB) (Continued)**

to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by the RHBT. RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 2. Restricted Assets**

Due to requirements in the water bond resolutions of the various bond issues held by the Rural Utilities Service, formerly the Farmers Home Administration of the United States Department of Agriculture, two special funds have been established. These accounts were established upon the issuance of bond proceeds and are deposited in the Restricted Consolidation Pool at the WV Treasury. These accounts are Reserve Accounts. The present fund balances are \$165,463.

Due to requirements in the water bond resolutions of the various bond issues held by the West Virginia Water Development Authority and the West Virginia Infrastructure & Jobs Development Council, six special funds have been established. These accounts were established upon the issuance of bond proceeds and are deposited in the Restricted Consolidation Pool at the WV Treasury. Three of these accounts are Revenue Accounts and three are Reserve Accounts. The present fund balances are \$101,583.

Due to requirements in the water bond resolutions of the bond issues held by the Capon Valley Bank and the Grant County Bank, ten special funds have been established. These accounts were established upon the issuance of bond proceeds and are deposited in the Restricted Consolidation Pool at the WV Treasury. Five of these accounts are Revenue Accounts and five are Reserve Accounts. The present fund balances are \$102,031.

The "Repair and Replacement Funds" are designed to insure that water and sewer operations may continue on an efficient basis. Withdrawals may be made from these funds for the purpose of repairs to the system, replacement of equipment, expenditures necessary for the efficient operation of the system. These accounts are established at local financial institutions. The present fund balances for water are \$961,057. The present fund balance for sewer is \$15,592.

Due to requirements in the sewer bond resolution of the bond issue held by the West Virginia Infrastructure & Jobs Development Council, two special funds have been established. These accounts were established upon the issuance of bond proceeds and are deposited in the Restricted Consolidation Pool at the WV Treasury. One of these accounts is a Revenue Account and one is a Reserve Account. The present fund balances are \$23,647.



**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 2. Restricted Assets (Continued)**

Security deposits are refundable after certain payment requirements are met. The deposits are kept in separate accounts and will be returned to customers, per the user agreements.

The balances in the construction accounts are to be used for construction only. None of these funds can be used for operations.

**Note 3. Long-Term Bond Liability**

Long-term bonds as of June 30, 2021, are as follows:

Water

140 months, 2.95% per annum, 2017A revenue bond issue payable to Capon Valley Bank, in monthly installments of \$1,179 through February 2029. The bond was issued pursuant to a resolution dated April 19, 2017 in the amount of \$139,000. Interest has been accrued to the face of the bond from the date of issuance to the date of the first payment on July 1, 2017.

\$ 96 949

156 months, 3.3% per annum, 2017B revenue bond issue payable to Capon Valley Bank, in monthly installments of \$206 through June 2030. The bond was issued pursuant to a resolution dated April 19, 2017 in the amount of \$26,000. Interest has been accrued to the face of the bond from the date of issuance to the date of the first payment on July 1, 2017

19 224

191 months, 3.15% per annum, 2017C revenue bond issue payable to Capon Valley Bank, in monthly installments of \$1,391 through May 2033. The bond was issued pursuant to a resolution dated April 19, 2017 in the amount of \$208,000. Interest has been accrued to the face of the bond from the date of issuance to the date of the first payment on July 1, 2017

165 688

221 months, 3.25% per annum, 2017D revenue bond issue payable to Grant County Bank, in monthly installments of \$2,555 through November 2035. The bond was issued pursuant to a resolution dated April 19, 2017 in the amount of \$422,900. Interest has been accrued to the face of the bond from the date of issuance to the date of the first payment on July 1, 2017.

367 434

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 3. Long-Term Bond Liability (Continued)**

240 months, 3.4% per annum, 2017E revenue bond issue payable to Grant County Bank, in monthly installments of \$2,484 through June 2037. The bond was issued pursuant to a resolution dated April 19, 2017 in the amount of \$430,400. Interest has been accrued to the face of the bond from the date of issuance to the date of the first payment on July 1, 2017.	352 556
40 year, 4.875% per annum, 2001 revenue bond issue payable to the Rural Utilities Service in monthly installments of \$3,140 through 2040. The bond was issued in the amount of \$650,000.	473 357
40 year, 0% per annum, 2002 revenue bond issue payable to the WV Infrastructure in quarterly installments of \$7,844 beginning September, 2003 through 2043. The total bond was authorized and issued in the amount of \$1,215,824.	651 054
40 year, 0% per annum, 2003 revenue bond issue payable to the WV Infrastructure in quarterly installments of \$3,446 beginning December, 2004 through 2043. The total bond was authorized and issued in the amount of \$534,200.	303 288
40 year, 4.5% per annum, 2008 revenue bond payable to the Rural Utilities Service in monthly installments of \$10,647 through 2046. The bond was issued in the amount of \$2,366,000.	1 984 522
40 years, 0% per annum, 2010 revenue bond issue payable to the WV Infrastructure in quarterly installments of \$10,658 beginning June, 2012 through September, 2050. The total bond was authorized in the amount of \$1,641,250.	1 246 904
40 years, 1.625% per annum, 2020 revenue bond issue payable to the Rural Utilities Service in monthly installments of \$6,096.17 through 2060. The bond was authorized and issued in the amount of \$2,073,000.	2 072 108
	-----
	\$ 7 733 084
	=====

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 3. Long-Term Bond Liability (Continued)**

Each of the bond issues is secured by a lien on the revenues derived from the water system and a statutory mortgage lien on the system plant. All bonds were issued for construction of the water system.

	<u>Balance</u> <u>6/30/20</u>	<u>Principal</u> <u>Advances</u>	<u>Principal</u> <u>Reduction</u>	<u>Balance</u> <u>6/30/21</u>
Long-term bond liabilities	\$ 7 149 244	\$ 784 348	\$ (200 508)	\$ 7 733 084
	=====	=====	=====	=====

Maturities of long-term bond liability for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 217 202	\$ 154 201	\$ 371 403
2023	248 573	171 599	420 172
2024	253 989	166 183	420 172
2025	259 611	160 561	420 172
2026	265 445	154 727	420 172
2027-2031	1 386 205	679 178	2 065 383
2032-2036	1 438 764	509 650	1 948 414
2037-2041	1 301 077	341 168	1 642 245
2042-2046	1 073 655	194 949	1 268 604
2047-2051	698 439	69 540	767 979
2052-2056	330 783	34 987	365 770
2057-2060	259 341	8 006	267 347
	-----	-----	-----
	\$ 7 733 084	\$ 2 644 749	\$ 10 377 833
	=====	=====	=====

Sewer

40 year, 0% per annum, 2014A revenue bond issue payable to the WV Infrastructure in quarterly installments of \$8,207 beginning September, 2015 through 2054. The total bond has been authorized and issued in the amount of \$1,271,950.

\$ 1 074 986  
=====

The bond issue is secured by a lien on the revenues derived from the sewer system and a statutory mortgage lien on the system plant. The bond was issued for construction of the sewer system.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 3. Long-Term Bond Liability (Continued)**

	<u>Balance</u> <u>6/30/20</u>	<u>Principal</u> <u>Advances</u>	<u>Principal</u> <u>Reduction</u>	<u>Balance</u> <u>6/30/21</u>
Long-term bond liabilities	\$ 1 107 810	\$	\$ (32 824)	\$ 1 074 986
	=====	=====	=====	=====

Maturities of long-term bond liability for each of the next five years and thereafter are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 32 824	\$ -0-	\$ 32 824
2023	32 824	-0-	32 824
2024	32 824	-0-	32 824
2025	32 824	-0-	32 824
2026	32 824	-0-	32 824
2027-2031	164 120	-0-	164 120
2032-2036	164 120	-0-	164 120
2037-2041	164 120	-0-	164 120
2042-2046	164 120	-0-	164 120
2047-2051	164 120	-0-	164 120
2052-2054	90 266	-0-	90 266
	-----	-----	-----
	\$ 1 074 986	\$ -0-	\$ 1 074 986
	=====	=====	=====

**Note 4. Risk Management**

The District is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries general liability insurance for these various risks. Amounts of settlements have not exceeded insurance coverage for the past three years.

Insurance coverage is being paid for by the District and is obtained through independent agents.

Employee health insurance is provided by the District through the West Virginia PEIA with the District paying 100% of the premiums.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 5. Capital Assets and Depreciation**

Capital asset activity for the year ended June 30, 2021 was as follows:

<u>Water</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassification/ Retirements</u>	<u>Ending Balances</u>
<b>Capital Assets Not Depreciated:</b>				
Land and land rights	\$ 201 717	\$ 54 750	\$	\$ 256 467
Construction in progress	1 307 344	1 541 637		2 848 981
	-----	-----	-----	-----
Total capital assets, not depreciated	1 509 061	1 596 387		3 105 448
	-----	-----	-----	-----
<b>Capital Assets Depreciated:</b>				
Storage tank and site development	1 943 789			1 943 789
Transmission and distribution mains	13 294 728			13 294 728
Services	1 064 587			1 064 587
Source of supply	75 173			75 173
General equipment	514 132			514 132
Meters and meter installation	1 209 557	54 510		1 264 067
Hydrants	333 706	1 665		335 371
Office furniture and equipment	55 351			55 351
Pump station structures	1 535 226	23 452		1 558 678
Office and maintenance building	272 224			272 224
Water treatment plant	5 703 014			5 703 014
	-----	-----	-----	-----
Total capital assets, depreciated	26 001 487	79 627		26 081 114
	-----	-----	-----	-----
<b>Less accumulated depreciation</b>				
Storage tank and site development	735 281	48 596		783 877
Transmission and distribution mains	5 731 463	332 368		6 063 831
Services	400 145	26 615		426 760
Source of supply	33 827	1 879		35 706
General equipment	372 249	21 034		393 283
Meters and meter installation	288 794	30 920		319 714
Hydrants	144 285	8 364		152 649
Office furniture and equipment	55 351			55 351
Pump station structures	577 916	38 674		616 590
Office and maintenance building	83 468	6 980		90 448
Water treatment plant	1 095 567	154 971		1 250 538
	-----	-----	-----	-----
Total accumulated depreciation	9 518 346	670 401		10 188 747
	-----	-----	-----	-----

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 5. Capital Assets and Depreciation**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassification/ Retirements</u>	<u>Ending Balances</u>
Capital assets net of accumulated depreciation	16 483 141	(590 774)		15 892 367
Total capital assets	<u>\$ 17 992 202</u>	<u>\$ 1 005 613</u>	<u>\$</u>	<u>\$ 18 997 815</u>
 <u>Sewer</u>				
Capital Assets Not Depreciated:				
Land and land rights	\$ 35 761	\$	\$	\$ 35 761
Total capital assets, not depreciated	<u>35 761</u>			<u>35 761</u>
Capital Assets Depreciated:				
Sewage treatment plant	2 182 008			2 182 008
Storage building	18 518			18 518
Monitoring system	30 777			30 777
Total capital assets, depreciated	<u>2 231 303</u>			<u>2 231 303</u>
 Less accumulated depreciation				
Sewage treatment plant	257 285	57 537		314 822
Storage building	4 167	926		5 093
Monitoring system	6 925	1 539		8 464
Total accumulated depreciation	<u>268 377</u>	<u>60 002</u>		<u>328 379</u>
Capital assets net of accumulated depreciation	<u>1 962 926</u>	<u>(60 002)</u>		<u>1 902 924</u>
Total capital assets	<u>\$ 1 998 687</u>	<u>\$ (60 002)</u>	<u>\$</u>	<u>\$ 1 938 685</u>

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 6. Deposits and Investments**

The District considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. The District maintains its operating deposit accounts in financial institutions in West Virginia.

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with state law. The non-pooled deposits are categorized to give an indication of the level of risk assumed by the Hardy County Public Service District at fiscal year end.

Deposits held in nonrestricted operating accounts at June 30, 2021 are as follows:

	<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>
Checking account	\$ 88 584	\$ 107 131	N/A
Checking account	287 516	309 651	.10%
Passbook savings	351 342	351 342	.10%
	\$ 727 442	\$ 768 124	

Deposits held in restricted operating accounts at June 30, 2021 are as follows:

	<u>Book</u> <u>Balance</u>	<u>Bank</u> <u>Value</u>	<u>Interest</u> <u>Rate</u>
Checking account	\$ 42	\$ 42	N/A
Interest bearing accounts	1 090 086	1 090 086	.07%-.10%
Municipal Bond Commission	392 724	392 724	.09%
	\$ 1 482 852	\$ 1 482 852	

Deposits, in financial institutions, in excess of FDIC insurance limits have collateral pledged by the financial institutions to cover the excess. Deposits held by the WV Treasurer's Office are not adequately collateralized with pledged assets.

The District has no policy for custodial credit risk.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7. Employee Retirement System and Plan**

Plan Description, Contribution Information, and Funding Policy

The District participates in the West Virginia Public Employees Retirement System (PERS), a state-wide, cost-sharing, multiple-employer defined benefit plan for all employees. The system is administered by an agency of the State of West Virginia and is funded by contributions from participants, employers, and State appropriation, as necessary. The District contributes 10% of gross earnings. Employees contribute 4.5% or 6% of gross earnings, depending on when hired. Eligible gross earnings for the year ending June 30, 2021 were \$296,415.83. Employee contributions totaled \$13,383.20, and the District contributed \$29,641.52.

The PERS cost-sharing, multiple-employer plan is administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at [www.wvretirement.com](http://www.wvretirement.com).

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

Public Employees' Retirement System(PERS)

Eligibility to participate	All Authority full-time employees.
Authority establishing contribution obligations and benefits provisions	State Statute
Plan member's contribution rate	4.5 % or 6% depending on hire date
Authority's contribution rate	10.0 %
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 contribution service or age 55 if the sum of his/her age plus years of credited service is equal 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 retired portion	No



**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7. Employee Retirement System and Plan (Continued)**

Provision for:	
Cost of living	No
Death benefits	Yes

**Trend Information**

Public Employees Retirement System (PERS)

Fiscal Year	Annual Pension Cost	Percentage Contributed
June 30, 2021	\$ 43 025	100%
June 30, 2020	\$ 41 615	100%
June 30, 2019	\$ 40 331	100%

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, 4104 MacCorkle Avenue, SE, Charleston, WV 25304.

**Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to the Pension Plan**

At fiscal year-end, the District reported the following liabilities and assets for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2020, and the total pension liability used to calculate the net pension liabilities and net pension assets were determined by an actuarial valuation as of July 1, 2019 and rolled forward to June 30, 2020 using the actuarial assumptions and methods described in the appropriate section of this note. The District's proportion of the net pension liabilities was based on a projection of the government's long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020, the District's reported the following proportions, per the actuarial valuation, and increases/decreases from its proportion measured as of June 30, 2019:

Amount for proportionate share of net pension liability	\$ 97 640
Percentage for proportionate share of net pension liability	.018469%
Increase/(decrease)% from prior proportion measured	(.025177%)

For the year ended June 30, 2021, the government recognized \$24,126 as government-wide pension expense under the Public Employees Retirement System (PERS).

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7. Employee Retirement System and Plan (Continued)**

The government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual investment earnings	\$ 30 947	\$
Changes in proportion and differences between employer contributions and proportionate share of contributions	997	3 221
Differences between expected and actual experience	14 369	2 013
Changes in assumptions		4 302
Employer contributions subsequent to the measurement date	29 642	
	-----	-----
	<u>\$ 75 955</u>	<u>\$ 9 536</u>
	=====	=====

The amount reported as deferred outflows of resources related to pensions resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:

2022	\$ (5 005)
2023	13 132
2024	17 511
2025	11 139
	-----
Total	<u>\$ 36 777</u>
	=====

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7. Employee Retirement System and Plan (Continued)**

**Actuarial assumptions**

Net pension liability and net pension asset were determined by an actuarial valuation as of June 30, 2019 and rolled forward to June 30, 2020 using the actuarial assumptions and methods described, as follows:

Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Actuarial valuation method	Fair value
Amortization period	Through Fiscal Year 2029
Amortization method	Level dollar, fixed period
Actuarial assumptions	
Investment Rates of Return	7.50%
Projected salary increases:	
State	3.1-5.3%
Nonstate	3.35-6.5%
Inflation rate	3.00%
Discount rate	7.5%
Mortality Rates	Active - Pub-2010 General Employees table below-median, headcount-weighted, projected generationally with scale MP-2018
	Healthy male retirees - 108% of Pub-2010 General Retiree Male table, below-median, headcount-weighted, projected generationally with scale MP-2018
	Healthy female retirees - 122% of Pub-2010 General Retiree Female table, below-median, headcount-weighted, projected generationally with scale MP-2018
	Disabled males - 118% of Pub-2010 General/Teachers Disabled Male table, headcount-weighted, projected generationally with scale MP-2018
	Disabled females - 117% of Pub-2010 General/Teachers Disabled Female table, headcount-weighted, projected generationally with scale MP-2018
Withdrawal rates:	
State	2.275% - 45.630%
Non-state	2.500% - 35.880%
Disability rates	0.005% - .054%

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 7. Employee Retirement System and Plan (Continued)**

Retirement rates 12% - 100%

Date range in most recent experience study 2013-2018

The following chart presents the sensitivity of the net pension liability (asset) to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current rate:

	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
	-----	-----	-----
Government's proportionate share of PERS's net pension asset (liability)	\$ (245 775)	\$ (97 640)	\$ 30 147

*Pension plans' fiduciary net position*

Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at [www.retirement.com](http://www.retirement.com). That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

**Note 8. Long-Term Liabilities**

Changes in long-term liabilities on the statement of net position statement:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
	-----	-----	-----	-----	-----
Revenue bonds payable	\$ 8 257 054	\$ 784 348	\$ (233 332)	\$ 8 808 070	\$ 250 026
Net pension liability	40 736	56 904		97 640	-0-
Net OPEB liability	106 106		(78 465)	27 641	-0-
Totals	----- \$ 8 403 896	----- \$ 841 252	----- \$ (311 797)	----- \$ 8 933 351	----- \$ 250 026

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 9. Equity Classification**

In proprietary fund financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted - All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

**Note 10. External Investment Pools**

The District has four accounts with the WV Municipal Bond Commission. These funds are invested in the Government Money Market Pool at the Investment Management Board, through the West Virginia State Treasury, which is a special revenue agency of State Government.

It is under the management of an outside professional investment manager who has managed the investments for more than 25 years. The pool is limited to full faith and credit US Treasury investments of less than 13 months maturity, and has an average maturity of 90 days. The pool is a variable rate pool in which interest rates fluctuate monthly. Accounts receive credit from the date of deposit to the date of withdrawal, and interest distribution is calculated on the basis of average daily balance. No interest is earned by accounts with an average monthly balance of less than \$50. Interest is calculated and posted to each account on the first day of the following month by computer. The financial statements can be obtained by contacting the WV Municipal Bond Commission at (304) 558-3971 or by writing to 900 Pennsylvania Avenue, Suite 1117, Charleston, WV 25302.

The following is a statement of interest earnings for the funds of the Commission which were invested in the Pool at the Investment Management Board:

June 2020	.32%	December 2020	.04%
July 2020	.23%	January 2021	.04%
August 2020	.15%	February 2021	.02%
September 2020	.11%	March 2021	.02%
October 2020	.06%	April 2021	.02%
November 2020	.04%	May 2021	.002%

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 10. External Investment Pools (Continued)**

The average rate for the year was 0.09%.

The Municipal Bond Commission accounts consist of the following:

Bond Reserve	\$ 372 689
Bond Revenue	20 035
	-----
Total	\$ 392 724
	=====

**Note 11. System Users and Supplier Dependency**

As of June 30, 2021, Hardy County Public Service District served an average of 2,119 water users and 28 sewer users. The Hardy County Public Service District purchased 135,966,400 gallons of water from the Town of Moorefield and purchased 4,313,300 gallons of water from the Town of Wardensville during the fiscal year. For customers in the Moorefield and Wardensville areas, these are the District’s only sources of water. The District operates a water and a sewer plant in the Baker area and produced 14,923,000 gallons of water and treated 4,763,000 gallons of sewage. Any decrease or loss in these water supplies or sewage treatment would be detrimental to the District.

**Note 12. Section 457(b) Deferred Compensation Plan**

All full time employees of the Hardy County Public Service District may participate in a Section 457(b) Deferred Compensation Plan sponsored by the West Virginia State Treasurer’s Office, if they so choose. Under the plan, employees can opt to have a pre-tax portion of their paycheck withheld and placed into the plan. Employees can choose to contribute as little as ten (\$10.00) dollars per paycheck toward the plan or as much as \$19,500 per year or any amount in between the two. Employees can begin or end enrollment in the plan and change the withholding amount at any time, as there are no pre-set enrollment periods. This plan is the government equivalent of a 401(k) plan offered by many private employers. The plan is designed to supplement their state pension, social security, and other personal retirement savings. Contributions to the plan may be allocated to any one or a combination of investment options offered as part of the plan. Any contributions and earnings that accumulate over time are not taxed until withdrawn.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13. Post Employment Benefits Other Than Pensions (OPEB)**

**General Information about the OPEB Plan**

*Plan Description*

The District contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan. The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. The four remaining members represent the public at large. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at [www.peia.wv.gov](http://www.peia.wv.gov). You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57<sup>th</sup> Street, SE, Suite 2, Charleston, WV, 25304.

*Benefits provided.* The Plan provides medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: 1) Self-Insured Preferred Provider Benefit Plan (primarily for non-Medicare-eligible retirees and spouses) and 2) External Managed Care Organizations (primarily for Medicare-eligible retirees and spouses).

*Contributions.* Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately \$142 million for the fiscal year ending June 30, 2020. Contributions to the OPEB plan from the District were \$11,520 for the current fiscal year.

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

At fiscal year-end, the District reported a liability of \$27,641 for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of June 30, 2020, which is also the measurement date. The District's proportion of the net OPEB liability was based on a projection of the District's long-term share of contributions to the OPEB plan relative to the

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13. Post Employment Benefits Other Than Pensions (OPEB) (Continued)**

projected contributions of all participating governments, actuarially determined. These amounts differ from the OPEB liability reported on the Statement of Net Position due to rounding and changes to the allocation schedules; however, the differences in these amounts are considered immaterial. At June 30, 2020, the District's proportion was .006258013%, which was an decrease of 2.15% from its proportion measured as of June 30, 2019.

For this fiscal year, the District recognized OPEB expense of \$ (23,933) . The District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Employer contributions subsequent to the measurement date	\$ 11 520	\$
Changes in proportion and differences between government contributions and proportionate share of contributions	5 599	6 264
Differences between expected and actual experience		17 922
Changes in assumptions		62 392
Reallocation of opt-out employer change in proportionate share	3 034	1 712
Net difference between projected and actual investment earnings on investments		936
Totals	<u>\$ 20 153</u>	<u>\$ 89 226</u>

The amount reported as deferred outflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2022	\$ (32 652)
2023	(26 846)
2024	(20 786)
2025	(309)
Total	<u>\$ (80 593)</u>



**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13. Post Employment Benefits Other Than Pensions (OPEB) (Continued)**

*Actuarial assumptions.* The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation rate	2.25%
Wage inflation	2.75% for PERS and TRS, and 3.25% for Troopers
Inflation rate of return	6.65%, net of OPEB plan investment expense, including inflation.
Asset valuation method	Market value
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20-year closed period beginning June 20, 2017
Salary increases	Specific to the OPEB covered group. Ranging from 2.75% to 5.18% including inflation.
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the June 30, 2020 actuarial valuation.
Aging factors	Based on the 2013 SOA Study “Health Care Costs - From Birth to Death”
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.4% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Expenses	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13. Post Employment Benefits Other Than Pensions (OPEB) (Continued)**

Mortality Post Retirement    TRS: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females.

PERS: Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females.

Troopers A and B: Pub-2010 Public Safety Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females.

Mortality Pre-Retirement    TRS: Pub-2010 General Employee Mortality Tables projected with MP-2019.

PERS: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019.

Troopers A and B: Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2019.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 2.5% for assets invested with the West Virginia Board of Treasury Investments.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which best-estimate of expected future real rates of returns are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages. Target asset allocations, capital market assumptions (“CMA”), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan’s investment advisors, including the West Virginia Investment Management Board (“WV-IMB”). The projected nominal return for the Money Market Pool held with the West Virginia Board of Treasury Investments (“WV-BTI”) was estimated based on WV-IBM assumed inflation of 2.0% plus a 25 basis point spread.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13. Post Employment Benefits Other Than Pensions (OPEB) (Continued)**

The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	6.8%
Core Plus Fixed Income	4.1%
Core Real Estate	6.1%
Hedge Fund	4.4%
Private Equity	8.8%

*Discount rate.* A single discount rate of 6.65 was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65 and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the pre-funding 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, 2025, 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.

*Sensitivity of the government's proportionate share of the net OPEB liability to changes in the discount rate.* The following chart presents the government's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	1 % Decrease	Current Discount Rate	1 % Increase
Net OPEB asset (liability)	\$ (39 421)	\$ (27 641)	\$ 17 781

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 13. Post Employment Benefits Other Than Pensions (OPEB) (Continued)**

*Sensitivity of the government’s proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.* The following chart presents the government’s proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates described in the actuarial assumptions:

	1 % Decrease	Healthcare Co st Trend Rates	1% Increase
Net OPEB asset (liability)	\$ (16 632)	\$ (27 641)	\$ (40 939)

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued financial report available at the West Virginia Public Employee Insurance Agency’s website at [peia.wv.gov](http://peia.wv.gov). That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 57<sup>th</sup> Street, Suite 2, Charleston, WV, 25304.

**Note 14. Construction in Progress**

The District is constructing water line extensions to provide water service to 38 new residential customers along Dover Hollow Run, Fort Run and Killdeer Lane, replace water lines to improve service, and to upgrade the existing Baker water treatment plant to meet EPA regulations by reducing Stage 2 disinfectant byproducts. This project includes the installation of approximately 16,640 LF of waterline extension along with 38 meter settings and other system appurtenances. A booster pump station will also be installed for the Dover Hollow and Fort Run extensions. Approximately 6,000 LF of water lines along Trough Road and Trout Run Cutoff will be replaced to improve water service to 16 customers.

The funding sources are:

USDA Loan	\$ 2 073 000
USDA Grant	955 000
	-----
Total Funding	\$ 3 028 000
	=====

The following was recorded as a construction receivable, from pay requisitions submitted but funding not received, prior to June 30, 2021:

USDA Grant	\$ 6 220
	=====

Construction payables of \$6,220 were recorded at June 30, 2021.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 15. Summary of Deferred Outflow/Inflow Balances**

	<u>Total</u>	<u>PERS</u>	<u>OPEB</u>
<u>Deferred Outflows of Resources:</u>			
Employer contributions subsequent to the measurement date	\$ 41 162	\$ 29 642	\$ 11 520
Differences between expected and actual experience	14 369	14 369	
Net difference between projected and actual investment earnings	33 981	30 947	3 034
Changes in proportion and differences between employer contributions and proportionate share of contributions	6 596	997	5 599
Totals	<u>          </u> \$ 96 108 <u>          </u>	<u>          </u> \$ 75 955 <u>          </u>	<u>          </u> \$ 20 153 <u>          </u>
<u>Deferred Inflows of Resources:</u>			
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 9 485	\$ 3 221	\$ 6 264
Changes in assumptions	66 694	4 302	62 392
Differences between expected and actual experience	19 935	2 013	17 922
Net difference between projected and actual earnings on investments	936		936
Reallocation of opt-out employer change in proportionate share	1 712		1 712
Totals	<u>          </u> \$ 98 762 <u>          </u>	<u>          </u> \$ 9 536 <u>          </u>	<u>          </u> \$ 89 226 <u>          </u>

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 16. State Grant**

The District received \$49,988 for the West Virginia Bureau of Public Health Safe Drinking Water Program to install an early warning monitoring system in the Parker Hollow Impoundment in Baker, WV, which will alert the District to contamination issues, including toxic algae blooms, before the contaminated water is drawn into the public water system.

**Note 17. Working Capital Reserve Account**

The District has not established a separate Cash Working Capital Reserve (CWCR) account as a required reserve account pursuant to WV Code 24-1-1 that provides water and sewer utilities with a source of funds to address extraordinary and non-recurring expenditures. However, the District has set up numerous self-restricted accounts to cover various capital expenditures. Therefore, the District has adequate cash to fund a Cash Working Capital Reserve account, and has established the account in the subsequent year.

**Note 16. Subsequent Events**

The spread of the novel coronavirus (COVID-19) has severely impacted many local economies around the world. In many countries, businesses and organizations are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in economic slowdown. Governments and financial institutions have responded with monetary and fiscal interventions to try to stabilize conditions. The District has determined that these events are non-adjusting subsequent events. Accordingly, the net assets and changes in net assets as of and for the year ended June 30, 2021 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and financial responses remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the net assets and results of the District for future periods.

The District's management has evaluated the effect that subsequent events would have on the District's financial statements through January 14, 2022, which is the date the financial statements were available to be released.

**REQUIRED SUPPLEMENTARY INFORMATION**

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2021**

	Public Employees Retirement System Eight Fiscal Years*							
	2021	2020	2019	2018	2017	2016	2015	2014
District's proportion of the net pension liability	.018469%	.018946%	.020183%	.019392%	.018723%	.019131%	.019061%	.016951%
District's proportionate share of the net pension liability	\$ 97 640	\$ 40 736	\$ 52 124	\$ 83 703	\$ 172 086	\$ 106 828	\$ 70 353	\$ 154 526
District's covered-employee payroll	\$ 296 416	\$ 287 000	\$ 278 144	\$ 277 916	\$ 266 226	\$ 258 000	\$ 259 437	\$ 255 250
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.94%	14.19%	18.74%	30.12%	64.64%	41.41%	27.12%	60.54%
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%	79.70%

\* - Applicable information was available for eight fiscal years for this schedule.



**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS - PENSION  
FOR THE YEAR ENDED JUNE 30, 2021**

	Public Employees Retirement System Eight Fiscal Years*							
	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 29 642	\$ 28 700	\$ 27 814	\$ 30 520	\$ 31 947	\$ 34 830	\$ 36 321	\$ 37 011
Contributions in relation to the contractually required contribution	( 29 642)	(28 700)	(27 814)	(30 520)	(31 947)	(34 830)	(36 321)	(37 011)
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered - employee payroll	\$ 296 416	\$ 287 000	\$ 278 144	\$ 277 916	\$ 266 226	\$ 258 000	\$ 259 437	\$ 255 250
Contribution as a percentage of covered - employee payroll	10%	10%	10%	11%	12%	13.5%	14%	14.5%

\* - Applicable information was available for eight fiscal years for this schedule.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**SCHEDULE OF DISTRICT 'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2021**

	Public Employees Insurance Agency Five Fiscal Years*				
	2021	2020	2019	2018	2017
Authority's proportion of the net OPEB liability	.006258013%	.006395241%	.006236377%	.005801410%	.006860492%
Authority's proportionate share of the OPEB liability	\$ 27 641	\$ 106 106	\$ 133 797	\$ 142 656	\$ 170 368
Authority's covered-employee payroll	\$ 296 416	\$ 287 000	\$ 278 144	\$ 282 534	\$ 269 939
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	9.33%	36.97%	48.10%	50.49%	63.11%
Plan fiduciary net position as a percentage of the total OPEB liability	43.53%	36.02%	28.45%	25.10%	21.64%

\* - Applicable information was available for five years for this schedule.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF DISTRICT'S CONTRIBUTIONS - OPEB**  
**FOR THE YEAR ENDED JUNE 30, 2021**

	Public Employees Insurance Agency Five Fiscal Years*				
	2021	2020	2019	2018	2017
Contractually required contribution	\$ 11 520	\$ 12 096	\$ 13 176	\$ 11 934	\$ 11 916
Contributions in relation to the contractually required contributions	(11 520)	(12 096)	(13 176)	(11 934)	(11 916)
Contribution deficiency (excess)	----- \$ -0- =====	----- \$ -0- =====	----- \$ -0- =====	----- \$ -0- =====	----- \$ -0- =====
Authority's covered-employee payroll	\$ 296 416	\$ 287 000	\$ 278 144	\$ 282 534	\$ 269 939
Contributions as a percentage of covered-employee payroll	3.89%	4.21%	4.74%	4.22%	4.41%

\* - Applicable information was available for five years for this schedule.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 1. Contribution Rate**

The employer's contribution rate for the Public Employees Retirement System (PERS) did not change in the fiscal year ended June 30, 2021 from 10% in the fiscal year ended June 30, 2020.

**Note 2. Historical Trend Information**

Generally accepted accounting principles require ten years of historical trend information to be included in the various schedules of Required Supplementary Information (RSI) that are presented.

Due to changes in the Public Employees Retirement System (PERS) actuarial methods and assumptions related to the implementation of GASB Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25* during the fiscal year ended June 30, 2014, historical trend information is not readily available for fiscal years ending prior June 30, 2014 and, therefore, is not presented.

Due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* effective July 1, 2017, information is only presented for five years.

**Note 3. Changes in Assumptions - OPEB**

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2018 and a measurement date of June 30, 2020. The net effect of assumption changes were approximately \$1,147 million.

- \* General/Price inflation - Decrease price inflation rate from 2.75% to 2.25%.
- \* Discount Rate - Decrease discount rate from 7.15% to 6.65%.
- \* Wage inflation - Decrease wage inflation rate from 4.00% to 2.75% for PERS and TRS, and 3.25% for Troopers.
- \* OPEB Retirement - Development explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage.
- \* Waived Annuitant Termination - Develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2021**

**Note 3. Changes in Assumptions - OPEB (Continued)**

- \* SAL Conversion - Develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits.
- \* Lapse/Re-entry - Develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage.
- \* Other demographic assumptions - develop termination, disability, and mortality rates based on experience specific to OPEB covered group.
- \* Salary increase - develop salary increase assumptions based on experience specific to the OPEB covered group.

**Note 4. Changes in Assumptions - Pension**

Change in benefit terms - Under HR 3095, a minimum monthly benefit of \$750 was established for current pensioners as of June 3, 2019 who had completed 25 years of service. A corresponding minimum of \$375 was set for beneficiaries in pay status under the 50% joint-and-survivor annuity options when the original member had completed at least 25 years of service.

Change in assumptions - Mortality, withdrawal rates, disability rates, retirement rates, salary scales, and non-contributory service loads were changed to reflect the most recent experience study for June 1, 2013 through June 30, 2018.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS (for a Governmental Entity)***

**Independent Auditor's Report**

To the Board of Directors  
Hardy County Public Service District  
Moorefield, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hardy County Public Service District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Hardy County Public Service District's basic financial statements and have issued our report thereon dated January 14, 2022.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Hardy County Public Service District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions of the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hardy County Public Service District's internal control. Accordingly, we do not express an opinion on the effectiveness of Hardy County Public Service District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as 2021-001, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Hardy County Public Service District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Hardy County Public Service District's Response to Findings**

Hardy County Public Service District's response to the finding identified in the audit is described in the accompanying schedule of findings and questioned costs. Hardy County Public Service District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*Roth & White, A.C.*

Kingwood, West Virginia  
January 14, 2022

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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE  
UNIFORM GUIDANCE**

**Independent Auditor's Report**

To the Board of Directors  
Hardy County Public Service District  
Moorefield, West Virginia

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

We have audited Hardy County Public Service District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Hardy County Public Service District's major federal programs for the year ended June 30, 2021. Hardy County Public Service District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Hardy County Public Service District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Hardy County Public Service District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Hardy County Public Service District's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, Hardy County Public Service District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

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

Management of Hardy County Public Service District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Hardy County Public Service District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Hardy County Public Service District'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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Hardy County Public Service District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively

comprise Hardy County Public Service District's basic financial statements. We issued our report thereon dated January 14, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basis financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Roth & White, P.C.*

Kingwood, West Virginia  
January 14, 2022

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor Program Title</u>	<u>Federal AL Number</u>	<u>Federal Awards Expended</u>
United States Department of Agriculture (USDA): Water and Waste Disposal Systems for Rural Communities	10.760	\$ 784 348
United State Department of Agriculture (USDA): Water and Waste Disposal Systems for Rural Communities	10.760	748 111
		-----
Total expenditures of federal awards		\$ 1 532 459
		=====

Note A. Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Hardy County Public Service District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of Hardy County Public Service District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Hardy County Public Service District.

Note B. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local and Indian Tribe Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C. Indirect Cost Rate

Hardy County Public Service District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

The accompanying independent auditor's report and notes are an integral part of this statement.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

SUMMARY OF AUDITOR'S RESULTS

An unmodified opinion was issued on the financial statements of Hardy County Public Service District for the year ended June 30, 2021.

The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted no matters involving the internal control over compliance and its operations that we consider to be material weaknesses to each of its major federal programs for the year ended June 30, 2021.

An unqualified opinion was issued on compliance for major programs for the year ended June 30, 2021.

The audit did not disclose any audit findings that are required to be reported.

An identification of major programs are:

United States Department of Agriculture (AL No. 10.760)	
Water and Waste Disposal Systems for Rural Communities	\$ 1 532 459

Type A Programs are distinguished to be those Federal programs with Federal awards expended during the audit period of \$750,000 or more. All other programs are labeled Type B programs.

Hardy County Public Service District does qualify as a low-risk auditee.

Audit Findings for Federal Awards

None

Findings and Questioned Costs for Federal Awards

None

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

**Financial Statement Findings:**

**2021 - 001**

**SEGREGATION OF DUTIES**

**CONDITION:** Analysis of the internal control system indicated a lack of segregation of duties. This is a repeat finding.

**CRITERIA:** To achieve proper internal control, responsibility for approving, executing, and recording transactions and custody of the resulting assets arising from the transactions should be assigned to separate individuals.

**CAUSE:** The District has limited staff and has not implemented proper control procedures to sufficiently segregate duties.

**EFFECT:** Because of the failure to segregate duties, internal control elements do not reduce to a relatively low level the risk that irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**RECOMMENDATION:** Responsibilities of approval, execution, recording and custody should be distributed among the office staff to the best degree possible. However, we recognize that complete segregation of duties is not economically feasible for the District.

**DISTRICT'S RESPONSE:** The District will try to segregate duties as much as possible with the limited staff available.

**HARDY COUNTY PUBLIC SERVICE DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2021**

**Status of Prior Year Audit Findings**

<u>Finding Number</u>	<u>Title</u>	<u>Status</u>
2020 - 001	Segregation of Duties	Not Resolved