HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

Financial and Compliance Report

June 30, 2015

Arnett Carbis Toothman llp
CPAs & Advisors

CONTENTS

Arnett Carbis Toothman llp
CPAs & Advisors

actcpas.com

101 Washington Street East
P.O. Box 2629
Charleston, WV 25329
304.346.0441 office | 304.346.8333 fax
800.642.3601

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors
Hatfield-McCoy Regional Recreation Authority
Lyburn, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Hatfield-McCoy Regional Recreation Authority (the Authority) as of and for the six months ended June 30, 2015, and the related footnotes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of June 30, 2015, and the changes in financial position and cash flows thereof for the six months and year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2016, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the six months ended June 30, 2015. We issued a similar report for the year ended December 31, 2014, dated November 2, 2016. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Notes 1 and 6 to the financial statements, Hatfield-McCoy Regional Recreation Authority adopted new accounting guidance required by Statement No. 68 of the Governmental Accounting Standards Board Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

Arnett Carbis Toothman LLP

Charleston, West Virginia
November 2, 2016

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENT OF NET POSITION
June 30, 2015

ASSETS	
Current Assets	
Cash and cash equivalents	$ 1,354,349
Grants receivable	49,322
Accounts receivable, net of allowance for bad debts of $5,242	247,186
Prepaid expenses	47,651
Prepaid grant matching	455,509
Inventory	64,713
Total current assets	2,218,730
Capital assets, net	2,798,268
Total assets	$ 5,016,998
DEFERRED OUTFLOWS	
Deferred pension contributions	$ 171,004
Total deferred outflows	$ 171,004
LIABILITIES	
Current Liabilities	
Accounts payable	$ 168,491
Accrued expenses	116,336
Total current liabilities	284,827
Long-Term Obligations	
Net pension liability	194,623
Other post-employment benefit obligation	478,882
Total liabilities	$ 958,332
DEFERRED INFLOWS	
Earnings on pension plan investments	$ 205,874
Total deferred inflows	$ 205,874
NET POSITION	
Invested in capital assets	$ 2,504,079
Unrestricted	1,519,717
Total net position	$ 4,023,796

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
Six Months Ended June 30, 2015

Operating Revenues	
User permits sales	$ 874,281
Marketing and promotional revenue	122,368
Bad debt recovery	3,908
Total operating revenues	1,000,557
Operating Expenses	
Salaries and wages	537,969
Payroll taxes	76,970
Employee benefits	133,146
Travel and meeting	19,903
Office	43,376
Marketing and promotional	59,007
Trail permits	13,031
Rent and utilities	7,796
Legal and professional	19,707
Insurance	88,993
Depreciation	177,482
Trail development and maintenance	82,642
Building repairs and maintenance	2,182
Equipment and vehicle repairs and maintenance	43,598
Small tools and equipment	27,151
Total operating expenses	1,332,953
Operating (loss)	(332,396)
Nonoperating Revenues (Expenses)	
Intragovernmental revenues	443,478
Grant revenues	272,245
Interest income	335
Gain (loss) on disposal of capital assets	5,181
Pension	95,685
Net amortization deferred	(16,254)
Other expense	(4,072)
Net nonoperating revenues	796,598
Change in net position	464,202
Net position, beginning of year, before cumulative effect adjustment	3,868,518
Cumulative effect adjustment for change in accounting Principle (Note 6)	(308,924)
Net position, end of year	$ 4,023,796

See Notes to Financial Statements

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

STATEMENTS OF CASH FLOWS
Six Months Ended June 30, 2015

Cash Flows From Operating Activities:	
Cash receipts from customers and other sources	$ 1,017,171
Cash paid to employees	(728,015)
Cash paid to suppliers	(269,071)
Net cash provided by operating activities	20,085
Cash Flows From Noncapital Financing Activities:	
Payment of capital contribution to affiliates	(4,071)
Cash Flows From Capital and Related Financing Activities:	
Proceeds from sale of capital assets	8,000
Purchase of capital assets	(114,241)
State funds in aid of acquisitions	715,723
Net cash provided by capital and related financing activities	609,482
Cash Flows From Investing Activities:	
Interest income	335
Net increase in cash and cash equivalents	625,831
Cash and cash equivalents, beginning of year	728,518
Cash and cash equivalents, end of year	$ 1,354,349
Reconciliation to reconcile operating loss to net cash used in operating activities:	
Operating loss	(332,396)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	177,482
Bad debt (recovery)	(4,101)
Donated capital assets	-
(Increase) decrease in operating assets:	
Accounts receivable	(13,438)
Prepaid expenses	52,002
Inventory	(5,425)
Prepaid grant matching	38,061
Increase (decrease) in operating liabilities:	
Accounts payable	71,995
Accrued expenses	20,370
Other post-employment benefit obligations	15,535
Net cash provided by operating activities	$ 20,085

Note 1. Description of Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity: The Hatfield-McCoy Regional Recreation Authority (the Authority) is a public corporation and government instrumentality of the State of West Virginia established under Chapter 20, Article 14 of the West Virginia Code.

The Authority was created to enable and facilitate the development and operation of a system of trail-oriented recreation facilities to be used for motorcycles or all-terrain vehicles, bicycle riding, horseback riding, and hiking. The Authority has developed, and currently maintains, trail systems located throughout southern West Virginia. The Authority receives support through the sale of trail permits, intergovernmental revenues provided through state appropriations, and federal and state grants.

The accompanying financial statements present the Authority (primary government) only since the Authority does not have component units.

Basis of accounting: The Authority is accounted for as a special purpose government engaged in business type activities in accordance with accounting principles generally accepted in the United States of America. As such, the financial statements are prepared on the accrual basis of accounting, using the flow of economic resources measurement focus. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

The Authority's net position is classified as follows:

- **Invested in capital assets, net of related debt** – This represents the Authority’s total investment in capital assets, net of accumulated depreciation and reduced by any balances of any outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt. The Authority had no debt related to its capital assets at June 30, 2015.

- **Restricted net position, expendable** – This includes resources in which the Authority is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties, including creditors, grantors or contributors. The Authority does not have any restricted expendable resources at June 30, 2015.

- **Restricted net position, nonexpendable** – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The Authority does not have any restricted nonexpendable resources at June 30, 2015.

- **Unrestricted net position** – This represents resources derived from other than capital assets or restricted resources. These resources are used for transactions relating to the general operations of the Authority, and may be used at the discretion of the Board of Directors to meet current expenses for any purpose.

Cash and cash equivalents: Cash and cash equivalents include investments with original maturities of less than one month.

Inventory: Inventories which include retail and advertising merchandise are stated at the lower of cost or market using the last-in, first-out (LIFO) method.

Capital assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, and similar items) are reported at historical cost and include interest on funds borrowed to finance construction. Capital assets are defined by the Authority as assets with an initial, individual cost of more than $2,500 and an estimated useful life in excess of one year. Contributed capital assets are valued at the approximate fair value at the date of contribution. Depreciation is computed using the straight-line method over a period of 5-39 years.

Net position: Net position is the difference between assets and liabilities. Net investment in capital assets consist of all capital assets, less accumulated depreciation. All remaining net position is considered unrestricted.

Operating revenues and expenses: Operating revenues and expenses are those that result from providing services and producing and delivering goods. It also includes all revenues and expenses not related to capital and related financing, non-capital financing, or investing activities.

Use of 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 in the financial statements and accompanying notes. Actual results could differ from management's estimates. Significant estimates used in preparing these financial statements include those assumed in determining the allowance for uncollectible accounts. It is at least reasonably possible that the significant estimates used will change within the next year.

Compensated Absences and Post-Employment Benefits Other than Pension Benefits: Employees fully vest in all earned but unused vacation and the Authority accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with the State of West Virginia personnel policies, employees vest in any remaining unused sick leave only upon retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits.

Net Pension Liability: 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 Hatfield-McCoy Regional Recreational Authority. Public Employee Retirement System (PERS) (referred to as the Plan) 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 the benefit terms. Investments are reported at fair value.

Subsequent events: In preparing these financial statements, the Authority has evaluated all events and transactions subsequent to June 30, 2015, for potential recognition or disclosure through November 2, 2016, the date these financial statements were issued.

Significant Recently Issued Pronouncements:

The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The objective of this statement is to improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information. This statement is effective for reporting periods beginning after June 15, 2014, and the Authority has adopted the requirements of the Statement (See Note 6).

The GASB issued Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement amends Statement 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement 68 by employers and nonemployer contributing entities. The provisions of this Statement should be applied simultaneously with the provision of Statement 68 and is effective for reporting periods beginning after June 15, 2014. The Authority has adopted the requirements of the Statement (See Note 6).

The GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* This statement completes the suite of pension standards. Statement 73 establishes requirements for those pensions and pension plans that are not administered through a trust meeting specified criteria. The Statement is effective for reporting periods beginning after June 15, 2015. The Authority has not yet determined the financial statement impact of the pronouncement. The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement replaces GASB Statement No. 43 and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement is effective for reporting periods beginning after June 15, 2016. The Authority has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statement No. 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for reporting periods beginning after June 15, 2017. The Authority has not yet determined the financial impact of the pronouncement.

The GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 58. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the AICPA that is cleared by GASB. The Statement is effective for reporting periods beginning after June 15, 2015. The Authority has not yet determined the financial impact of the pronouncement.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The Statement is effective for reporting periods beginning after December 15, 2015. The Authority has not yet determined the financial impact of the pronouncement.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple- Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a costsharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The Statement is effective for reporting periods beginning after December 15, 2015. The Authority has not yet determined the financial impact of the pronouncement.

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants.* This new standard permits qualifying external investment pools to measure pool investments at amortized cost for financial reporting purposes and provides guidance that will allow many pools to continue to qualify for amortized cost accounting. The existing standards provide that external investment pools may measure their investments at amortized cost for financial reporting purposes if they follow substantially all of the provisions of the Security Exchange Commission's Rule 2a-7. Likewise, participants in those pools are able to report their investments in the pool at amortized cost per share. Statement No. 79 replaces the reference in existing GASB literature to Rule 2a-7 with criteria that are similar to many respects to those in Rule 2a-7. This new standard is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The Authority has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 82, *Pension Issues*. This statement is designed to improve consistency in the application of pension standards by clarifying or amending related areas of existing guidance, specifically the practice issues raised by stakeholders during implementation related to GASB 67, 68 and 73. The Statement is effective for reporting periods beginning after June 15, 2016, except in a circumstance in which an employer’s pension liability is measured as of a date other than the employer’s most recent fiscal year-end. In that circumstance, the requirements are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Authority has not yet determined the financial statement impact of the pronouncement.

Note 2. Cash and Cash Equivalents

At June 30, 2015, the Authority had deposits in financial institutions reported as cash and cash equivalents with carrying balances of $1,350,599 and bank balances of $1,384,875. Of the bank balances, $250,000 was insured by federal depository insurance. The remaining balances were uninsured and uncollateralized. The Authority also had cash on hand of approximately $3,750 as of June 30, 2015.

Interest rate risk is the risk that changes in interest rates demanded by the market will adversely affect the fair value of an investment. Generally, the longer the duration of time to maturity of an investment is, the greater the sensitivity of its fair value is to changes in market interest rates. The Authority manages its exposure to interest rate risk by maintaining cash equivalent assets in interest bearing bank demand depository accounts that are less affected by changes in market rates as compared to long-term investments.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the deposits denominated in foreign currency. The Authority has no cash deposits or investments that are subject to foreign currency risk.

Note 3. Grants Receivable

Grants receivable from other governments at June 30, 2015, consisted of:

	2015
West Virginia Division of Highways	**$ 49,322**
	$ 49,322

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset additions, retirements and balances for the six months ended June 30, 2015, are as follows:

June 30, 2015	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets being depreciated:				
Infrastructure	$ 105,569	$ -	$ -	$ 105,569
Buildings	1,018,739	-	-	1,018,739
Equipment	1,423,969	114,240	-	1,538,209
Vehicles	1,188,323	-	(76,433)	1,111,890
Leasehold improvements	428,228	-	-	428,228
Total capital assets being depreciated	4,164,828	114,240	(76,433)	4,202,635
Less accumulated depreciation for:				
Infrastructure	(56,290)	(3,518)	-	(59,808)
Buildings	(172,474)	(12,344)	-	(184,818)
Equipment	(398,784)	(63,782)	-	(462,566)
Vehicles	(588,550)	(83,564)	73,614	(598,500)
Leasehold improvements	(84,401)	(14,274)	-	(98,675)
Total accumulated depreciation	(1,300,499)	(177,482)	73,614	(1,404,367)
Total capital assets being depreciated, net	2,864,329	(63,242)	(2,819)	2,798,268
Total capital assets, net	$ 2,864,329	$ (63,242)	$ (2,819)	$ 2,798,268

Note 5. Lease

In April 2011, the Authority entered into a twenty year operating lease for central office space. Under the lease, the Authority paid $36,000 upon the execution of the lease and will incur monthly rental expense with escalating rental payments starting at $600 in the initial year to $1,800 in the final year. Additionally, the Authority has made substantial leasehold improvements to the building approximating $400,000. The operating lease agreement, as amended in February 2014, includes a clawback provision in which the lessor may terminate the lease by providing the Authority one hundred eighty days' notice and paying a buyout fee. The buyout fee at the beginning of the lease was $360,000 with a $1,000 monthly decrease during the first five years of the lease term and $2,000 monthly decrease thereafter. As of June 30, 2015, the remaining buyout fee was $304,000. Amounts charged to rent expense for the lease were $3,600 for the six months ended June 30, 2015. Annual lease payments for each of the first five years of the lease will be $7,200 per year, with the total future lease payments for the remainder of the lease term amounting to $259,200.

Note 6. Pension Plan and Adoption of Accounting Standards Update

Adoption of Accounting Standard Update

On July 1, 2014, the Authority adopted Governmental Accounting Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions-An Amendment of GASB Statement No. 27. This Statement requires the liability of employers for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position.

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

The pension expense and deferred outflows of resources and deferred inflows of resources related to pensions that are required to be recognized by an employer primarily result from changes in the components of the net pension liability-that is, changes in the total pension liability and in the pension plan's fiduciary net position.

This Statement requires that most changes in the net pension liability be included in pension expense in the period of the change. For example, changes in the total pension liability resulting from current-period service cost, interest on the total pension liability, and changes of benefit terms are required to be included in pension expense immediately. Projected earnings on the pension plan's investments also are also required to be included in the determination of pension expense immediately.

The effects of certain other changes in the net pension liability are required to be included in pension expense over the current and future periods. The effects on the total pension liability of (1) changes of economic and demographic assumptions or of other inputs and (2) differences between expected and actual experience are required to be included in pension expense in a systematic and rational manner over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active employees and inactive employees), beginning with the current period. The effect on the net pension liability of differences between the projected earnings on pension plan investments and actual experience with regard to those earnings is required to be included in pension expense in a systematic and rational manner over a closed period of five years, beginning with the current period. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to pensions.

Employer contributions subsequent to the measurement date of the net pension liability are required to be reported as deferred outflows of resources.

The cumulative effect adjustment of $308,924 reported as a restatement of 2014 net pension to comply with the provisions of GASB Statement No. 68 is as follows:

	2014
Net position, as previously stated	$ 3,868,518
Deferred outflow of resources: measurement period employer contributions	102,389
Recognition of net pension liability	(411,313)
Adjustment to net position	(308,924)
Net position, as restated	$ 3,559,594

Defined Benefit Pension Plan- West Virginia Employees Retirement System:

Plan Description, Contribution Information, and Funding Policies

The Authority contributes to the Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of State Legislature.

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

CPRB issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at 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 county full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefit provisions	State Statute
Plan Member's contribution rate	4.50%
The Authority's contribution rate	14.00%
Period required to vest	Five years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Trend Information

	Public Employees Retirement System	
Period	**Pension Cost (in thousands)**	**Percent Contributed**
Six months ending June 30, 2015	$ 77,289	100%
Year ending December 31, 2014	$146,425	100%
Year ending December 31, 2013	$127,354	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, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

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

At June 30, 2015, the Authority reported the following liability for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2014, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2013, and rolled forward to June 30, 2014 using the actuarial assumptions and methods described in the appropriate section of this note. The Authority's proportion of the net pension liabilities was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2014, the Authority reported the following proportions and increase/ (decrease) from its proportion measured as of June 30, 2013:

	PERS
Amount for proportionate share of net pension liability	$ 194,614
Percentage for proportionate share of net pension liability	0.052732%
Increase/(decrease) % from prior proportion measured	16.87575%

For the six months ended June 30, 2015, the Authority recognized $38,421 as pension expense.

The Authority reported deferred outflows of resources and deferred inflows and resources related to pension from the following sources:

Public Employees Retirement System:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Change of assumptions		
Net difference between projected and actual earnings on pension plan investments	$ -	$ 205,874
Changes in proportion and differences between contributions and proportionate share of contributions	53,152	-
Contributions subsequent to the measurement date	117,852	-
	$ 171,004	$ 205,874

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

Years Ending June 30:	**PERS**
2016	$ 35,214
2017	35,214
2018	35,214
2019	47,079
Total	$ 152,722

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2013, and rolled forward to June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement.

Public Employees Retirement System:

Actuarial assumptions	
Inflation rate	2.20%
Salary increases	4.25%-6.0%
Investment Rate of Return	7.50%
Mortality Rates	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males – 1971 GAM Disabled females – Revenue ruling 96 – 7

The actuarial assumptions used in the July 1, 2013 PERS valuation were based on the results of an actuarial experience study for the period July 1, 2004 to June 30, 2009.

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

	Long-Term Expected Real Rate of Return	(PERS) Target Asset Allocation
Investment		
US Equity (Russell 3000)	7.6%	27.5%
International Equity (ACWI ex US)	8.5%	27.5%
Fixed Income	2.9%	15.0%
High Yield	4.8%	0.0%
TPS	2.9%	0.0%
Real Estate	6.8%	10.0%
Private Equity	9.9%	10.0%
Hedge Funds	5.0%	10.0%
Inflation (CPI)	2.2%	0.0%
		100.0%

Discount rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate calculated using the discount rates as used in the actuarial evaluation, and what the net pension 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 rate:

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Authority's proportionate share of PERS's net pension liability	$ 549,917	$ 194,614	$ (108,134)

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.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

PERS - Schedule of the Authority's Proportionate Share of the Net Pension Liability

	Six months ended June 30, 2015	Year ended December 31, 2014
Authority's proportion of the net pension liability (percentage)	0.052732%	0.045118%
Authority's proportionate share of the net pension liability	$ 194,614	$ 411,313
Authority's covered-employee payroll	$ 417,779	$ 769,710
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll (6 month period ending June 30, 2016 is annualized)	23.29%	53.44%
Plan fiduciary net position as a percentage of the total pension liability	93.98%	79.70%

PERS - Schedule of Authority Contributions
Last 3 Periods

	Six months ended June 30, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Contractually required contribution	$ 58,489	$ 111,608	$ 96,376
Contribution in relation to the contractually required contribution	(58,489)	(111,608)	(96,376)
Contribution deficiency (excess)	$ -	$ -	$ -
Authority's covered-employee payroll	$ 417,779	$ 769,710	$ 688,400
Contributions as a percentage of covered-employee payroll	14.00%	14.50%	14.00%

PERS - Amortization Schedule/Summary

Amortization Methods

Average Remaining Service Life (ARS) 4.27 years
Closed Period (CP) 5 years

	Deferred Outflows of Resources				Deferred Inflows of Resources			
Net deferred inflows/outflows or amortize separately	Separate	Separate	Separate	Net	Separate	Separate	Separate	
Amortization Method	4.27 ARS	4.27 ARS	4.27 ARS	CP	4.27 ARS	4.27 ARS	4.27 ARS	
Year	Changes in proportion and differences between employer contributions and proportionate share of	Differences between expected and actual experience	Changes in assumptions	Net difference between projected and estimated earnings on pension plan investments	Changes in proportion and differences between employer contributions and proportionate share of	Differences between expected and actual experience	Changes in assumptions	Total

HATFIELD-MCCOY REGIONAL RECREATION AUTHORITY

NOTES TO FINANCIAL STATEMENTS

	contributions				contributions			
2015	$ (16,254)	$ -	$ -	$ 51,469	$ -	$ -	$ -	$ 35,215
2016	(16,254)	-	-	51,469	-	-	-	35,215
2017	(16,254)	-	-	51,468	-	-	-	35,214
2018	(4,390)	-	-	51,468	-	-	-	47,078
Totals	$ (53,152)	$ -	$ -	$ 205,874	$ -	$ -	$ -	$ 152,722

Amortization Schedule

Increase (Decrease) in Pension Expense Arising from Differences in Projected and Actual Earnings

Year	Difference between projected and actual earnings on pension plan assets'	Recognition period (years)	2015	2016	2017	2018
2015	205,874	4	$ 51,469	$ 51,469	$ 51,468	$ 51,468
Total			$ 51,469	$ 51,469	$ 51,468	$ 51,468

Details of the Authority's total payroll for employees covered by the Plan and employer and employee contributions to the Plan for the six months ended June 30, 2015 are as follows:

Total payroll	$ 537,969
PERS payroll for covered employees	$ 417,779
PERS employer contribution	$ 58,489
PERS employees' contribution	$ 18,800

Note 7. Grant Revenues

Grants revenues recognized during the six months ended June 30, 2015, consisted of the following:

West Virginia Division of Highways	**$ 272,245**
Total grant revenues	**$ 272,245**

Note 8. Related Party Transactions

The Authority leases an industrial storage building from the Wyoming County Economic Development Board, for which one Authority board member is an employee and one Authority member and the Authority's Executive Director serve on its Board, under an operating lease on a month-to-month basis. Rent expense for the operating lease was $6,750 for the six months ended June 30, 2015. No amounts are due and payable under this arrangement as of June 30, 2015.

The Authority obtained liability insurance through an insurance agency owned by a board member. Insurance premiums paid to this agency were $119,151 for the six months ended June 30, 2015. No amounts are due and payable under this arrangement as of June 30, 2015.

Note 9. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee health and life coverage and natural disasters. The Authority has purchased property and casualty insurance through the State of West Virginia's Board of Risk and Insurance Management (BRIM) and a commercial insurance carrier and employee health insurance and coverage for work-related accidents and injuries through commercial insurance carriers.

BRIM is a public risk pool that provides for general, property, medical malpractice, and automobile liability. Amounts paid to BRIM for the six months ended June 30, 2015 were $24,756.

In exchange for payment of premiums to BRIM and commercial insurance companies, the Authority has transferred its risks for property loss, employee health coverage and employee work related injuries.

Note 10. Post Employment Benefits Other than Pension

The Authority participates in the West Virginia Retiree Health Benefits Trust Fund (the Plan), a cost-sharing multiple-employer defined benefit post-employment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57th Street, S.E., Suite 2, Charleston, West Virginia 25304-2345, or by calling 1-888-680-7342.

The West Virginia Code requires the Plan to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on the ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. Plan employers are billed per active health policy per month.

The Authority's ARC was $13,725 and the Authority has made contributions to the OPEB Plan of $13,725, which represents 100% of the ARC, for the six months ending June 30, 2015, which resulted in net liabilities of $478,882, which are included in the Authority's Statement of Net Position as of June 30, 2015.

Arnett Carbis Toothman llp
CPAs & Advisors

actcpas.com

101 Washington Street East
P.O. Box 2629
Charleston, WV 25329
304.346.0441 office | 304.346.8333 fax
800.642.3601

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Hatfield-McCoy Regional Recreation Authority
Lyburn, West Virginia

We have audited, 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, the financial statements of the business-type activities of the Hatfield-McCoy Regional Recreation Authority (the Authority), as of and for the six months ended June 30, 2015, and have issued our report thereon dated November 2, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended 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 Authority's internal control or 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.

Arnett Carbis Toothman LLP

Charleston, West Virginia
November 2, 2016