



Certified Public Accountants, A.C.

**CHARLES TOWN UTILITY BOARD
Component Unit of the
Municipality of Charles Town
JEFFERSON COUNTY
Regular Audit
For the Year Ended June 30, 2019**

RFP# 17-230

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Marietta, OH 45750
740 373 0056

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**CHARLES TOWN UTILITY BOARD
JEFFERSON COUNTY
FOR THE YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

January 15, 2020

Charles Town Utility Board
Jefferson County
661 South George Street, Suite 101
Charles Town, WV 25414

To the Board of Directors:

Report on the Financial Statements

We have audited the accompanying financial statements of the **Charles Town Utility Board**, a component unit of the Municipality of Charles Town, Jefferson County, West Virginia (the Utility Board), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Utility Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Utility Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Utility Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility Board, as of June 30, 2019, and the changes in its financial position and its cash flows for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and schedules of net pension and OPEB liabilities and pension and OPEB contributions*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2020 on our consideration of the Utility Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utility Board's internal control over financial reporting and compliance.



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

The discussion and analysis of the Charles Town Utility Board's (Utility Board) financial performance provides an overview of the Utility Board's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Utility Board's financial statements.

FINANCIAL HIGHLIGHTS

The Utility Board's net position increased \$10.9 million as a result of this year's operations. Net position of the water fund increased \$1.3 million compared to the previous year, or 28.9 percent. Net position of the sewer fund increased by \$9.6 million, or 58.5 percent compared to the previous year. These significant increases result from the acquisitions of net assets of the former City of Ranson Sewer Department (Ranson Sewer) and former Jefferson County Public Service District (JCPSD).

The Utility Board's operating revenues increased by \$1.5 million and operating expenses increased by \$1.5 million compared to the previous year. Water fund operating revenues remained constant at \$3.9 million and water fund operating expenses increased by \$0.1 million compared to the previous year. Sewer fund operating revenues increased by \$1.5 million and sewer operating expenses increased by \$1.4 million compared to the previous year. The sewer fund increases result from the net asset acquisitions of Ranson Sewer and JCPSD.

The Utility Board has no increases in rates and charges during 2019. The Utility Board adopted the existing Ranson Sewer and JCPSD rates at the time of the acquisitions.

Operating income decreased by \$0.1 million for the water fund and increased by \$0.1 million for the sewer fund compared to the previous year.

The Utility Board placed in service approximately \$24.8 million in utility plant assets (cost excluding accumulated depreciation) during 2019. Most of the additions related to the acquisitions of capital assets of Ranson Sewer (\$2.7 million) and JCPSD (\$21.6 million).

The Utility Board acquired the net assets of Ranson Sewer on July 1, 2018. The acquisition did not require any financial consideration to be paid to Ranson Sewer by the Utility Board. The acquisition resulted in an increase in sewer net assets of \$1.6 million. Only July 1, 2018, 1,705 Ranson Sewer customers became customers of the Utility Board.

The Utility Board acquired the net assets of JCPSD on January 1, 2019. The acquisition did not require any financial consideration to be paid to JCPSD by the Utility Board. As part of the acquisition, the Utility Board agree to substitute existing bond debt of JCPSD with newly issued or assigned bond debt of the Utility Board. The debt substitution increased the Utility Board's bond debt by \$6.5 million. The acquisition resulted in an increase in water net assets of \$1.1 million and an increase in sewer net assets of \$7.6 million. On January 1, 2019, 114 JCPSD water customers and 2,631 JCPSD sewer customers became customers of the Utility Board.

Both the Ranson Sewer net asset acquisition and the JCPSD net asset acquisition are forecasted and projected to enhance financial condition, results of operations, and cash flows of the Utility Board. Although the Utility Board adopted existing customer rates and charges of both Ranson Sewer and JCPSD, it is the Utility Board's intent to equalize all customer rates and charges within a ten year period.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

FINANCIAL HIGHLIGHTS (continued)

During the year ended June 30, 2019, the Utility Board implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the interest cost is incurred. No interest was capitalized during the year ended June 30, 2019.

USING THIS ANNUAL REPORT

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Utility Board's financial statements. The Utility Board's financial statements and Notes to the Financial Statements included in this report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for proprietary fund types.

2. Financial Statements

The financial statements are designed to provide readers with a broad overview of the Utility Board's finances, in a manner similar to private-sector business. They consist of the Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

The Statement of Net Position presents information on all the Utility Board's assets/deferred outflows and liabilities/deferred inflows with the difference between the two reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Utility Board is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Utility Board's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in different fiscal periods (e.g., depreciation and earned but unused vacation leave).

The Statement of Cash Flows presents the Utility Board's sources and uses of cash and changes in cash balances between the current and prior year.

The basic financial statements report all Utility Board financial activities. The activities are primarily supported by water and sewer user fees. The Utility Board's mission is furthering the preservation of public health, comfort and convenience of the residents of the Municipality of Charles Town and surrounding areas by providing water and sewer services to customers in its franchise area.

3. Notes to Financial Statements

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to Financial Statements can be found in the financial statements mentioned at #2 above.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019
 (Unaudited)

REPORTING THE UTILITY BOARD AS A WHOLE

The analysis below focuses on net position (Table 1) and changes in net position (Table 2) of the Utility Board's financial activities.

Table 1 - Net Position (in Millions)

	<u>Water</u>		<u>Sewer</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 4.1	\$ 3.9	\$ 5.2	\$ 2.6	\$ 9.3	\$ 6.5
Capital assets	21.7	20.8	47.2	34.9	68.9	55.7
Total assets	25.8	24.7	52.4	37.5	78.2	62.2
Deferred outflows of resources	0.6	0.6	0.2	0.2	0.8	0.8
Total assets and deferred outflows of resources	\$ 26.4	\$ 25.3	\$ 52.6	\$ 37.7	\$ 79.0	\$ 63.0
Long-term debt outstanding	\$ 19.5	\$ 19.6	\$ 25.5	\$ 20.8	\$ 45.0	\$ 40.4
Other liabilities	0.9	1.1	0.8	0.4	1.7	1.5
Total liabilities	20.4	20.7	26.3	21.2	46.7	41.9
Deferred inflows of resources	0.2	0.1	0.3	0.1	0.5	0.2
Net position:						
Net investment in capital assets	2.1	1.2	22.4	14.9	24.5	16.1
Restricted	2.8	2.4	2.2	1.1	5.0	3.5
Unrestricted	0.9	0.9	1.4	0.4	2.3	1.3
Total net position	5.8	4.5	26.0	16.4	31.8	20.9
Total liabilities, deferred and net position	\$ 26.4	\$ 25.3	\$ 52.6	\$ 37.7	\$ 79.0	\$ 63.0

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019
 (Unaudited)

Net position of the Utility Board as a whole increased by 52.2 percent (\$10.9 million). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$1.3 million at June 30, 2018, to \$2.3 million at the end of this year; a 16.9 percent increase.

Water net position increased by \$3 million or 28.9 percent and sewer net position increased by \$9.6 million or 58.5 percent.

The acquisitions of the net assets of Ranson Sewer and JCPSD were the primary reason for the Utility Board's increase in total net position and unrestricted net position for 2019.

By far, the largest portion of the Utility Board's assets reflects its investment in capital assets. The Utility Board uses these capital assets to provide water and sewer services to its customers; consequently, these assets are not available for future spending.

Table 2 - Changes in Net Position (in Millions)

	<u>Water</u>		<u>Sewer</u>		<u>Total</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Operating revenues	\$ 3.9	\$ 3.9	\$ 5.3	\$ 3.7	\$ 9.2	\$ 7.7
Operating expenses	<u>3.8</u>	<u>3.7</u>	<u>4.6</u>	<u>3.3</u>	<u>8.4</u>	<u>6.9</u>
Operating income	0.1	0.2	0.7	0.4	0.8	0.8
Non-operating revenues (expenses)	<u>-</u>	<u>-</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.4)</u>	<u>(0.4)</u>
Changes in net position before capital contributions	0.1	0.2	0.3	-	0.4	0.4
Capital contributions	<u>0.2</u>	<u>0.1</u>	<u>9.3</u>	<u>0.2</u>	<u>10.5</u>	<u>0.2</u>
Change in net position	<u>\$ 1.3</u>	<u>\$ 0.3</u>	<u>\$ 9.6</u>	<u>\$ 0.2</u>	<u>\$ 10.9</u>	<u>\$ 0.6</u>

The Utility Board's operating revenues increased by \$1.5 million or 19.5 percent. The operating expenses increased by \$1.5 million or 21.7 percent. The acquisition of the net assets of Ranson Sewer and JCPSD are the primary reasons for the above increases. The analysis separately considers the operations of the water and sewer funds.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2019, budgets were prepared by the Utility Board and were approved by the Utility Board of Directors. The budgets were primarily used as a management tool and have no legal stature. The budgets were prepared in accordance with principles used in the preparation of the basic financial statements.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, the Utility Board had \$68.9 million invested in a broad range of capital assets, including land, structures, machinery and equipment, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions and disposals) of \$13.2 million compared to the previous year.

Table 3 - Capital Assets at Year-End (Net of Depreciation, in Millions)

	2019	2018
Capital assets not depreciated - utility plant	\$ 2.0	\$ 0.8
Capital assets depreciated - utility plant	103.0	79.4
Totals	105.0	80.2
Accumulated depreciation	(36.1)	(24.5)
Capital assets, net of depreciation	\$ 68.9	\$ 55.7

Capital additions placed in service for the year ended June 30, 2019 are as follows (in Millions)

Water (at cost excluding accumulated depreciation)

Acquisition of former JCPSD utility plant	\$ 2.1
Treatment Equipment	0.2
Communications equipment	0.1
	2.4

Sewer (at cost excluding accumulated depreciation)

Acquisition of former JCPSD utility plant	19.5
Acquisition of former Ranson Sewer utility plant	2.7
Treatment and pumping structures	0.1
Treatment and pumping equipment	0.1
	22.4
Total 2019 additions	\$ 24.8

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2019
 (Unaudited)

Debt

At year-end, the Utility Board had \$45.0 million in long-term debt outstanding compared to \$40.4 million in the previous year.

Table 4 - Outstanding Debt at Year-End (in Millions)

	2019	2018
Leases	\$ 0.1	\$ 0.2
Loans (Municipality of Charles Town)	0.5	0.5
Notes	-	0.1
Bonds	44.4	39.6
Total	\$ 45.0	\$ 40.4

The bond debt resulted from issuing revenue bonds for the construction of water and sewer utility plant improvements and acquisition of JCPSD net assets. These bonds are secured by revenues derived from the combined water and sewer system. Other debt obligations include notes, loans, and obligations under capital leases. More detailed information about the Utility Board's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS

The Utility Board's appointed officials considered many factors when setting the fiscal-year 2019 budget. One of those factors was the economy. The County's population has a direct impact on the Utility Board's economic growth.

The Utility Board is optimistic about its potential for economic growth in the future. The increasing population, infrastructure improvements, annexation, and procurement of grants and other funding sources are all positive indicators for continued economic growth of the Utility Board.

CONTACTING THE UTILITY BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers, and investors and creditors with a general overview of the Utility Board's finances and to show the Utility Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Utility Manager at 661 South George Street, Suite 101, Charles Town, WV 25414.

Charles Town Utility Board
STATEMENT OF NET POSITION
June 30, 2019

ASSETS AND DEFERRED OUTFLOWS

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 559,450	\$ 1,208,965	\$ 1,768,415
Customer accounts receivable, net of allowances	125,294	314,109	439,403
Due from associated companies	4,221	-	4,221
Inventory, at cost	90,346	1,768	92,114
Accrued utility revenue	344,614	565,037	909,651
	<u>1,123,925</u>	<u>2,089,879</u>	<u>3,213,804</u>
RESTRICTED ASSETS			
Debt service funds	1,145,297	1,245,737	2,391,034
Construction funds	-	807,461	807,461
Capacity improvement funds	1,338,983	826,074	2,165,057
Repair and replacement funds	411,154	134,300	545,454
	<u>2,895,434</u>	<u>3,013,572</u>	<u>5,909,006</u>
CAPITAL ASSETS			
Utility plant in service	37,604,159	67,097,514	104,701,673
Less: accumulated depreciation and amortization	16,015,666	20,146,544	36,162,210
	<u>21,588,493</u>	<u>46,950,970</u>	<u>68,539,463</u>
Construction in progress	81,594	231,390	312,984
	<u>21,670,087</u>	<u>47,182,360</u>	<u>68,852,447</u>
OTHER ASSETS			
Prepaid bond insurance	104,818	73,925	178,743
	<u>25,794,264</u>	<u>52,359,736</u>	<u>78,154,000</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized amounts from refunding of debt	395,403	95,942	491,345
Defined benefit pension plan contribution	71,380	106,380	177,760
Other post employment plan contribution	32,849	30,971	63,820
Collective deferred outflows related to pension	24,792	8,070	
Collective deferred outflows related to post employment plan	17,081	11,562	28,643
	<u>541,505</u>	<u>252,925</u>	<u>761,568</u>
Total assets and deferred outflows	<u><u>\$ 26,335,769</u></u>	<u><u>\$ 52,612,661</u></u>	<u><u>\$ 78,948,430</u></u>

See accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2019

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
CURRENT LIABILITIES			
(PAYABLE FROM CURRENT ASSETS)			
Accounts payable	\$ 90,395	\$ 138,042	\$ 228,437
Accrued expenses	21,593	17,261	38,854
Customer deposits	102,387	156,726	259,113
Notes payable (current portion)	-	1,997	1,997
Capital lease payable (current portion)	38,451	-	38,451
	<hr/>	<hr/>	<hr/>
Total current liabilities (payable from current assets)	252,826	314,026	566,852
CURRENT LIABILITIES			
(PAYABLE FROM RESTRICTED ASSETS)			
Revenue bonds payable	936,505	1,262,118	2,198,623
Accrued revenue bond interest payable	141,366	52,389	193,755
	<hr/>	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	1,077,871	1,314,507	2,392,378
LONG-TERM LIABILITIES			
(NET OF CURRENT PORTION)			
Revenue bonds payable	18,004,581	24,150,008	42,154,589
Capital lease payable	81,727	-	81,727
Accrued expenses	65,317	42,498	107,815
Loan from Charles Town	424,560	113,707	538,267
Net other post employment benefit liability	311,795	301,443	613,238
Collective net pension liability	155,591	159,529	315,120
	<hr/>	<hr/>	<hr/>
Total long-term liabilities	19,043,571	24,767,185	43,810,756
	<hr/>	<hr/>	<hr/>
Total liabilities	20,374,268	26,395,718	46,769,986
DEFERRED INFLOWS OF RESOURCES			
Collective deferred inflows related to other post employment benefit plan	77,667	70,274	147,941
Collective deferred inflows related to pension	77,452	138,660	216,112
	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows	20,529,387	26,604,652	47,134,039
NET POSITION			
Net investment in capital assets	2,184,263	22,461,991	24,646,254
Restricted	2,754,068	2,153,722	4,907,790
Unrestricted	868,051	1,392,296	2,260,347
	<hr/>	<hr/>	<hr/>
Total net position	5,806,382	26,008,009	31,814,391
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows and net position	<u>\$ 26,335,769</u>	<u>\$ 52,612,661</u>	<u>\$ 78,948,430</u>

See accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2019

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Sales and services to customers	\$ 3,872,678	\$ 5,321,347	\$ 9,194,025
Total operating revenues	<u>3,872,678</u>	<u>5,321,347</u>	<u>9,194,025</u>
OPERATING EXPENSES			
Personal services	714,489	1,194,636	1,909,125
Contractual services	75,222	399,961	475,183
Administrative and general	242,587	238,682	481,269
Materials and supplies	340,730	397,586	738,316
Utilities	138,136	352,629	490,765
Maintenance	1,050,590	815,414	1,866,004
Depreciation and amortization	1,190,821	1,220,928	2,411,749
Total operating expenses	<u>3,752,575</u>	<u>4,619,836</u>	<u>8,372,411</u>
Operating income	<u>120,103</u>	<u>701,511</u>	<u>821,614</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	37,350	41,789	79,139
Interest and fiscal charges	(638,251)	(478,679)	(1,116,930)
Miscellaneous revenues	643,995	-	643,995
Total nonoperating revenues (expenses)	<u>43,094</u>	<u>(436,890)</u>	<u>(393,796)</u>
Income before contributed capital	163,197	264,621	427,818
CONTRIBUTED CAPITAL	<u>1,175,733</u>	<u>9,337,117</u>	<u>10,512,850</u>
Change in net position	1,338,930	9,601,738	10,940,668
Total net position at beginning of year, as adjusted (See Note 10)	<u>4,467,452</u>	<u>16,406,271</u>	<u>20,873,723</u>
Total net position at end of year	<u>\$ 5,806,382</u>	<u>\$ 26,008,009</u>	<u>\$ 31,814,391</u>

See accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS
For the year ended June 30, 2019

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 3,847,919	\$ 4,991,987	\$ 8,839,906
Cash paid for operation and maintenance expenses	<u>(2,671,857)</u>	<u>(3,046,449)</u>	<u>(5,718,306)</u>
Net cash provided by operations	<u>1,176,062</u>	<u>1,945,538</u>	<u>3,121,600</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(1,008,252)	(4,746,629)	(5,754,881)
Proceeds from revenue bonds and long-term debt	885,597	5,769,138	6,654,735
Principal paid on revenue bonds and long-term debt	(1,019,770)	(995,465)	(2,015,235)
Bond administration fees paid	-	(69,595)	(69,595)
Payment of bond insurance	-	(29,568)	(29,568)
Interest paid on bonds, notes and leases payable	(574,382)	(379,739)	(954,121)
Decrease in restricted assets, net	(345,107)	(1,146,821)	(1,491,928)
Other contributed capital	<u>100,653</u>	<u>577,464</u>	<u>678,117</u>
Net cash used in capital and related financing activities	<u>(1,961,261)</u>	<u>(1,021,215)</u>	<u>(2,982,476)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and other income received	681,345	41,789	723,134
Interest paid on refunded customer security deposits	(2,532)	-	(2,532)
Repayment of City of Charles Town general fund advances	<u>(10,180)</u>	<u>(2,636)</u>	<u>(12,816)</u>
Net cash provided by (used in) investing activities	<u>668,633</u>	<u>39,153</u>	<u>707,786</u>
Net increase in cash and cash equivalents	(116,566)	963,476	846,910
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>676,016</u>	<u>245,489</u>	<u>921,505</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 559,450</u></u>	<u><u>\$ 1,208,965</u></u>	<u><u>\$ 1,768,415</u></u>

See accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended June 30, 2019

	Water Fund	Sewer Fund	Totals
Operating income	\$ 120,103	\$ 701,511	\$ 821,614
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,190,821	1,220,928	2,411,749
Decrease (increase) in receivables	39,748	(40,234)	(486)
Decrease (increase) in accrued revenues	(34,868)	(387,639)	(422,507)
Decrease (increase) in inventory	(6,018)	-	(6,018)
Decrease (increase) in deferred outflows	16,858	(69,564)	(52,706)
Increase (decrease) in accounts payable	(42,988)	90,112	47,124
Increase (decrease) in customer deposits	(29,639)	98,513	68,874
Increase (decrease) in accrued expenses	14,207	18,831	33,038
Increase (decrease) in collective net pension liability	(93,237)	12,212	(81,025)
Increase (decrease) in net OPEB liability	(23,571)	170,675	147,104
Increase (decrease) in pension deferred inflows	24,646	130,193	154,839
Net cash provided by operating activities	\$ 1,176,062	\$ 1,945,538	\$ 3,121,600
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Noncash investing, capital, and financing transactions:			
Acquisition of former Ranson Sewer Department assets by contribution	\$ -	\$ 1,172,519	\$ 1,172,519
Acquisition of former Jefferson County Public Service District assets by contribution	\$ 1,075,080	\$ 7,587,134	\$ 8,662,214
 RECONCILIATION OF CASH			
Cash per statement of net position	\$ 559,450	\$ 1,208,965	\$ 1,768,415
Cash per statement of cash flows	\$ 559,450	\$ 1,208,965	\$ 1,768,415

See accompanying notes to financial statements.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF BUSINESS

The Charles Town Utility Board (the "Utility Board") is a component unit of the Municipality of Charles Town, West Virginia. The Utility Board's purpose is furthering the preservation of the public health, comfort, and convenience of the residents of the Municipality of Charles Town and the City of Ranson, and other areas of Jefferson County, West Virginia previously served by the Jefferson County Public Service District by providing water and sewer services to customers in its franchise area.

On July 1, 2018, the Utility Board acquired the net assets of the former Ranson Sewer Department for no financial consideration. On January 1, 2019, the Utility Board acquired the net assets of the former Jefferson County Public Service District for no financial consideration. The above acquisitions resulted in an expansion of the Utility Board's franchise territory giving it rights to serve water and sewer customers within the expanded franchise territory.

The Utility Board is governed by a board of directors who are appointed by the Municipality of Charles Town (3 appointments), the Jefferson County Commission (1 appointment), and the City of Ranson (1 appointment).

The Utility Board serves 6,209 water customers and 6,280 sewer customers. During the year ended June 30, 2019, the Utility Board's water customers increased by 95 and sewer customers increased by 2,955.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Significant accounting policies of the Utility Board are described below.

Reporting Entity

For financial reporting purposes, the Utility Board is considered a component unit of the Municipality of Charles Town. The basic criteria for defining the Utility Board as a component unit of the Municipality of Charles Town is the financial interdependence, accountability for fiscal matters, significant influence on operations and ability to designate management.

The Utility Board is a combined water and sewer utility. For purposes of establishing user rates and charges and as required by its revenue bond issues, water and sewer are maintained as separate funds with separate books of account.

Basis of Presentation

The accounting policies of the Utility Board conform to accounting principles generally accepted in the United States of America as applicable to enterprise funds of governmental units. The Utility Board accounts for its operations in a manner similar to those often found in the private sector. The measurement focus is based upon the determination of net income. The costs (including depreciation) of providing utility services to customers on a continuing basis are recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control and accountability.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Revenues and expenses of the Utility Board are accounted for within two funds, both of which are enterprise funds. The Utility Board uses the accrual basis of accounting for its enterprise funds, under which revenues are recognized when they are earned and expenses are recognized when they are incurred.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Utility Board. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange or ancillary activities.

When both restricted and unrestricted resources are available for use, it is the Utility Board's policy to use restricted resources first, and then the unrestricted resources as needed. See Note 1 for information describing restricted assets.

Utility Plant

Utility plant purchased or acquired under capital leases by the Utility Board is stated at cost and utility plant contributed to the Utility Board is stated at fair market value at the time received. Depreciation is provided on all utility plant in service based on the estimated useful lives, which range from 5 to 50 years, using the straight-line method. The Utility Board's policy is to capitalize all property, plant, and equipment with a purchase price greater than \$5,000.

Utility plant assets acquired through the acquisition of net assets from both the former Ranson Sewer Department and the former Jefferson County Public Service District are stated at original cost with corresponding accumulated depreciation to the acquisition dates. Costs incurred by the Utility Board to accomplish the acquisition have been capitalized and are being amortized over a 20 year period.

Expenditures for repairs and upgrading which materially add to the value or life of an asset are capitalized. Other maintenance and repair costs are expensed as incurred.

During the year ended June 30, 2019, the Utility Board implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. No interest was capitalized during the year ended June 30, 2019.

The depreciation/amortization of assets acquired under capital leases or in excess of predecessor book value are included in depreciation expense.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the Utility Board considers all cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less, to be cash equivalents.

Cash and cash equivalents at June 30, 2019 includes deposits of \$5,284,028 at four banks. Deposits are FDIC insured and deposits in excess of FDIC limits are 100% collateralized with securities held by the financial institution in the name of the Utility Board.

All carrying values are the same as market values.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Assets whose use is limited include:

Debt service funds and debt service reserve funds represent funds required by debt covenants under the various debt ordinances. These funds are to be used to pay bond interest and principal.

Construction funds represent funds held by banks as trustees under the bond ordinances. These funds are to be used solely for payment of costs associated with the Utility Board's ongoing construction projects.

Capacity improvement funds are established by ordinance. The capacity improvement fund is kept apart from all other funds. Withdrawals and disbursements are made for improvements and upgrades to the system that maintain or increase capacity to service customers.

The repair and replacement fund represents funds held by a bank under the Utility Board's bond ordinances. Withdrawals may be made for replacement and emergency repairs.

Accounts Receivable and Bad Debts

The Utility Board's management periodically analyzes delinquent accounts of the water and sewer funds and uses the allowance method for accounting for bad debts. The allowance for doubtful accounts was \$13,000 at June 30, 2019 for the sewer fund. No allowance was deemed necessary by management at June 30, 2019. At June 30, 2019, accounts receivable for the water and sewer funds are \$125,294 and \$314,109, respectively, net of allowance for doubtful accounts.

Revenue Recognition and Customer Rates and Charges

The Utility Board's policy is to recognize revenue on the accrual basis. The Utility Board accrues revenue earned but not billed. Revenue accrued but not billed for the water and sewer funds at June 30, 2019 are \$344,614 and \$565,037, respectively.

The Utility Board has adopted customer rates and charges established by the former Ranson Sewer Department and former Jefferson County Public Service District for their former respective franchise territories. Management is in the process of customer rate equalization for the Utility Board's total franchise territory and expects to accomplish full equalization within a ten year period.

Deferred Outflows and Inflows of Resources

A deferred outflow of resources represents a consumption of net assets applicable to a future reporting period and will not be recognized as an expense until then. Deferred outflows from the refunding of debt will be recognized as interest expense in the appropriate reporting period. Deferred outflows related to the Utility Board's defined benefit pension and OPEB plans will be recognized based on actuarial determinations.

A deferred inflow of resources represents an acquisition of net assets applicable to a future reporting period and will not be recognized as revenue until then. Deferred inflows related to the Utility Board's defined benefit pension and OPEB plans will be recognized based on actuarial determinations.

Advance Refunding of Debt

Deferred amounts resulting from advance refunding of debt are being amortized by the straight-line method over the life of the new debt.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Utility Board is exempt from federal and state income taxes as a subdivision of the Municipality of Charles Town.

Inventories

Inventories consist of expendable supplies and are accounted for on a first-in first-out basis. Inventories approximate fair market value at June 30, 2019.

Compensated Absences

The Utility Board's policy is to permit employees to accumulate earned but unused vacation benefits. The Utility Board fully recognizes the liability related to compensated absences in the funds. For the water and sewer funds, compensated absences at June 30, 2019, amounted to \$65,317 and \$42,498, respectively.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Nonexchange Transactions

The Utility Board follows GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33), which establishes accounting and reporting guidelines for government entities that gives (or receives) value without directly receiving (or giving) equal value in return. The Utility Board receives voluntary nonexchange transactions from developer and customer donations of cash, property, lines and improvements. In addition, the Utility Board receives various capital grants from federal and state agencies. These donations are considered capital contributions in the Statement of Revenues, Expenses and Changes in Net Position.

Customer Deposits

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

Net Position

Net position presents the difference between assets/deferred outflows and liabilities/deferred inflows 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. Net position is reported as restricted when legal limitations are imposed on its use by legislation or external restrictions by creditors, grantors, laws or regulations of other governments. Unrestricted net position is net position that does not meet the definition of "net investment in capital assets, or restricted net position."

Interfund Transactions

Interfund transactions are reflected in the financial statements and recorded through applicable "due to/due from" asset and liability accounts.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to the pension, and pension expense, information about the fiduciary net position of the Utility Board's Public Retirement System (PERS) and additions to/deduction 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 (RHBT) and additions 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 - NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 84, *Fiduciary Activities*, provides guidance to improve the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Statement 84 will be effective for fiscal year ending June 30, 2020.

GASB Statement No. 87, *Leases*, aims to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Statement 87 will be effective for the fiscal year ending June 30, 2021.

GASB Statement No 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61* seeks to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Statement 90 will be effective for fiscal year ending June 30, 2020.

GASB Statement No. 91, *Conduit Debt Obligations* seeks to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement 91 will be effective for fiscal year ending June 30, 2022.

The Utility Board has not yet determined the effect these Statements will have on its financial statements.

NOTE 3 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Utility Board holds no investments and does not have an investment policy. The carrying amounts of the Utility Board's financial assets and liabilities approximate their fair value.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 4 - CASH

Cash consists of the following accounts and amounts at June 30, 2019:

	Water	Sewer	Total
Petty cash	\$ 175	\$ 175	\$ 300
Operation and maintenance accounts	191,756	355,310	547,066
Security deposit accounts	93,063	157,390	250,453
Working capital reserve accounts	274,456	696,140	970,596
	\$ 559,450	\$ 1,208,965	\$ 1,768,415

NOTE 5 - CAPITAL ASSETS

	Balance at June 30, 2018	Ranson Sewer Net Asset Acquisition	Jefferson PSD Net Asset Acquisition	Additions	Reductions	Balance at June 30, 2019
Capital Assets Not Depreciated						
Land and land rights	\$ 531,952	\$ 2,202	\$ 1,157,567	\$ -	\$ -	\$ 1,691,721
Construction in progress	240,029	45,671	-	227,749	(200,465)	312,984
Total Capital Assets Not Depreciated	771,981	47,873	1,157,567	227,749	(200,465)	2,004,705
Capital Assets Depreciated						
Utility plant in service	79,438,100	2,670,441	20,436,953	494,787	-	103,040,281
Less accumulated depreciation	(24,535,497)	(1,435,431)	(7,809,862)	(2,411,749)	-	(36,192,539)
Net Capital Assets Depreciated	54,902,603	1,235,010	12,627,091	(1,916,962)	-	66,847,742
Total Capital Assets	\$ 55,674,584	\$ 1,282,883	\$ 13,784,658	\$ (1,689,213)	\$ (200,465)	\$ 68,852,447
Depreciaton Expense	\$ 2,411,749					

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG-TERM DEBT

The following is a summary of bonds and notes payable at June 30, 2019:

Bonds Payable - Water Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due Within One year
1987B	2026	0.00%	\$ 97,965	\$ -	\$ 10,885	\$ 87,080	\$ 10,885
1988B	2028	0.00%	157,376	-	14,308	143,068	14,308
1989B	2029	0.00%	36,148	-	3,012	33,136	3,012
2002A	2039	5.80%	892,637	-	21,073	871,564	22,295
2002B	2042	0.00%	2,244,156	-	93,506	2,150,650	93,507
2010A	2031	2.00%	622,865	-	43,332	579,533	44,206
2010B	2031	2.00%	68,261	-	4,748	63,513	4,844
2013B	2043	4.70%	1,045,000	-	22,800	1,022,200	22,800
2014C	2033	2.50% - 4.75%	720,000	-	35,000	685,000	40,000
2014E	2026	1.50% - 3.40%	1,040,000	-	120,000	920,000	120,000
2015A	2030	1.50% - 3.50%	1,565,550	-	88,200	1,477,350	88,200
2015B	2029	1.50% - 4.00%	3,029,400	-	267,300	2,762,100	271,350
2016A	2045	1.60% - 4.50%	7,395,000	-	165,000	7,230,000	170,000
2018A-7	2046	0.50%	-	885,597	15,491	870,106	31,098
Total Bonds Payable			\$ 18,914,358	\$ 885,597	\$ 904,655	18,895,300	\$ 936,505
Unamortized Premiums/ Discounts, net						45,786	
						<u>\$ 18,941,086</u>	

Maturities of water bonds payable for years succeeding June 30, 2019, are as follows:

Year	Principal	Interest	Total
2020	\$ 936,505	\$ 551,407	\$ 1,487,912
2021	953,043	534,105	1,487,148
2022	964,627	515,170	1,479,797
2023	996,360	493,187	1,489,547
2024	1,014,399	468,105	1,482,504
2025-2029	4,740,670	1,915,964	6,656,634
2030-2034	3,104,468	1,311,305	4,415,773
2035-2039	2,684,731	830,114	3,514,845
2040-2044	2,641,424	395,786	3,037,210
2045-2046	859,073	44,752	903,825
	<u>\$ 18,895,300</u>	<u>\$ 7,059,895</u>	<u>\$ 25,955,195</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 - LONG-TERM DEBT (continued)

Bonds Payable - Sewer Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due Within One year
1988B	2028	0.00%	\$ 83,452	\$ -	\$ 7,588	\$ 75,864	\$ 7,588
1998 Design	2019	2.00%	32,758	-	26,141	6,617	6,617
2000A	2021	2.00%	648,538	-	180,699	467,839	184,340
2010C	2041	0.00%	958,324	-	41,668	916,656	41,668
2010D	2041	0.00%	383,324	-	16,668	366,656	16,668
2011A	2041	0.00%	5,758,574	-	250,373	5,508,201	250,373
2013A	2044	0.50%	522,741	-	18,684	504,057	18,776
2013B	2043	4.70%	1,705,000	-	37,200	1,667,800	37,200
2014A	2046	0.50%	3,775,138	-	127,145	3,647,993	127,780
2014D	2028	3.00% - 5.00%	1,135,000	-	95,000	1,040,000	95,000
2015A	2030	1.50% - 3.50%	919,450	-	51,800	867,650	51,800
2015B	2029	1.50 - 4.00%	710,600	-	62,700	647,900	63,650
2016B	2046	1.50 - 4.00%	3,895,000	-	-	3,895,000	25,000
2018A-1	2029	0.00%	-	109,174	-	109,174	10,917
2018A-2	2019	0.00%	-	14,976	14,976	-	-
2018A-3	2038	1.00%	-	662,039	-	662,039	31,801
2018A-4	2030	0.00%	-	141,885	6,306	135,579	12,612
2018A-5	2032	0.00%	-	500,448	19,248	481,200	38,496
2018A-6	2039	0.00%	-	1,336,640	33,416	1,303,224	66,832
2018B	2033	2.25 - 3.50%	-	3,065,000	-	3,065,000	175,000
Total Bonds Payable			<u>\$ 20,527,899</u>	<u>\$ 5,830,162</u>	<u>\$ 989,612</u>	25,368,449	<u>\$ 1,262,118</u>
Unamortized Premiums/ Discounts, net						<u>43,677</u>	
						<u>\$ 25,412,126</u>	

Maturities of sewer bonds payable for years succeeding June 30, 2019, are as follows:

Year	Principal	Interest	Total
2020	\$ 1,262,118	\$ 427,541	\$ 1,689,659
2021	1,276,172	411,320	1,687,492
2022	1,295,571	393,691	1,689,262
2023	1,137,094	375,553	1,512,647
2024	1,152,868	358,137	1,511,005
2025-2029	5,980,389	1,482,803	7,463,192
2030-2034	5,412,492	947,704	6,360,196
2035-2039	4,100,728	551,151	4,651,879
2040-2044	3,016,861	257,020	3,273,881
2045-2046	734,156	22,729	756,885
	<u>\$ 25,368,449</u>	<u>\$ 5,227,649</u>	<u>\$ 30,596,098</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 6 - LONG-TERM DEBT (continued)

Certain of the water and sewer bonds require administrative fees to be paid to the governmental issuers. Administrative fees amounted to \$1,273 and \$66,724 for the water and sewer funds, respectively, for the year ended June 30, 2019. Administrative fees are not considered interest expense for rate establishment purposes and are not included in the above maturity schedules.

The water and sewer bond issues are secured by a lien on the revenues derived from the system and a statutory mortgage lien on the system.

The covenants contained in the water and sewer bond issues include a required debt service coverage ratio of 115%. The Utility Board met the required coverage for the year ended June 30, 2019.

The water and sewer bond issues require monthly deposits to the renewal and replacement fund equal to 2-1/2% of monthly gross revenues. The Utility Board's deposits, including necessary expenditures for renewals and replacements, exceeded this requirement for the year ended June 30, 2019.

The water Series 2018A-7 Bonds, sewer Series 2018A-2 through 2018A-6 Bonds and sewer Series 2018B Bonds were issued as substituted bond debt related to the acquisition of the former Jefferson County Public Service District net assets. This substituted bond debt replaced former Jefferson County Public Service District bond debt existing prior to the Utility Board's acquisition on January 1, 2019. The water Series A-7 Bonds and sewer Series A-1 through A-6 Bonds were issued by governmental issuer assignment of existing bond debt of the former Jefferson County Public Service District.

Note Payable Bank - Sewer Fund

Loan from a bank in the original amount of \$71,000; monthly installments of principal and interest of \$515 including interest at 6.15% until 2020; secured by deed of trust. \$ 1,997

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

Year	Principal	Interest	Total
2020	\$ 1,997	\$ 20	\$ 2,017
	\$ 1,997	\$ 20	\$ 2,017

NOTE 7 - LEASE AGREEMENTS

Capital Leases

The Charles Town Utility Board is the lessor of various equipment and improvements under capital leases expiring at various times. The assets and liabilities under the capital leases are recorded at their present value of the minimum lease payments.

The lease obligations are secured by the leased equipment and/or improvements. Depreciation of assets under capital lease is included in depreciation expense for the year ended June 30, 2019.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 7 - LEASE AGREEMENTS (continued)

Capital Leases (continued)

Leased Equipment	Expiration	Water Fund Remaining (net of interest) Lease Payments
Various utility improvements, equipment, and vehicles	2020-2022	
Total capital leases payable at June 30, 2019		\$ 120,178
Less: Current portion due in upcoming year		(38,451)
Long-term capital leases payable at June 30, 2019 (net of current portion)		\$ 81,727

Estimated minimum future lease payments under the capital leases as of June 30, 2019 are as follows:

Year	Principal	Interest	Total
2020	\$ 38,451	\$ 4,960	\$ 43,411
2021	40,037	3,374	43,411
2022	41,690	1,721	43,411
	\$ 120,178	\$ 10,055	\$ 130,233

NOTE 8 - CHANGES IN LONG-TERM LIABILITIES OTHER THAN BONDS

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019
Note payable	\$ 7,850	\$ -	\$ 5,853	\$ 1,997
Capital leases payable	235,292	-	115,114	120,178
Loan from Charles Town	551,083	-	12,816	538,267
Accrued compensated absences	83,626	24,189	-	107,815
Collective net pension liability	396,145	235,543	316,568	315,120
Net other post employment benefit	466,134	289,573	142,469	613,238
Total	\$ 1,740,130	\$ 549,305	\$ 592,820	\$ 1,696,615

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN

Plan Description, Contribution Information, and Funding Policies

The Utility Board participates in the West Virginia Public Employees Retirement System (PERS), a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of Utility Board employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

PERS 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 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:

Eligibility to participate: All Utility Board full-time employees, except those covered by other pension plans

Authority establishing contribution obligations and benefit provisions: State Statute

Tier 1 Plan member's contribution rate: 4.50% (Employees hired before July 1, 2015)

Tier 2 Plan member's contribution rate: 6.00% (Employees hired after July 1, 2015)

Utility Board's contribution rate: 10.00% for fiscal year 2019

Period required to vest: 5 years for Tier 1 and 10 years for Tier 2

Benefits and eligibility for distribution:

Tier 1

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.

Tier 2

Qualification for normal retirement is age 62 with 10 years of service or at least age 55 plus service years equal to 80 or greater. The final average salary is the average of the five consecutive highest annual earnings years out of the last fifteen years. The final average salary 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

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed
2019	\$155,564	100%
2018	\$137,439	100%
2017	\$149,296	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 Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

At June 30, 2019, the Utility Board reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utility Board's proportion of the net pension liability was based on a projection of the Utility Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2019, the Utility Board reported the following proportion:

Amount for proportionate share of net pension liability	\$315,120
Percentage for proportionate share of net pension liability	0.122021%
Increase/(decrease) % from prior proportion measured	0.0.30246%

For the year ended June 30, 2018, the Utility Board recognized the following pension expense:

	Water	Sewer	Total
Pension expense	\$ 20,369	\$ 26,265	\$ 46,634

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Pension Liability, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 185,434
Difference between expected and actual experience	15,632	780
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	17,230	29,898
Utility Board contributions subsequent to the measurement date	177,760	-
	\$ 210,622	\$ 216,112

The amount reported as deferred outflows of resources related to the pension plan resulting from Utility Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year ended June 30

2020	\$ 27,243
2021	(35,175)
2022	(143,928)
2023	(31,390)
Total	\$ (183,250)

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2016, and rolled forward to June 30, 2018, which is the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Asset valuation method	Fair value
Amortization method	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases:	
PERS:	
State	3.0-4.6%%
Nonstate	3.35-6.0%%
Inflation rate	3.00%
Discount rate	7.50%
Mortality rates	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational
Withdrawal rates	
State	1.75-35.10%%
Non-state	2-35.88%%
Disability rates	0.007 - .675%%
Retirement rates	12 - 100%%
Date range in most recent experience study	2009-2014

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Actuarial Assumptions (continued)

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 weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2018, include the inflation component and were used for the defined benefit plan:

Asset Class	Long-Term Expected Rate of Return	PERS Target Asset Allocation
Domestic Equity	4.50%	27.50%
International Equity	8.60%	27.50%
Private Equity	6.40%	10.00%
Fixed Income	3.30%	15.00%
Real Estate	6.00%	10.00%
Hedge Funds	4.00%	10.00%
		100.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent for the defined benefit plan. The projection of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for the 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 liability of the 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 7.50%	1% Increase 8.50%
Utility Board's proportionate share of net pension	\$ (1,269,052)	\$ (315,120)	\$ 491,893

Detailed information about the pension plan's 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.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Summary of Deferred Outflow/Inflow Balances

	<u>Total</u>	<u>Water</u>	<u>Sewer</u>
Difference between expected and actual experience	\$ 14,852	\$ 11,184	\$ 3,668
Net difference between projected and actual earnings on pension plan investments	(185,434)	(70,967)	(114,467)
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(12,668)	7,123	(19,791)
Utility Board contributions subsequent to the measurement date	<u>177,760</u>	<u>71,380</u>	<u>106,380</u>
	<u>\$ (5,490)</u>	<u>\$ 18,720</u>	<u>\$ (24,210)</u>

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan Description

The Utility Board 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 Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the 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 Plan had approximately 64,000 policyholders and 63,000 covered lives at June 30, 2018. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th 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).

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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 \$149 million for fiscal year ended June 30, 2018. Contributions to the OPEB plan from the Utility Board were as follows:

Year	Water	Sewer	Total
2019	\$ 32,849	\$ 30,971	\$ 63,820
2018	\$ 32,037	\$ 9,735	\$ 41,772

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

At June 30, 2019, the Utility Board reported a liability of \$311,795 and \$301,443 for the water and sewer funds, respectively, 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, 2017, rolled forward to June 30, 2018, which is the measurement date. The Utility Board's proportion of the net OPEB liability was based on a projection of the Utility Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2018, the Utility Board's proportionate share was 0.028583397%, which was an increase of 0.009627061% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Utility Board recognized OPEB expense of \$8,427 and \$12,898 for the water and sewer funds, respectively.

The Utility Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	\$ 28,643	\$ (66,288)
Changes in assumptions	-	(61,231)
Net difference between projected and actual investment earnings on OPEB plan investments	-	(11,351)
Difference between expected and actual experience	-	(9,071)
District contributions subsequent to the measurement date	63,820	-
	\$ 92,463	\$ (147,941)

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The amount reported as deferred outflows of resources related to OPEB resulting from Utility Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. 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>	
2020	\$ (38,569)
2021	(38,569)
2022	(32,538)
2023	<u>(9,622)</u>
Total	<u>\$ (119,298)</u>

Actuarial Assumptions

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

Inflation rate	2.75%
Salary increases	Dependent upon pension system, ranging from 3.0% to 6.5%, including inflation.
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims beginning in 2022 to account for the excise tax.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Actuarial Assumptions (continued)

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS. The actual assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of future real rates of returns (expected returns, net of OPEB 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 weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI. Best estimates of long-term geometric rates are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount Rate

The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. 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.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Sensitivity of the Utility Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following chart presents the Utility Board'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 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Net OPEB Liability	\$ 720,739	\$ 613,238	\$ 523,624

Sensitivity of the Utility Board's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following chart presents the Utility Board'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 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 Cost Trend Rates	1% Increase
Net OPEB Liability	\$ 507,421	\$ 613,238	\$ 742,172

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. That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 57th Street, Suite 2, Charleston, WV 25304.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 10 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Summary of Deferred Outflow/Inflow Balances

	Total	Water	Sewer
Difference between expected and actual experience	\$ (9,071)	\$ (4,061)	\$ (5,010)
Net difference between projected and actual earnings on OPEB plan investments	(11,351)	(5,757)	(5,594)
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(37,645)	(24,655)	(12,990)
Changes in assumptions	(61,231)	(23,113)	(35,118)
Utility Board contributions subsequent to the measurement date	63,820	32,849	30,971
	\$ (55,478)	\$ (27,737)	\$ (27,741)

NOTE 11 - RISK MANAGEMENT

The Utility Board is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Utility Board participates in several risk management programs administered by the State of West Virginia.

NOTE 12 - LOAN FROM MUNICIPALITY OF CHARLES TOWN

The Municipality of Charles Town loaned the Utility Board \$640,795 to finance certain water and sewer construction projects. The loans bear no interest and are generally being repaid over a 50 year term. Annual required loan payments amount to \$12,816. The loan balances are \$424,560 and \$113,707 for the water and sewer departments, respectively, at June 30, 2019.

NOTE 13 - RESTRICTED NET ASSETS

Restricted net assets reflect that portion of total net assets legally or contractually segregated for a specific future use. The following amounts represent restricted net assets at June 30, 2019:

Cash and temporary investments	
Debt service and debt service reserve funds	\$2,391,034
Repair and replacement funds	545,454
Capacity improvement funds	2,165,057
Accrued interest	(193,755)

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Total	<u><u>\$4,907,790</u></u>
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NOTE 14 – ACQUISITION OF FORMER CITY OF RANSON SEWER DEPARTMENT NET ASSETS

On July 1, 2018, the Utility Board acquired the net assets of the former City of Ranson Sewer Department (Ranson) for no financial consideration . The acquisition included the rights to serve the former Ranson sewer customers in the former Ranson franchise territory. Ranson had 1,705 sewer customers at the time of acquisition.

An analysis of the financial impact of the acquisition is as follows:

Cost of capital assets transferred	\$ 1,719,702
Accumulated depreciation on transferred assets	<u>(1,124,544)</u>
Net book value of capital assets transferred	595,158
Costs of construction in progress transferred	45,671
Costs of joint participation in preacquisition	
Utility Board treatment plant improvements	577,361
Unrestricted cash transferred	228,508
Accounts receivable transferred	48,300
Accrued revenues transferred	97,886
Utility Board assumption of billing fees payable	<u>(12,988)</u>
Ranson contributed capital on July 1, 2018	<u><u>\$ 1,579,896</u></u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 15 – ACQUISITION OF FORMER JEFFERSON COUNTY PUBLIC SERVICE DISTRICT NET ASSETS

On January 1, 2019, the Utility Board acquired the net assets of the former Jefferson County Public Service District (JCPSD) for no financial consideration. The Utility Board agreed to substitute existing bond debt of the JCPSD with newly issued or assigned bond debt of the Utility Board. The Utility Board obtained the rights to serve former JCPSD water and sewer customers in the former JCPSD franchise territory. The JCPSD had 114 water customers and 2,631 sewer customers at the time of transfer.

An analysis of the financial impact of the acquisition is as follows:

	Water	Sewer	Total
Cost of capital assets transferred	\$ 2,141,156	\$ 18,468,336	\$ 20,609,492
Accumulated depreciation on transferred assets	(221,928)	(7,277,049)	(7,498,977)
Net book value of capital assets transferred	1,919,228	11,191,287	13,110,515
Costs of joint participation in preacquisition			
Utility Board treatment plant improvements	-	577,361	577,361
Unrestricted cash transferred	24,151	646,556	670,707
Restricted cash transferred	16,911	1,172,693	1,189,604
Accounts receivable transferred	387	71,866	72,253
Utility Board assumption of net OPEB liability	-	(197,593)	(197,593)
Utility Board assumption of net Pension liability	-	(116,931)	(116,931)
Utility Board substituted bond debt	(885,597)	(5,580,162)	(6,465,759)
Issuance costs of substituted debt	-	(177,944)	(177,944)
JCPSD contributed capital on January 1, 2019	<u>\$ 1,075,080</u>	<u>\$ 7,587,133</u>	<u>\$ 8,662,213</u>

NOTE 16 – CONTRIBUTED CAPITAL

A summary of contributed capital for the year ended June 30, 2019 is as follows:

	Water	Sewer	Total
Acquisition of Ranson net assets	\$ -	\$ 1,579,897	\$ 1,579,897
Acquisition of JCPSD net assets	1,075,080	7,587,133	8,662,213
Capacity improvement fees received from customers and developers	95,603	167,687	263,290
Tap fees received from customers and developers	5,050	2,400	7,450
Total	<u>\$ 1,175,733</u>	<u>\$ 9,337,117</u>	<u>\$ 10,512,850</u>

NOTE 17 - SUBSEQUENT EVENTS

The Utility Board has evaluated all subsequent events through January 15, 2020, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CHARLES TOWN UTILITY BOARD
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 June 30, 2019

Public Employees Retirement System - Last 10 Fiscal Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Board's proportion of the net pension liability (asset) (percentage)	0.122021%	0.091775%	0.09351%	0.085784%	0.080179%
Board's proportionate share of the net pension liability (asset)	\$ 315,120	\$ 396,145	\$ 859,464	\$ 479,022	\$ 295,926
Board's covered payroll	\$ 1,777,610	\$ 1,249,466	\$ 1,289,097	\$ 1,163,400	\$ 1,095,816
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	17.73%	31.71%	69.08%	41.17%	27.01%
Plan fiduciary net position as a percentage of the total pension liability	96.33%	99.56%	86.11%	91.29%	93.98%

(1) Information prior to 2015 is not available

Charles Town Utility Board
 Required Supplemental Information
SCHEDULE OF PENSION PLAN CONTRIBUTIONS
 June 30, 2019

Public Employees Retirement System

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 155,565	\$ 137,439	\$ 149,296	\$ 174,028	\$ 162,876
Contributions in relation to contractually required contribution	<u>(155,565)</u>	<u>(137,439)</u>	<u>(149,296)</u>	<u>(174,028)</u>	<u>(162,876)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 1,555,646	\$ 1,249,446	\$ 1,244,131	\$ 1,289,097	\$ 1,163,400
Contributions as a percentage of covered payroll	10.00%	11.00%	12.00%	13.50%	14.00%

The information presented is only available as of June 30, 2015.
 The Board will be adding additional years to the schedule as information is available.

CHARLES TOWN UTILITY BOARD
 REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 June 30, 2019

Public Employees Insurance Agency

	2019	2018
Board's proportion of the net OPEB liability	0.028583397%	0.018956336%
Board's proportionate share of the net OPEB liability	\$ 613,238	\$ 466,134
Board's covered payroll	\$ 1,777,610	\$ 1,248,678
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.50%	37.33%
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%

* Information for years prior to 2018 was not available.

Charles Town Utility Board
 Required Supplemental Information
SCHEDULE OF OPEB PLAN CONTRIBUTIONS
 June 30, 2019

Public Employees Insurance Agency

	2019	2018
Contractually required contribution	\$ 55,081	\$ 41,772
Contributions in relation to contractually required contribution	<u>(55,081)</u>	<u>(41,772)</u>
Contribution deficit (surplus)	<u>\$ -</u>	<u>\$ -</u>
Board's covered payroll	\$ 1,555,565	\$ 1,248,678
Contributions as a percentage of covered payroll	3.54%	3.35%

* Information for years prior to 2018 was not available.

Charles Town Utility Board
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

PERS

The Utility Board acquired the assets and franchise territory of the former Ranson Sewer Department on July 1, 2018 and the assets and franchise territory of the former Jefferson County Public Service District on January 1, 2019. Covered payroll in relation to the proportionate share of the net pension liability includes annualized payroll ($\frac{1}{2}$ year) for the former Jefferson County Public Service District.

OPEB

The Utility Board acquired the assets and franchise territory of the former Ranson Sewer Department on July 1, 2018 and the assets and franchise territory of the former Jefferson County Public Service District on January 1, 2019. Covered payroll in relation to the proportionate share of the net OPEB obligation includes annualized payroll ($\frac{1}{2}$ year) for the former Jefferson County Public Service District.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY GOVERNMENT AUDITING STANDARDS**

January 15, 2020

Charles Town Utility Board
Jefferson County
661 South George Street, Suite 101
Charles Town, West Virginia 25414

To the Board of Directors:

We have audited in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the Charles Town Utility Board, a component unit of the Municipality of Charles Town, Jefferson County, West Virginia, (the Utility Board) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Utility Board's basic financial statements and have issued our report thereon dated January 15, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Tax - Accounting - Audit - Review - Compilation - Agreed Upon Procedure - Consultation - Bookkeeping - Payroll - Litigation Support - Financial Investigations
Members: American Institute of Certified Public Accountants
• Ohio Society of CPAs • West Virginia Society of CPAs • Association of Certified Fraud Examiners • Association of Certified Anti-Money Laundering Specialists •

Compliance and Other Matters

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

Purpose of this Report

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



Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio