



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, 2021**

RFP# 20-146

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CHARLES TOWN UTILITY BOARD
JEFFERSON COUNTY

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Charles Town Utility Board
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2021

BUSINESS-TYPE FUNDS

Major Funds

Water Fund

Sewer Fund

Charles Town Utility Board
BOARD OFFICIALS AND MANAGEMENT
June 30, 2021

Chairman	Daryl Hennessy	
Vice Chairman	Pete Kubic	06/01/19-12/31/21
Treasurer	Thomas Stocks	01/01/21-12/31/24
Board Member	Jacquelyn Milliron	06/01/19-06/30/23
Board Member	Mayor Keith Pierson	06/01/18-05/31/22
Utility Manager	Kristen Stolipher	
Assistant Utility Manager	April Shultz	
Board Attorney	Hoy Shingleton, Jr.	
Interim Secretary	Ashley Stottlemeyer	

INDEPENDENT AUDITOR'S REPORT

February 28, 2022

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, 2021, 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 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
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility Board, as of June 30, 2021, 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.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Utility Board. We did not modify our opinion regarding this matter.

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 February 28, 2022 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, 2021
(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, 2021. Please read it in conjunction with the Utility Board's financial statements.

FINANCIAL HIGHLIGHTS

The Utility Board's net position increased \$2.0 million as a result of this year's operations. Net position of the water fund increased \$0.5 million compared to the previous year, or 8.3 percent. Net position of the sewer fund increased by \$1.5 million, or 5.5 percent compared to the previous year. The water and sewer fund increases are primarily the result of developer contributions including contributions in aid of construction and capacity improvement fees.

The Utility Board's operating revenues and operating expenses remained constant at \$10.2 million and \$8.8 million respectively. Water fund operating income increased \$0.2 million and sewer operating income decreased to \$0.2 million during 2021.

The Utility Board implemented a 7.5% decrease in user rates to the former Jefferson County Public Service District territory and a 5% increase in user rates to the Charles Town territory. The rates were enacted at the latter part of fiscal year 2021 and had no significant effects on operating revenues during the year. Although the user rate adjustments were projected to decrease annual operating revenues by \$175,000, the Utility Board has not experienced a decline in operating revenues subsequent to the year ended June 30, 2021 through the report date of the financial statements.

The Utility Board added approximately \$5.3 million in utility plant assets during 2021. The Utility Board completed construction of a major sewer line extension that was in progress during 2020 incurring \$3.4 million in costs during 2021. The construction was funded by an alternate mainline extension agreement consisting of an initial customer deposit of \$10.5 million. This agreement was then assumed by the West Virginia Water Development Authority. The customer deposit will be repaid by the Utility Board to the Water Development Authority when new customers are connected to the extension for a period of 25 years, after which any remaining amount will be converted to a grant. There were four new customer connections made towards the end of 2021. No repayments were made by the Utility Board during 2021.

The COVID-19 pandemic had no significant financial impact on the Utility Board for 2021 and 2020. The Utility Board received approximately \$71,000 of Cares Act Grant funding during 2021.

The Utility Board refunded its outstanding Series 2013B, 2014C, 2014D, and 2014E revenue bonds on July 14, 2020. The refunding significantly lowers annual bond debt service costs in the current and future years.

The Utility Board entered into an alternate mainline extension agreement with the developer of President Pointe. During 2021, the developer transferred approximately \$1.01 million of sewer utility plant to the Utility Board. The alternate mainline extension agreement does not require consideration to be paid by the Utility Board.

The Utility Board made all required contractual payments to the West Virginia Public Employees Retirement System and West Virginia Retiree Health Benefits Trust during 2021 and 2020. Plan liabilities are not considered to be burdensome to the Utility Board in regard to maintaining sufficient operating liquidity.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021
(Unaudited)

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 by providing water and sewer services to the residents of Charles Town, Ranson, territories formerly served by the Jefferson County Public Service District, and other areas in Jefferson County.

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, 2021
(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)

	Water		Sewer		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4.7	\$ 4.3	\$ 7.0	\$ 10.0	\$ 11.7	\$ 14.3
Capital assets	19.5	20.6	55.3	52.6	74.8	73.2
Total assets	24.2	24.9	62.3	62.6	86.5	87.5
Deferred outflows of resources	0.7	0.6	0.4	0.3	1.1	0.9
Total assets and deferred outflows of resources	<u>\$ 24.9</u>	<u>\$ 25.5</u>	<u>\$ 62.7</u>	<u>\$ 62.9</u>	<u>\$ 87.6</u>	<u>\$ 88.4</u>
Long-term debt outstanding	\$ 17.3	\$ 18.5	\$ 22.9	\$ 24.3	\$ 40.2	\$ 42.8
Other liabilities	0.8	0.8	10.9	11.3	11.7	12.1
Total liabilities	18.1	19.3	33.8	35.6	51.9	54.9
Deferred inflows of resources	0.3	0.2	0.3	0.2	0.6	0.4
Net position:						
Net investment in capital assets	2.4	2.1	22.3	21.5	24.7	23.6
Restricted	2.8	2.9	3.1	3.4	5.9	6.3
Unrestricted	1.3	1.0	3.2	2.2	4.5	3.2
Total net position	6.5	6.0	28.6	27.1	35.1	33.1
Total liabilities, deferred inflows, and net position	<u>\$ 24.9</u>	<u>\$ 25.5</u>	<u>\$ 62.7</u>	<u>\$ 62.9</u>	<u>\$ 87.6</u>	<u>\$ 88.4</u>

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021
(Unaudited)

The net position of the Utility Board as a whole increased by 6.0 percent (\$2.0 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 \$3.2 million at June 30, 2020, to \$4.5 million at the end of this year, a 40.6 percent increase.

Water net position increased by \$0.5 million or 8.3 percent and sewer net position increased by \$1.5 million or 5.5 percent.

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)

	Water		Sewer		Total	
	2021	2020	2021	2020	2021	2020
Operating revenues	\$ 4.0	\$ 4.0	\$ 6.2	\$ 6.2	\$ 10.2	\$ 10.2
Operating expenses	3.7	3.9	5.1	4.9	8.8	8.8
Operating income	0.3	0.1	1.1	1.3	1.4	1.4
Non-operating revenues (expenses)	(0.1)	-	(1.1)	(0.5)	(1.2)	(0.5)
Changes in net position before capital contributions	0.2	0.1	-	0.8	0.2	0.9
Capital contributions	0.3	-	1.5	0.2	1.8	0.2
Change in net position	<u>\$ 0.5</u>	<u>\$ 0.1</u>	<u>\$ 1.5</u>	<u>\$ 1.0</u>	<u>\$ 2.0</u>	<u>\$ 1.1</u>

The Utility Board's operating revenues remained constant at \$10.2 million. Operating expenses remained constant at \$8.8 million. The analysis separately considers the operations of the water and sewer funds.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2021, budgets were prepared by the Utility Board's management 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, 2021
(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the Utility Board had \$74.8 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 \$1.6 million compared to the previous year.

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

	<u>2021</u>	<u>2020</u>
Capital assets not depreciated - utility plant	\$ 2.2	\$ 8.7
Capital assets depreciated - utility plant	<u>112.2</u>	<u>101.3</u>
Totals	114.4	110.0
Accumulated depreciation	<u>(39.6)</u>	<u>(36.8)</u>
Capital assets, net of depreciation	<u><u>\$ 74.8</u></u>	<u><u>\$ 73.2</u></u>

2021 Utility Plant Additions

Water (at cost excluding depreciation)

Vehicle	\$ 0.025
Excavator	0.016
Water model	0.008
Flex net	<u>0.008</u>
	<u>0.057</u>

Sewer (at cost or estimated fair value excluding depreciation)

Collecting equipment	0.075
Pumping equipment	0.042
Treatment membranes and other treatment equipment	0.431
Treatment plant renewal and replacement project in progress	0.214
Ranson collection and pumping plant project in progress	0.031
President Pointe collection and pumping system (fair value)	1.000
Route 9 collection and pumping system (2021 only)	<u>3.438</u>

5.231

Total 2021 additions to utility plant in service

5.288

2021 utility plant retirements

Water	0.134
Sewer	<u>0.754</u>

0.888

Total 2021 utility plant retirements

Net increase in utility plant (cost) for 2021

\$ 4.400

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021
(Unaudited)

Debt

At year-end, the Utility Board had \$40.2 million in long-term debt outstanding compared to \$42.8 million in the previous year.

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

	<u>2021</u>	<u>2020</u>
Leases	\$ 0.1	\$ 0.1
Loans (Municipality of Charles Town)	0.5	0.5
Bonds	<u>39.6</u>	<u>42.2</u>
 Total	 <u><u>\$ 40.2</u></u>	 <u><u>\$ 42.8</u></u>

The Utility Board refunded its Series 2013B, 2014C, 2014D, and 2014E bonds through the issuance of Series 2020A bonds in July of 2021.

The bond debt resulted from issuing revenue bonds for the construction of water and sewer utility plant improvements and acquisition of former JCPSD net assets. These bonds are secured by revenues derived from the combined water and sewer system. Other debt obligations include 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 management considered many factors when setting the fiscal-year 2022 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, acquisition of other utilities, 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, 2021

ASSETS AND DEFERRED OUTFLOWS

	Water Fund	Sewer Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash	\$ 956,536	\$ 2,893,259	\$ 3,849,795
Customer accounts receivable, net of allowances	22,778	202,815	225,593
Other accounts receivable	785	25	810
Inventory, at cost	125,483	1,768	127,251
Accrued utility revenue	361,098	533,528	894,626
Total current assets	<u>1,466,680</u>	<u>3,631,395</u>	<u>5,098,075</u>
RESTRICTED ASSETS			
Debt service and debt service reserve funds	537,461	262,979	800,440
Construction funds	244,712	2,129	246,841
Capacity improvement funds	1,704,292	2,330,278	4,034,570
Repair and replacement funds	684,609	545,561	1,230,170
Total restricted assets	<u>3,171,074</u>	<u>3,140,947</u>	<u>6,312,021</u>
CAPITAL ASSETS			
Utility plant in service	37,420,426	76,507,691	113,928,117
Less: accumulated depreciation and amortization	<u>18,025,058</u>	<u>21,586,706</u>	<u>39,611,764</u>
Net utility plant in service	19,395,368	54,920,985	74,316,353
Construction in progress	<u>56,411</u>	<u>450,461</u>	<u>506,872</u>
Total capital assets	<u>19,451,779</u>	<u>55,371,446</u>	<u>74,823,225</u>
OTHER ASSETS			
Prepaid bond insurance	<u>114,512</u>	<u>151,524</u>	<u>266,036</u>
Total assets	<u>24,204,045</u>	<u>62,295,312</u>	<u>86,499,357</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized amounts from refunding of debt	271,463	59,654	331,117
Defined benefit pension plan contribution	92,315	91,613	183,928
Other post employment plan contribution	28,215	26,505	54,720
Collective deferred outflows related to pension plan	196,587	132,716	329,303
Collective deferred outflows related to post employment plan	<u>72,336</u>	<u>64,436</u>	<u>136,772</u>
Total deferred outflows	<u>660,916</u>	<u>374,924</u>	<u>1,035,840</u>
Total assets and deferred outflows	<u>\$ 24,864,961</u>	<u>\$ 62,670,236</u>	<u>\$ 87,535,197</u>

See the accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2021

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Water Fund	Sewer Fund	Totals
CURRENT LIABILITIES			
(PAYABLE FROM CURRENT ASSETS)			
Accounts payable	\$ 66,335	\$ 85,202	\$ 151,537
Accrued expenses	27,444	17,199	44,643
Customer deposits	127,165	144,039	271,204
Capital leases payable (current portion)	43,819	2,951	46,770
 Total current liabilities (payable from current assets)	 264,763	 249,391	 514,154
CURRENT LIABILITIES			
(PAYABLE FROM RESTRICTED ASSETS)			
Revenue bonds payable	852,477	1,142,276	1,994,753
Accrued revenue bond interest payable	122,379	29,847	152,226
Customer advances for construction	-	10,250,024	10,250,024
 Total current liabilities (payable from restricted assets)	 974,856	 11,422,147	 12,397,003
LONG-TERM LIABILITIES			
(NET OF CURRENT PORTION)			
Revenue bonds payable	16,019,545	21,596,694	37,616,239
Capital leases payable	4,448	6,653	11,101
Accrued expenses	68,003	56,128	124,131
Loan from Charles Town	404,200	108,435	512,635
Net other post employment benefit liability	62,309	65,531	127,840
Collective net pension liability	320,438	286,476	606,914
 Total long-term liabilities	 16,878,943	 22,119,917	 38,998,860
 Total liabilities	 18,118,562	 33,791,455	 51,910,017
DEFERRED INFLOWS OF RESOURCES			
Collective deferred inflows related to other post employment benefit plan	268,166	250,690	518,856
Collective deferred inflows related to pension plan	47,797	63,557	111,354
 Total deferred inflows of resources	 315,963	 314,247	 630,210
 Total liabilities and deferred inflows	 18,434,525	 34,105,702	 52,540,227
NET POSITION			
Net investment in capital assets	2,372,002	22,266,542	24,638,544
Restricted	2,803,983	3,108,971	5,912,954
Unrestricted	1,254,451	3,189,021	4,443,472
 Total net position	 6,430,436	 28,564,534	 34,994,970
 Total liabilities, deferred inflows and net position	 \$ 24,864,961	 \$ 62,670,236	 \$ 87,535,197

See the accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2021

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Sales and services to customers	\$ 4,010,075	\$ 6,190,473	\$ 10,200,548
Federal operating grant revenues	34,613	36,190	70,803
Total operating revenues	<u>4,044,688</u>	<u>6,226,663</u>	<u>10,271,351</u>
OPERATING EXPENSES			
Personal services	1,212,157	1,136,812	2,348,969
Contractual services	104,522	299,767	404,289
Administrative and general	174,710	291,618	466,328
Materials and supplies	312,995	407,762	720,757
Utilities	130,224	296,237	426,461
Maintenance	608,934	841,771	1,450,705
Depreciation and amortization	1,186,118	1,794,414	2,980,532
Total operating expenses	<u>3,729,660</u>	<u>5,068,381</u>	<u>8,798,041</u>
Operating income	<u>315,028</u>	<u>1,158,282</u>	<u>1,473,310</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	7,960	10,632	18,592
Interest and fiscal charges	(556,202)	(434,405)	(990,607)
Bond issuance costs	(113,021)	(175,063)	(288,084)
Gain (loss) on disposition of assets	47,562	(508,251)	(460,689)
Rental income	471,739	-	471,739
Miscellaneous revenues	61,575	3,599	65,174
Total nonoperating revenues (expenses)	<u>(80,387)</u>	<u>(1,103,488)</u>	<u>(1,183,875)</u>
Income before contributed capital	234,641	54,794	289,435
CONTRIBUTED CAPITAL	<u>253,076</u>	<u>1,479,559</u>	<u>1,732,635</u>
Change in net position	487,717	1,534,353	2,022,070
Total net position at beginning of year	<u>5,942,719</u>	<u>27,030,181</u>	<u>32,972,900</u>
Total net position at end of year	<u>\$ 6,430,436</u>	<u>\$ 28,564,534</u>	<u>\$ 34,994,970</u>

See the accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS
For the year ended June 30, 2021

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers (including COVID operating grant)	\$ 4,114,531	\$ 6,274,596	\$ 10,389,127
Cash paid for operation and maintenance expenses	<u>(2,716,551)</u>	<u>(3,475,941)</u>	<u>(6,192,492)</u>
Net cash provided by operations	<u>1,397,980</u>	<u>2,798,655</u>	<u>4,196,635</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(113,569)	(3,987,251)	(4,100,820)
Proceeds from sale of capital assets	88,721	120,461	209,182
Proceeds from revenue bonds and long-term debt	2,165,976	2,441,103	4,607,079
Principal paid on revenue bonds and long-term debt	(3,332,098)	(3,902,392)	(7,234,490)
Interest paid on bonds, notes and leases payable	(502,088)	(366,282)	(868,370)
Bond administration fees paid	(5,191)	(65,200)	(70,391)
Bond issuance costs paid	(113,021)	(175,063)	(288,084)
Bond insurance paid	(23,172)	(39,661)	(62,833)
Interest paid on customer security deposits refunded	(114)	(336)	(450)
Customer advance deposits (repayments) for construction	-	(249,976)	(249,976)
Decrease (increase) in restricted assets, net	(132,645)	3,985,149	3,852,504
Contributed capital	<u>312,366</u>	<u>225,035</u>	<u>537,401</u>
Net cash used in capital and related financing activities	<u>(1,654,835)</u>	<u>(2,014,413)</u>	<u>(3,669,248)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and miscellaneous non-operating income received	69,535	14,231	83,766
Rental income received	471,739	-	471,739
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 investing activities	<u>531,094</u>	<u>11,595</u>	<u>542,689</u>
Net increase in cash and cash equivalents	274,239	795,837	1,070,076
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>682,297</u>	<u>2,097,422</u>	<u>2,779,719</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 956,536</u></u>	<u><u>\$ 2,893,259</u></u>	<u><u>\$ 3,849,795</u></u>

See the accompanying notes to financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended June 30, 2021

	Water Fund	Sewer Fund	Totals
Operating income	\$ 315,028	\$ 1,158,282	\$ 1,473,310
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,186,118	1,794,414	2,980,532
Decrease (increase) in receivables	59,438	35,118	94,556
Decrease (increase) in accrued revenues	(15,281)	14,078	(1,203)
Decrease (increase) in inventory	(30,880)	-	(30,880)
Decrease (increase) in deferred outflows	(167,598)	(122,252)	(289,850)
Increase (decrease) in accounts payable	(33,323)	(90,807)	(124,130)
Increase (decrease) in customer deposits	24,901	(1,286)	23,615
Increase (decrease) in accrued expenses	3,397	(3,522)	(125)
Increase (decrease) in collective net pension liability	173,544	173,030	346,574
Increase (decrease) in net OPEB liability	(197,373)	(186,157)	(383,530)
Increase (decrease) in deferred inflows	80,009	27,757	107,766
Net cash provided by operating activities	<u>\$ 1,397,980</u>	<u>\$ 2,798,655</u>	<u>\$ 4,196,635</u>

**SUPPLEMENTAL DISCLOSURES
OF CASH FLOW INFORMATION**

Noncash investing, capital, and financing transactions:			
Utility plant contributed by developer	\$ -	\$ 1,009,059	\$ 1,009,059
Well and related property transferred to homeowner's association	(59,290)	-	(59,290)
	<u>\$ (59,290)</u>	<u>\$ 1,009,059</u>	<u>\$ 949,769</u>

RECONCILIATION OF CASH

Cash per statement of net position	<u>\$ 956,536</u>	<u>\$ 2,893,259</u>	<u>\$ 3,849,795</u>
Cash per statement of cash flows	<u>\$ 956,536</u>	<u>\$ 2,893,259</u>	<u>\$ 3,849,795</u>

See the accompanying notes to financial statements.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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 Charles Town, Ranson, and other franchised areas of Jefferson County, West Virginia, by providing water and sewer services to customers in its franchise area.

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 6,315 water customers and 8,053 sewer customers. During the year ended June 30, 2021, the Utility Board's water customers increased by 23 and sewer customers increased by 187.

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, 2021

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 by developers and customers 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 for capitalization of property, plant, and equipment is as follows:

Equipment	\$ 15,000
Real Property	
Land	\$ 1
Land improvements	\$ 15,000
Buildings (Structures)	\$ 1
Construction in Progress	\$ 15,000

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.

Interest cost incurred before the end of a construction period is recognized as an expense in the period in which the cost is incurred. No interest was capitalized during the year ended June 30, 2021.

The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets.

Cash and Cash Equivalents

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

Cash and cash equivalents at June 30, 2021 includes deposits of \$9,398,414 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.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted Assets

Assets whose use is limited include:

Debt service 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 bond ordinances or under developer contractual arrangements. 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. Capacity improvement funds are 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 funds 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. No allowance for doubtful accounts was deemed necessary by management at June 30, 2021. At June 30, 2021, accounts receivable for the water and sewer funds were \$22,778 and \$202,815, respectively, net of the 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, 2021 were \$361,098 and \$533,528, 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 in approximately a ten year period. During the year ended June 30, 2021, Charles Town and former Ranson Sewer Department user rates were equalized. Former Jefferson County PSD rates were decreased 7.5%.

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, 2021

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, 2021.

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, 2021, amounted to \$68,003 and \$56,128, 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 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, as applicable, and recorded through "due to/due from" asset and liability accounts.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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. 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, 2022.

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, 2023.

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB pronouncements. The effective date for Statement No. 92 ranges from fiscal year ending June 30, 2022 to fiscal year ending June 30, 2023, depending upon the effective date of the specific GASB pronouncement being addressed.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* aims to improve financial reporting by addressing issues related to public-private and financial reporting for availability payment arrangements. Statement 94 will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, clarifies how to determine component units that are defined contributions pension/OPEB plans. In addition, this standard explains how the guidance in GASB Statement Nos. 67, 74, and 84 should be applied to Section 457 plans and supersedes guidance in GASB Statement No. 32 for investment valuations in Section 457 plans. Requirements that change the accounting and reporting for Section 457 plans are effective for the year ended June 30, 2022.

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

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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.

NOTE 4 - CASH

Cash consists of the following accounts and amounts at June 30, 2021:

	Water	Sewer	Total
Petty cash	\$ 175	\$ 125	\$ 300
Operation and maintenance accounts	551,603	2,046,245	2,597,848
Security deposit accounts	89,924	142,647	232,571
Working capital reserve accounts	314,834	704,242	1,019,076
	<u>\$956,536</u>	<u>\$ 2,893,259</u>	<u>\$ 3,849,795</u>

NOTE 5 - CAPITAL ASSETS

	Balance at June 30, 2020	Other Additions	Reductions	Balance at June 30, 2021
Capital Assets Not Depreciated				
Land and land rights	\$ 1,691,721	\$ -	\$ (800)	\$ 1,690,921
Construction in progress	6,993,648	4,737,406	(11,224,182)	506,872
Total Capital Assets Not Depreciated	<u>8,685,369</u>	<u>4,737,406</u>	<u>(11,224,982)</u>	<u>2,197,793</u>
Capital Assets Depreciated				
Utility plant in service	101,295,620	11,842,981	(901,405)	112,237,196
Less accumulated depreciation	<u>(36,803,477)</u>	<u>(2,980,532)</u>	<u>172,245</u>	<u>(39,611,764)</u>
Net Capital Assets Depreciated	<u>64,492,143</u>	<u>8,862,449</u>	<u>(729,160)</u>	<u>72,625,432</u>
Total Capital Assets	<u>\$73,177,512</u>	<u>\$ 13,599,855</u>	<u>\$ (11,954,142)</u>	<u>\$ 74,823,225</u>
Depreciation Expense	<u>\$ 2,980,532</u>			

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 - LONG-TERM DEBT

The following is a summary of bonds payable at June 30, 2021:

Bonds Payable - Water Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2020	Additions	Payments	Balance June 30, 2021	Due Within One Year
1987B	2026	0.00%	\$ 76,195	\$ -	\$ 10,885	\$ 65,310	\$ 10,885
1988B	2028	0.00%	128,760	-	14,308	114,452	14,308
1989B	2029	0.00%	30,124	-	3,012	27,112	3,012
2002A	2039	5.80%	849,269	-	23,588	825,681	24,956
2002B	2042	0.00%	2,057,143	-	93,507	1,963,636	93,507
2010A	2031	2.00%	535,327	-	45,097	490,230	46,007
2010B	2031	2.00%	58,669	-	4,942	53,727	5,042
2013B	2043	4.70%	999,400	-	999,400	-	-
2014C	2033	2.50%-4.75%	645,000	-	645,000	-	-
2014E	2026	1.50%-3.40%	800,000	-	800,000	-	-
2015A	2030	1.50%-3.50%	1,389,150	-	91,350	1,297,800	91,350
2015B	2029	1.50%-4.00%	2,490,750	-	275,400	2,215,350	279,450
2016A	2046	1.60%-4.50%	7,060,000	-	170,000	6,890,000	175,000
2018A-7	2046	0.50%	839,008	-	31,254	807,754	31,410
2020A	2043	2.00%-2.25%	-	2,150,250	82,250	2,068,000	77,550
Total bonds payable			<u>\$ 17,958,795</u>	<u>\$ 2,150,250</u>	<u>\$ 3,289,993</u>	16,819,052	<u>\$ 852,477</u>
Unamortized Premiums/ Discounts, Net						52,970	
						<u>\$ 16,872,022</u>	

Maturities of water bonds payable for years succeeding June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	\$ 852,477	\$ 465,493	\$ 1,317,970
2023	954,260	448,125	1,402,385
2024	974,649	426,342	1,400,991
2025	998,448	402,212	1,400,660
2026	1,020,915	376,377	1,397,292
2027-2031	4,205,200	1,517,202	5,722,402
2032-2036	2,740,133	1,022,547	3,762,680
2037-2041	2,750,044	606,371	3,356,415
2042-2046	2,322,926	228,414	2,551,340
	<u>\$ 16,819,052</u>	<u>\$ 5,493,083</u>	<u>\$ 22,312,135</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 - LONG-TERM DEBT (continued)

Bonds Payable - Sewer Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2020	Additions	Payments	Balance June 30, 2021	Due Within One Year
1988B	2028	0.00%	\$ 68,276	\$ -	\$ 7,588	\$ 60,688	\$ 7,588
2000A	2021	2.00%	283,499	-	283,499	-	-
2010C	2041	0.00%	874,988	-	41,668	833,320	41,668
2010D	2041	0.00%	349,988	-	16,668	333,320	16,668
2011A	2041	0.00%	5,257,828	-	250,373	5,007,455	250,373
2013A	2044	0.50%	485,281	-	18,872	466,409	18,964
2013B	2043	4.70%	1,630,600	-	1,630,600	-	-
2014A	2046	0.50%	3,520,213	-	128,421	3,391,792	129,065
2014D	2028	3.00%-5.00%	945,000	-	945,000	-	-
2015A	2030	1.50%-3.50%	815,850	-	53,650	762,200	53,650
2015B	2030	1.50%-4.00%	584,250	-	64,600	519,650	65,550
2016B	2046	1.50%-4.00%	3,870,000	-	30,000	3,840,000	130,000
2018A-1	2029	0.00%	98,257	-	10,917	87,340	10,917
2018A-3	2038	1.00%	630,238	-	32,120	598,118	32,443
2018A-4	2030	0.00%	122,967	-	12,612	110,355	12,612
2018A-5	2032	0.00%	442,704	-	38,496	404,208	38,496
2018A-6	2039	0.00%	1,236,392	-	66,832	1,169,560	66,832
2018B	2033	2.25%-3.50%	2,890,000	-	175,000	2,715,000	180,000
2020A	2043	2.00%-2.25%	-	2,424,750	92,750	2,332,000	87,450
Total bonds payable			<u>\$ 24,106,331</u>	<u>\$ 2,424,750</u>	<u>\$ 3,899,666</u>	<u>\$ 22,631,415</u>	<u>\$ 1,142,276</u>
Unamortized Premiums/ Discounts, Net						107,555	
						<u>\$ 22,738,970</u>	

Maturities of sewer bonds payable for years succeeding June 30, 2021, are as follows:

Year	Principal	Interest	Total
2022	\$ 1,142,276	\$ 325,276	\$ 1,467,552
2023	1,169,194	312,338	1,481,532
2024	1,182,618	297,735	1,480,353
2025	1,197,749	282,377	1,480,126
2026	1,219,337	266,183	1,485,520
2027-2031	6,088,277	1,059,725	7,148,002
2032-2036	4,751,106	586,423	5,337,529
2037-2041	3,829,174	334,706	4,163,880
2042-2046	2,051,684	119,689	2,171,373
	<u>\$ 22,631,415</u>	<u>\$ 3,584,452</u>	<u>\$ 26,215,867</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 - LONG-TERM DEBT (continued)

Bonds Payable (continued)

Certain of the water and sewer revenue bonds require administrative fees to be paid to the governmental issuers. Administrative fees amounted to \$5,190 and \$65,200 for the water and sewer funds, respectively, for the year ended June 30, 2021. 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, 2021.

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, 2021.

NOTE 7 - LEASE AGREEMENTS

Capital Leases

The Charles Town Utility Board is the lessor of various equipment and vehicles 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 vehicles. Depreciation of assets under capital leases is included in depreciation expense for the year ended June 30, 2021.

Leased Equipment	Expiration	Water Fund	Sewer Fund	Total
		Remaining Minimum (net of interest) Lease Payments	Remaining Minimum (net of interest) Lease Payments	
Various utility improvements, equipment, and vehicles	2022-2024			
Total capital leases payable at June 30, 2021		\$ 48,267	\$ 9,604	\$ 57,871
Less: Current portion due in upcoming year		(43,819)	(2,951)	(46,770)
Long-term capital leases payable at June 30, 2021 (net of current portion)		\$ 4,448	\$ 6,653	\$ 11,101

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7 - LEASE AGREEMENTS (continued)

Capital Leases (continued)

Estimated minimum future lease payments under the water capital leases as of June 30, 2021 are as follows:

Year	Principal	Interest	Total
2022	\$ 43,819	\$ 1,933	\$ 45,752
2023	2,192	148	2,340
2024	2,256	83	2,339
	<u>\$ 48,267</u>	<u>\$ 2,164</u>	<u>\$ 50,431</u>

Estimated minimum future lease payments under the sewer capital lease as of June 30, 2021 is as follows:

Year	Principal	Interest	Total
2022	\$ 2,951	\$ 793	\$ 3,744
2023	3,195	549	3,744
2024	3,458	286	3,744
	<u>\$ 9,604</u>	<u>\$ 1,628</u>	<u>\$ 11,232</u>

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

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021
Capital leases payable	\$ 102,702	\$ -	\$ 44,831	\$ 57,871
Loan from Charles Town	525,451	-	12,816	512,635
Accrued compensated absences	128,692	-	4,561	124,131
Collective net pension liability	260,340	715,356	368,782	606,914
Net other post employment benefit liability	511,370	76,707	460,237	127,840
Total	<u>\$ 1,528,555</u>	<u>\$ 792,063</u>	<u>\$ 891,227</u>	<u>\$ 1,429,391</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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
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Authority establishing contribution obligations and benefit provisions:	West Virginia State Code Section 5-10d
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Tier 1 Plan member's contribution rate:	4.50% (Employees hired before July 1, 2015)
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Tier 2 Plan member's contribution rate:	6.00% (Employees hired after July 1, 2015)
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Utility Board's contribution rate:	10.00% for fiscal year 2021
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Period required to vest:	5 years for Tier 1 and 10 years for Tier 2
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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
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Provisions for:	No
Cost of living	Yes
Death benefits	

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>
2021	\$183,928	100%
2020	\$176,926	100%
2019	\$155,564	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, 2021, 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, 2020, 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, 2021, the Utility Board reported the following proportion:

Amount for proportionate share of net pension liability	\$606,914
Percentage for proportionate share of net pension liability	0.114800%
Increase/(decrease) % from prior proportion measured	0.008838%

For the year ended June 30, 2021, the Utility Board recognized the following pension expense:

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
Pension expense	<u>\$67,417</u>	<u>\$66,904</u>	<u>\$134,321</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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	\$ 192,361	\$ -
Difference between expected and actual experience	89,313	12,512
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	47,629	72,100
Change in assumptions	-	26,742
Utility Board contributions subsequent to the measurement date	183,928	-
	<u>\$ 513,231</u>	<u>\$ 111,354</u>

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, 2022. 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

2022	\$ (40,467)
2023	81,741
2024	107,437
2025	69,238
Total	<u>\$ 217,949</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2019, and rolled forward to June 30, 2020, 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	3.35-6.5%%, including inflation
Inflation rate	3.00%
Discount rate	7.50%
Mortality rates	Active-100% of Pub-2010 General Employees table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy males - 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females - 122% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled males - 118% of Pub 2010 General/ Teachers Disabled Male table, below-median headcount weighted, projected with scale MP-2018 Disabled females - 118% of Pub 2010 General/ Teachers Disabled Male table, below-median headcount weighted, projected with scale MP-2018
Withdrawal rates	
State	2.275-45.630%%
Non-state	2.500-35.880%%
Disability rates	0.005-0.0540%%
Retirement rates	12 - 100%%
Date range in most recent experience study	2013-2018

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was 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, 2020, include the inflation component and were used for the defined benefit plan:

Asset Class	Long-Term Expected Rate of Return	PERS Target Asset Allocation
US Equity	5.80%	27.50%
International Equity	7.70%	27.50%
Private Equity	8.80%	10.00%
Fixed Income	3.30%	15.00%
Real Estate	6.10%	10.00%
Hedge Funds	4.40%	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 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Municipality's proportionate share of PERS's net pension liability	\$ (1,753,753)	\$ (688,250)	\$ 212,500

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, 2021

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Summary of Deferred Outflow/Inflow Balances

	Total	Water	Sewer
Difference between expected and actual experience	\$ 76,801	\$ 42,063	\$ 34,738
Net difference between projected and actual earnings on pension plan investments	192,361	119,363	72,998
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(24,471)	1,158	(25,629)
Change in assumptions	(26,742)	(13,794)	(12,948)
Utility Board contributions subsequent to the measurement date	183,928	92,315	91,613
	<u>\$ 401,877</u>	<u>\$ 241,105</u>	<u>\$ 160,772</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 43,000 policyholders and 64,000 covered lives at June 30, 2020. 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, 2021

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 \$142 million for the fiscal year ended June 30, 2020. Contributions to the OPEB plan from the Utility Board were as follows:

Year	Water	Sewer	Total
2021	\$ 28,215	\$ 26,505	\$ 54,720
2020	\$ 28,461	\$ 27,300	\$ 55,761
2019	\$ 32,849	\$ 30,971	\$ 63,820

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

At June 30, 2021, the Utility Board reported a liability of \$62,309 and \$65,531 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, 2019, rolled forward to June 30, 2020, 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, 2020, the Utility Board's proportionate share was 0.028943312%, which was an increase of 0.002385298% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Utility Board recognized OPEB expense (income) of \$(58,378) and \$(54,840) 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	\$ 122,741	\$ 134,831
Change in assumptions	-	288,562
Net difference between projected and actual investment earnings on OPEB plan investments	14,031	4,327
Difference between expected and actual experience	-	82,889
Reallocation of opt-out employer change in proportionate share	-	8,247
District contributions subsequent to the measurement date	54,720	-
	<u>\$ 191,492</u>	<u>\$ 518,856</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2022	\$ (152,448)
2023	(127,235)
2024	(100,655)
2025	<u>(1,746)</u>
Total	<u><u>\$ (382,084)</u></u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation rate	2.25%
Wage inflation	2.75%
Salary increases	Dependent upon pension system, ranging from 2.75% to 5.18%, including inflation.
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, decreasing by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial Cost Method	Entry age normal

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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)

Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 year closed period as of June 30, 2017
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 RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49.50%	6.80%
Core Plus Fixed Income	13.50%	4.10%
Core Real Estate	9.00%	6.10%
Hedge Fund	9.00%	4.40%
Private Equity	9.00%	8.80%
Cash and Cash Equivalents	10.00%	0.00%
	<u>100.00%</u>	

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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)

Discount Rate

A single discount rate of 6.65% was used to measure the OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65% and a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date to the extent benefits are effectively financed on a pay-as-you-go basis. The long-term municipal bond rate used to develop the single discount rate was 3.13% as of the beginning of the year and 2.45% as of the end of the year. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Sensitivity of the 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 5.65%	Discount Rate 6.65%	1% Increase 7.65%
Net OPEB Liability	\$ (182,317)	\$ (127,840)	\$ (82,236)

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	\$ (76,922)	\$ (127,840)	\$ (189,338)

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, 2021

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

	<u>Total</u>	<u>Water</u>	<u>Sewer</u>
Difference between expected and actual experience	\$ (82,889)	\$ (41,860)	\$ (41,029)
Net difference between projected and actual earnings on OPEB plan investments	9,704	5,070	4,634
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(12,090)	(11,751)	(339)
Change in assumptions	(288,562)	(143,109)	(145,453)
Reallocation of opt-out employer change in proportionate share	(8,247)	(4,181)	(4,066)
Utility Board contributions subsequent to the measurement date	<u>54,720</u>	<u>28,215</u>	<u>26,505</u>
	<u><u>\$(327,364)</u></u>	<u><u>\$(167,616)</u></u>	<u><u>\$(159,748)</u></u>

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 \$404,200 and \$108,435 for the water and sewer departments, respectively, at June 30, 2021.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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, 2021:

Cash and temporary investments	
Debt service and debt service reserve funds	\$ 800,440
Repair and replacement funds	1,230,170
Capacity improvement funds	4,034,570
Accrued interest	(152,226)
Total	\$ 5,912,954

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Alternate Mainline Extension Agreement

On February 21, 2020, the Utility Board entered into an alternate mainline extension agreement with a customer to construct certain sewer improvements (primarily a sewer line extension) to provide sewer service to the customer.

The customer agreed to pay the costs of the sewer improvements and the Utility Board agreed to construct the improvements.

The customer deposited \$10,500,000 with the Utility Board to fund the construction of the sewer improvements (customer advances for construction).

Construction of the sewer improvements was completed during the year ended June 30, 2021, at a cost of \$10,090,609 excluding costs that were expensed (i.e. professional fees). The customer was reimbursed \$249,976 of unused funds on deposit during the year ended June 30, 2021.

The customer will be reimbursed for the initial advance to the extent of net revenues derived from future customer connections to the sewer extension for a 25 year period. Any unreimbursed advance thereafter will convert to contributed capital.

NOTE 15 - CONTRIBUTED CAPITAL

A summary of contributed capital for the year ended June 30, 2021 is as follows:

	Water	Sewer	Total
Capacity improvement fees received from customers and developers	\$312,366	\$ 470,500	\$ 782,866
Contributed capital received from (disbursed to) customers	(59,290)	1,009,059	949,769
Total	\$253,076	\$1,479,559	\$1,732,635

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 16 - UNCERTAINTIES RELATED TO THE GLOBAL PANDEMIC

During the year ended June 30, 2021, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size and duration of group meetings. Most industries have, and continue to, experience disruption to business operations and the impact of reduced consumer spending, including the Utility Board. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while it is difficult to quantify the effects on the Utility Board, it is reasonably possible there will be an effect on the Utility Board's operations in fiscal year 2022 and beyond.

The Utility Board received \$70,803 of Coronavirus Relief Funds (operating grants) in accordance with the Coronavirus Aid, Relief, and Economic Security Act, which was enacted on March 27, 2020.

NOTE 17 - SUBSEQUENT EVENTS

The Utility Board has evaluated all subsequent events through February 28, 2022, the date the financial statements were available to be issued.

The Utility Board enacted a 7.5% decrease in former JCPSD territory user rates and a 5% increase in City of Charles Town user rates generally effective on or after July 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

Charles Town Utility Board
SCHEDULES OF THE UTILITY BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
June 30, 2021

Public Employees Retirement System Last 10 Fiscal Years							
	2021	2020	2019	2018	2017	2016	2015
Utility Board's proportionate share of the net pension liability (%)	0.114800%	0.105962%	0.122021%	0.091775%	0.09351%	0.0858%	0.0802%
Utility Board's proportionate share of the net pension liability (\$)	\$ 606,914	\$ 260,340	\$ 315,120	\$ 396,145	\$ 859,464	\$ 479,022	\$ 295,926
Utility Board's covered payroll	\$ 1,839,277	\$ 1,764,571	\$ 1,777,610	\$ 1,249,466	\$ 1,244,131	\$ 1,289,097	\$ 1,163,400
Utility Board's proportionate share of net pension liability as a % of its covered payroll	33.00%	14.75%	17.73%	31.71%	69.08%	37.16%	25.44%
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	99.56%	86.11%	91.29%	93.98%

Note: This data will be presented prospectively until ten years is accumulated.
The amounts presented for each fiscal year were determined as of June 30th.

Charles Town Utility Board
SCHEDULES OF THE UTILITY BOARD'S PENSION PLAN CONTRIBUTIONS
June 30, 2021

	Public Employees Retirement System Last 10 Fiscal Years						
	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 183,928	\$ 176,928	\$ 155,565	\$ 137,439	\$ 149,296	\$ 174,028	\$ 162,876
Contributions in relation to the contractually required contribution	(183,928)	(176,928)	(155,565)	(137,439)	(149,296)	(174,028)	(162,876)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Utility Board's covered payroll	\$ 1,839,277	\$ 1,764,571	\$ 1,555,646	\$ 1,249,446	\$ 1,244,131	\$ 1,289,097	\$ 1,163,400
Contributions as a percentage of covered payroll	10.0%	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%

Note: This data will be presented prospectively until ten years is accumulated.
The amounts presented for each fiscal year were determined as of June 30th.

Charles Town Utility Board
SCHEDULES OF THE UTILITY BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the year ended June 30, 2021

Public Employees Insurance Agency

	2021	2020	2019	2018	2017
Utility Board's proportion of the net OPEB liability	0.028943312%	0.026558014%	0.028583397%	0.018956336%	0.022773022%
Utility Board's proportionate share of the net OPEB liability	\$ 127,840	\$ 511,370	\$ 613,238	\$ 466,134	\$ 565,528
Utility Board's covered payroll	\$ 1,839,277	\$ 1,764,571	\$ 1,777,610	\$ 1,248,678	\$ 1,173,454
Utility Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	6.95%	28.98%	34.50%	37.33%	48.19%
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%	21.64%

Note - This data will be presented prospectively until ten years is accumulated.
The amounts presented for each fiscal year were determined as of June 30th.

Charles Town Utility Board
SCHEDULES OF THE UTILITY BOARD OPEB PLAN CONTRIBUTIONS
For the year ended June 30, 2021

Public Employees Insurance Agency

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 54,720	\$ 55,761	\$ 55,081	\$ 41,772	\$ 38,936
Contributions in relation to the contractually required contribution	<u>(54,720)</u>	<u>(55,761)</u>	<u>(55,081)</u>	<u>(41,772)</u>	<u>(38,936)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility Board's covered payroll	\$ 1,839,277	\$ 1,764,571	\$ 1,555,565	\$ 1,248,678	\$ 1,173,454
Contributions as a percentage of covered payroll	2.98%	3.16%	3.54%	3.35%	3.32%

Note - This data will be presented prospectively until ten years is accumulated.
The amounts presented for each fiscal year were determined as of June 30th.

Charles Town Utility Board
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

PERS

Changes in actuarial assumptions:

	<u>Current</u>	<u>Prior</u>
Projected salary increases	3.350 - 6.500%%	2.350 - 6.000%%
Withdrawal rates state	2.275 - 6.300%%	2.280 - 6.300%%

OPEB

Changes in actuarial assumptions:

	<u>Current</u>	<u>Prior</u>
Inflation rate	2.25%	2.75%
Wage inflation	2.75%	4.00%
Investment rate of return	6.65%	7.15%



313 Second St.
Marietta, OH 45750
740.373.0056

1907 Grand Central Ave.
Vienna, WV 26105
304.422.2203

150 West Main St.
St. Clairsville, OH 43950
740.695.1569

1310 Market Street, Suite 300
Wheeling, WV 26003
304.232.1358

749 Wheeling Ave., Suite 300
Cambridge, OH 43725
740.435.3417

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

February 28, 2022

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, 2021, 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 February 28, 2022, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Utility Board.

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) as a basis for designing 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
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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 financial statements. 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.

A handwritten signature in cursive script that reads "Perry & Associates CPAs A.C.".

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