

PERRY

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PASSION *Beyond the Numbers*

CHARLES TOWN UTILITY BOARD

(A Component Unit of the Municipality of Charles Town)

JEFFERSON COUNTY

Regular Audit

For The Year Ended June 30, 2022

RFP #20-146

CHARLES TOWN UTILITY BOARD
JEFFERSON COUNTY

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Charles Town Utility Board
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2022

BUSINESS-TYPE FUNDS

Major Funds

Water Fund

Sewer Fund

Charles Town Utility Board
BOARD OFFICIALS AND MANAGEMENT
June 30, 2022

Mayor of City of Charles Town, Interim Chairman	Mayor Robert Trainor	
Mayor of City of Ranson, Vice Chair	Mayor Keith Pierson	06/01/18-12/31/22
Treasurer	Thomas Stocks	01/01/21-12/31/24
Board Member	Jacquelyn Milliron	06/01/19-08/26/22
Board Member	Jefferson Whitten	01/01/22-12/31/25
Utility Manager	Kristen Stolipher	
Assistant Utility Manager	April Shultz	
Board Attorney	Hoy Shingleton, Jr.	
Interim Secretary	Ashley Stottlemyer	

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Charles Town Utility Board, Jefferson County, West Virginia (the Utility Board), a component unit of the Municipality of Charles Town, as of and for the years ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Charles Town Utility Board, Jefferson County, West Virginia as of June 30, 2022, and the changes in 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Utility Board, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2022, the Utility Board adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Utility Board's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utility Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2023, 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. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility Board's 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

February 28, 2023

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2022

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

FINANCIAL HIGHLIGHTS

The Utility Board's net position increased \$5.0 million as a result of this year's operations. Net position of the water fund increased \$1.8 million compared to the previous year, or 32.3 percent. Net position of the sewer fund increased by \$3.2 million, or 11.2 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 remained constant at \$10.2 million. Operating expenses decreased \$0.2 million to \$8.6 million for 2022. Water fund operating income remained constant at \$0.3 million and sewer operating income increased \$0.2 million to \$1.3 million for 2022.

The Utility Board implemented a 7.5% decrease in sewer user rates to the former Jefferson County Public Service District territory and a 5% increase in user rates to the Charles Town territory during the latter part of fiscal year 2021. Although the sewer user rate adjustments were projected to decrease annual operating revenues by \$175,000, the Utility Board has not experienced a decline in operating revenues for 2022.

The Utility Board added approximately \$2.2 million and \$5.3 million in utility plant assets during 2022 and 2021, respectively. During 2022, the Utility Board added approximately \$1.9 million in water and sewer utility plant through developer contributions and advances. The Utility Board completed construction of a major sewer line extension 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. The Utility Board made approximately \$6,000 of reimbursements during 2022 and none in 2021.

The COVID-19 pandemic had no significant financial impact on the Utility Board for 2022 and 2021. The Utility Board received approximately \$71,000 of Cares Act Grant funding during 2021.

The Utility Board refunded its outstanding Series 2015A and 2015B revenue bonds in 2022. The refunding significantly lowered annual bond debt service costs. In 2021, the Utility Board refunded its 2013B, 2014C, 2014D, and 2014E revenue bonds.

The Utility Board entered into alternate mainline extension agreements with developers. These agreements amounted to approximately \$1.9 million and \$1.0 million for 2022 and 2021, respectively. Certain repayments are due to one developer based on new customer connections to the main line extension.

The Utility Board made all required contractual payments to the West Virginia Public Employees Retirement System and West Virginia Retiree Health Benefits Trust during 2022 and 2021. Both plans had asset balances at the end of 2022.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2022

FINANCIAL HIGHLIGHTS (continued)

The Utility Board adopted GASB No. 87, "Leases" as of July 1, 2021. The adoption had the following effect on Financial Position at July 1, 2021:

	<u>Water and Sewer Facility Lease</u>	<u>Water Cellular Leases</u>
Increase in Assets	\$ 438,000	\$ 7,103,000
Increase in Liabilities	(453,000)	-
Increase in deferred inflows	<u>-</u>	<u>(6,730,000)</u>
Increase in Net Position	<u><u>\$ (15,000)</u></u>	<u><u>\$ 373,000</u></u>

The 2021 comparative financial information contained in the Management Discussion and Analysis has not been restated for the effects of GASB No.87.

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.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2022

USING THIS ANNUAL REPORT (continued)

2. Financial Statements (continued)

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.

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	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 13.3	\$ 4.7	\$ 9.4	\$ 7.0	\$ 22.7	\$ 11.7
Capital assets	19.0	19.5	55.7	55.3	74.7	74.8
Total assets	32.3	24.2	65.1	62.3	97.4	86.5
Deferred outflows of resources	0.6	0.7	0.4	0.4	1.0	1.1
Total assets and deferred outflows of resources	\$ 32.9	\$ 24.9	\$ 65.5	\$ 62.7	\$ 98.4	\$ 87.6
Long-term debt outstanding	\$ 16.6	\$ 17.3	\$ 21.9	\$ 22.9	\$ 38.5	\$ 40.2
Other liabilities	0.4	0.8	10.9	10.9	11.3	11.7
Total liabilities	17.0	18.1	32.8	33.8	49.8	51.9
Deferred inflows of resources	7.3	0.3	0.9	0.3	8.2	0.6
Net position:						
Net investment in capital assets	2.7	2.4	23.4	22.3	26.1	24.7
Restricted	3.9	2.8	4.7	3.1	8.6	5.9
Unrestricted	2.0	1.3	3.7	3.2	5.7	4.5
Total net position	8.6	6.5	31.8	28.6	40.4	35.1
Total liabilities, deferred inflows, and net position	\$ 32.9	\$ 24.9	\$ 65.5	\$ 62.7	\$ 98.4	\$ 87.6

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2022

REPORTING THE UTILITY BOARD AS A WHOLE (continued)

The net position of the Utility Board as a whole increased by 15.1 percent (\$5.0 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 \$4.5 million at June 30, 2021, to \$5.7 million at the end of this year, a 26.7 percent increase.

Water net position increased by \$1.8 million or 32.3 percent and sewer net position increased by \$3.2 million or 11.2 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	
	2022	2021	2022	2021	2022	2021
Operating revenues	\$ 4.0	\$ 4.0	\$ 6.2	\$ 6.2	\$ 10.2	\$ 10.2
Operating expenses	3.7	3.7	4.9	5.1	8.6	8.8
Operating income	0.3	0.3	1.3	1.1	1.6	1.4
Non-operating revenues (expenses)	0.1	(0.1)	(0.6)	(1.1)	(0.5)	(1.2)
Changes in net position before capital contributions	0.4	0.2	0.7	-	1.1	0.2
Capital contributions	1.4	0.3	2.5	1.5	3.9	1.8
Change in net position	\$ 1.8	\$ 0.5	\$ 3.2	\$ 1.5	\$ 5.0	\$ 2.0

The Utility Board's operating revenues remained constant at \$10.2 million. Operating expenses of the water department remained constant at \$3.7 million and operating expenses of the sewer department decreased \$0.2 million to \$5.1 million. The analysis separately considers the operations of the water and sewer funds.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2022, 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
(Unaudited)
June 30, 2022

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2022, the Utility Board had \$74.7 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 decrease (including additions, disposals, and depreciation) of \$0.1 million compared to the previous year.

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

	2022	2021
Capital assets not depreciated - utility plant	\$ 3.1	\$ 2.2
Capital assets depreciated - utility plant	113.7	112.2
Totals	116.8	114.4
Accumulated depreciation	(42.1)	(39.6)
Capital assets, net of depreciation	\$ 74.7	\$ 74.8

2022 Utility Plant Additions

Water (at cost excluding accumulated depreciation)

Pumping equipment	\$ 0.1
Water treatment equipment	0.1
Transmission and distribution mains	0.4
Services	0.1
Hydrants and other	0.1
	0.8

Sewer (at cost or estimated fair value excluding depreciation)

Collection plant	8.4
Pumping plant	4.0
Transportation and other	0.1
Utility plant classified from 2021 unclassified	(11.1)

Total 2022 additions to utility plant in service	2.2
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2022 utility plant retirements

Water	0.3
Sewer	0.4

Total 2022 utility plant retirements	0.7
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Net increase in utility plant (cost) for 2022	\$ 1.5
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Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)
June 30, 2022

Debt

At year-end, the Utility Board had \$38.5 million in long-term debt outstanding compared to \$40.2 million in the previous year.

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

	2022	2021
Financed Purchases	\$ -	\$ 0.1
Lease Liability	0.4	-
Loans (Municipality of Charles Town)	0.5	0.5
Bonds	37.6	39.6
	\$ 38.5	\$ 40.2

The Utility Board refunded its Series 2015A and 2015B bonds through the issuance of Series 2022A bonds during 2022.

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 financed purchases and 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, 2022

ASSETS AND DEFERRED OUTFLOWS

	Water Fund	Sewer Fund	Totals
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,116,828	\$ 3,212,693	\$ 4,329,521
Customer accounts receivable, net of allowances	14,080	210,860	224,940
Lease receivable (current portion)	276,974	-	276,974
Inventory, at cost	114,995	1,943	116,938
Accrued utility revenue	350,293	516,050	866,343
Total current assets	1,873,170	3,941,546	5,814,716
RESTRICTED ASSETS			
Debt service and debt service reserve funds	403,835	246,596	650,431
Construction funds	115,516	-	115,516
Capacity improvement funds	2,687,664	3,735,240	6,422,904
Repair and replacement funds	777,187	704,766	1,481,953
Total restricted assets	3,984,202	4,686,602	8,670,804
CAPITAL ASSETS			
Utility plant in service	37,854,657	77,896,231	115,750,888
Less: accumulated depreciation and amortization	18,871,567	23,219,100	42,090,667
Net utility plant in service	18,983,090	54,677,131	73,660,221
Construction in progress	57,877	974,502	1,032,379
Total capital assets	19,040,967	55,651,633	74,692,600
RIGHT TO USE ASSET			
Office facility	242,041	242,041	484,082
Less: accumulated amortization	(33,204)	(33,204)	(66,408)
Total right to use asset	208,837	208,837	417,674
OTHER ASSETS			
Lease receivable (net of current portion)	6,624,140	-	6,624,140
Prepaid bond insurance	96,465	95,723	192,188
Collective net pension asset	492,241	519,633	1,011,874
Net OPEB asset	8,209	713	8,922
Total other assets	7,221,055	616,069	7,837,124
Total assets	32,328,231	65,104,687	97,432,918
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized amounts from refunding of debt	209,494	41,509	251,003
Defined benefit pension plan contribution	98,635	90,706	189,341
Other post employment plan contribution	15,818	14,566	30,384
Collective deferred outflows related to pension plan	173,939	155,697	329,636
Collective deferred outflows related to post employment plan	45,149	38,869	84,018
Total deferred outflows	543,035	341,347	884,382
Total assets and deferred outflows	\$ 32,871,266	\$ 65,446,034	\$ 98,317,300

See the accompanying notes to the financial statements.

Charles Town Utility Board
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2022

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	\$ 100,035	\$ 55,024	\$ 155,059
Accrued expenses	20,915	22,853	43,768
Customer deposits	116,419	165,589	282,008
Financed purchases payable	2,192	3,195	5,387
Lease liability	7,421	7,421	14,842
	<hr/>	<hr/>	<hr/>
Total current liabilities (payable from current assets)	246,982	254,082	501,064
CURRENT LIABILITIES			
(PAYABLE FROM RESTRICTED ASSETS)			
Revenue bonds payable	948,260	1,150,194	2,098,454
Accrued revenue bond interest payable	104,589	24,653	129,242
Customer advances for construction	-	10,598,076	10,598,076
	<hr/>	<hr/>	<hr/>
Total current liabilities (payable from restricted assets)	1,052,849	11,772,923	12,825,772
LONG-TERM LIABILITIES			
(NET OF CURRENT PORTION)			
Revenue bonds payable	15,076,763	20,414,298	35,491,061
Financed purchases payable	2,256	3,458	5,714
Lease liability	211,458	211,458	422,916
Accrued expenses	63,418	46,603	110,021
Loan from Charles Town	394,020	105,799	499,819
	<hr/>	<hr/>	<hr/>
Total long-term liabilities	15,747,915	20,781,616	36,529,531
	<hr/>	<hr/>	<hr/>
Total liabilities	17,047,746	32,808,621	49,856,367
DEFERRED INFLOWS OF RESOURCES			
Collective deferred inflows related to other post employment benefit plan	201,667	188,219	389,886
Collective deferred inflows related to pension plan	663,532	674,608	1,338,140
Collective deferred inflows related to lease receivable	6,389,408	-	6,389,408
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	7,254,607	862,827	8,117,434
	<hr/>	<hr/>	<hr/>
Total liabilities and deferred inflows	24,302,353	33,671,448	57,973,801
NET POSITION			
Net investment in capital assets	2,732,992	23,376,613	26,109,605
Restricted	3,879,613	4,661,949	8,541,562
Unrestricted	1,956,308	3,736,024	5,692,332
	<hr/>	<hr/>	<hr/>
Total net position	8,568,913	31,774,586	40,343,499
	<hr/>	<hr/>	<hr/>
Total liabilities, deferred inflows and net position	\$ 32,871,266	\$ 65,446,034	\$ 98,317,300

See the accompanying notes to the financial statements.

Charles Town Utility Board
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2022

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Sales and services to customers	\$ 4,042,190	\$ 6,251,247	\$ 10,293,437
Total operating revenues	<u>4,042,190</u>	<u>6,251,247</u>	<u>10,293,437</u>
OPERATING EXPENSES			
Personal services	1,132,433	982,365	2,114,798
Contractual services	168,678	266,501	435,179
Administrative and general	159,153	295,404	454,557
Materials and supplies	342,308	447,419	789,727
Utilities	125,537	325,283	450,820
Maintenance	590,877	696,359	1,287,236
Depreciation and amortization	1,201,603	1,897,227	3,098,830
Total operating expenses	<u>3,720,589</u>	<u>4,910,558</u>	<u>8,631,147</u>
Operating income	<u>321,601</u>	<u>1,340,689</u>	<u>1,662,290</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	192,699	8,376	201,075
Interest and fiscal charges	(529,049)	(462,807)	(991,856)
Bond issuance costs	(139,733)	(32,856)	(172,589)
Gain (loss) on disposition of assets	-	(153,496)	(153,496)
Rental income	475,042	-	475,042
Miscellaneous revenues	42,108	8,800	50,908
Total nonoperating revenues (expenses)	<u>41,067</u>	<u>(631,983)</u>	<u>(590,916)</u>
Income before contributed capital	362,668	708,706	1,071,374
CONTRIBUTED CAPITAL	<u>1,409,901</u>	<u>2,508,717</u>	<u>3,918,618</u>
Change in net position	1,772,569	3,217,423	4,989,992
Total net position at beginning of year, as adjusted (See Note 20)	<u>6,796,344</u>	<u>28,557,163</u>	<u>35,353,507</u>
Total net position at end of year	<u>\$ 8,568,913</u>	<u>\$ 31,774,586</u>	<u>\$ 40,343,499</u>

See the accompanying notes to the financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 4,051,732	\$ 6,282,055	\$ 10,333,787
Cash paid for operation and maintenance expenses	<u>(2,763,961)</u>	<u>(3,355,896)</u>	<u>(6,119,857)</u>
Net cash provided by operations	<u>1,287,771</u>	<u>2,926,159</u>	<u>4,213,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(303,307)	(913,714)	(1,217,021)
Proceeds from revenue bonds and financed purchases	3,174,066	1,184,716	4,358,782
Principal paid on revenue bonds and financed purchases	(4,038,647)	(2,307,876)	(6,346,523)
Interest paid on bonds and financed purchases	(463,367)	(323,195)	(786,562)
Principal paid on lease liability	(7,815)	(7,815)	(15,630)
Interest paid on lease liability	(7,485)	(7,485)	(14,970)
Bond administration fees paid	(5,119)	(51,328)	(56,447)
Bond issuance costs paid	(139,733)	(32,856)	(172,589)
Bond insurance paid	(17,087)	(6,425)	(23,512)
Reimbursed interest for Rt. 9 project	-	(59,888)	(59,888)
Customer advance deposits (repayments) for construction	-	(5,848)	(5,848)
Decrease (increase) in restricted assets, net	(813,128)	(1,545,655)	(2,358,783)
Contributed capital	<u>932,901</u>	<u>1,456,104</u>	<u>2,389,005</u>
Net cash used in capital and related financing activities	<u>(1,688,721)</u>	<u>(2,621,265)</u>	<u>(4,309,986)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and miscellaneous non-operating income received	234,807	17,176	251,983
Rental income received	336,615	-	336,615
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>561,242</u>	<u>14,540</u>	<u>575,782</u>
Net increase in cash and cash equivalents	160,292	319,434	479,726
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>956,536</u>	<u>2,893,259</u>	<u>3,849,795</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,116,828</u>	<u>\$ 3,212,693</u>	<u>\$ 4,329,521</u>

See the accompanying notes to the financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended June 30, 2022

	Water Fund	Sewer Fund	Totals
Operating income	\$ 321,601	\$ 1,340,689	\$ 1,662,290
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,201,603	1,897,227	3,098,830
Decrease (increase) in receivables	9,483	(8,020)	1,463
Decrease (increase) in accrued revenues	10,805	17,478	28,283
Decrease (increase) in inventory	10,488	(175)	10,313
Decrease (increase) in deferred outflows	55,912	15,432	71,344
Increase (decrease) in accounts payable	33,700	(30,178)	3,522
Increase (decrease) in customer deposits	(10,746)	21,350	10,604
Increase (decrease) in accrued expenses	(11,114)	(3,871)	(14,985)
Increase (decrease) in collective net pension liability	(812,679)	(806,109)	(1,618,788)
Increase (decrease) in net OPEB liability	(70,518)	(66,244)	(136,762)
Increase (decrease) in deferred inflows	549,236	548,580	1,097,816
Net cash provided by operating activities	\$ 1,287,771	\$ 2,926,159	\$ 4,213,930
 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION			
Noncash investing, capital, and financing transactions:			
Utility plant contributed through developer advances	\$ -	\$ 353,900	\$ 353,900
Utility plant contributed by developer	477,000	1,052,613	1,529,613
	\$ 477,000	\$ 1,406,513	\$ 1,883,513
 RECONCILIATION OF CASH			
Cash per statement of net position	\$ 1,116,828	\$ 3,212,693	\$ 4,329,521
Cash per statement of cash flows	\$ 1,116,828	\$ 3,212,693	\$ 4,329,521

See the accompanying notes to the financial statements.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 6,428 water customers and 8,232 sewer customers. During the year ended June 30, 2022, the Utility Board's water customers increased by 113 and sewer customers increased by 179.

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, 2022

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.

The depreciation and amortization expense on assets acquired under financed purchases and leasing arrangements is included with depreciation and amortization 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, 2022 includes deposits of \$12,385,392 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, 2022

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 represent 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, 2022. At June 30, 2022, accounts receivable for the water and sewer funds were \$14,080 and \$210,860, 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, 2022 were \$350,293 and \$516,050, 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. As of May 15, 2021, Charles Town and former Ranson Sewer Department user rates were equalized. Former Jefferson County PSD rates were decreased 7.5%. There has not been a significant impact on operating revenues as a result of these rate adjustments.

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. Deferred inflows related to leases receivable will be recognized on a straight-line basis over the terms of the related leases.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2022.

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, 2022, amounted to \$63,418 and \$46,603, 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."

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund Transactions

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

Pension

For purposes of measuring the net pension liability (asset) and deferred outflows/inflows of the resources related to the pension, and pension expense (offset), 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 (asset) and deferred outflows/inflows of the resources related to OPEB, and OPEB expense (offset), 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 PRONOUNCEMENT ADOPTED

The Utility Board has adopted the following GASB Pronouncement during the fiscal year ended June 30, 2022:

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. See Note 20 for additional information regarding the restatement related to this statement.

NOTE 3 - NEW ACCOUNTING PRONOUNCEMENTS

The Utility Board will adopt the following new accounting standards issued by GASB by the required effective dates:

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. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* aims to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. Statement 94 will be effective for fiscal year ending June 30, 2023.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3 - NEW ACCOUNTING PRONOUNCEMENTS (continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. Statement 96 will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 100, *Summary of Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*, aims to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions of assessing accountability. Statement 100 will be effective for fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, aims to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Statement 101 will be effective for fiscal year ending June 30, 2025.

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

NOTE 4 - 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 5 - CASH

Cash consists of the following accounts and amounts at June 30, 2022:

	Water	Sewer	Total
Petty cash	\$ 175	\$ 125	\$ 300
Operation and maintenance accounts	635,062	2,351,976	2,987,038
Security deposit accounts	98,332	155,327	253,659
Working capital reserve accounts	383,259	705,265	1,088,524
	\$ 1,116,828	\$ 3,212,693	\$ 4,329,521

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 6 - LEASES RECEIVABLE

Beginning in the year ended June 30, 2016, the Utility Board has entered into multiple cellular equipment right to use agreements for space on the Utility Board's water standpipes. The remaining terms of the lease agreements range from 2022-2050. Payments required under the lease agreements are variable based on the specific terms contained in the agreements. Minimum payments due the Utility Board for the next five years are as follows:

Year	Amount
2023	\$ 518,513
2024	\$ 520,379
2025	\$ 511,597
2026	\$ 509,787
2027	\$ 524,967

Leases receivable were calculated using a discount rate of 3.5%. Leases receivable amounted to \$6,901,114 at June 30, 2022. Collective deferred inflows related to the leases amount to \$6,389,408 at June 30, 2022. The deferred inflows are being recognized in nonoperating revenues based on the terms of the leases using the straight-line method. The Utility Board recognized \$340,320 of lease revenue and \$186,987 of interest income on leases during the year ended June 30, 2022, which is included in nonoperating revenues in the Statement of Revenues, Expenses, and Changes in Financial Position.

NOTE 7 - CAPITAL ASSETS

	Balance at June 30, 2021	Other Additions	Reductions	Balance at June 30, 2022
Capital Assets Not Depreciated				
Land and land rights	\$ 1,690,921	\$ 374,688	\$ -	\$ 2,065,609
Construction in progress	506,872	526,707	(1,200)	1,032,379
Total Capital Assets Not Depreciated	2,197,793	901,395	(1,200)	3,097,988
Capital Assets Depreciated				
Utility plant in service	112,237,196	2,200,536	(752,453)	113,685,279
Less accumulated depreciation	(39,611,764)	(3,077,860)	598,957	(42,090,667)
Net Capital Assets Depreciated	72,625,432	(877,324)	(153,496)	71,594,612
Total Capital Assets	\$74,823,225	\$ 24,071	\$ (154,696)	\$ 74,692,600
Depreciation Expense	\$ 3,077,860			

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 8 - RIGHT TO USE ASSET

Changes in right to use asset as of June 30, 2022 is as follows:

	Balance 6/30/2021	Increase	Decrease	Balance 6/30/2022
Right to use asset - office facility	\$484,082	\$ -	\$ -	\$ 484,082
Less: accumulated amortization	(45,437)	(20,971)	-	(66,408)
Total net right to use asset	\$438,645	\$ (20,971)	\$ -	\$ 417,674

Amortization expense amounted to \$20,971 for the year ended June 30, 2022.

NOTE 9 - LONG-TERM DEBT

The following is a summary of bonds payable at June 30, 2022:

Bonds Payable - Water Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Due Within One Year
1987B	2026	0.00%	\$ 65,309	\$ -	\$ 10,885	\$ 54,424	\$ 10,885
1988B	2028	0.00%	114,452	-	14,308	100,144	14,308
1989B	2029	0.00%	27,110	-	3,011	24,099	3,013
2002A	2039	5.80%	825,681	-	24,956	800,725	26,403
2002B	2042	0.00%	1,963,636	-	93,507	1,870,129	93,506
2010A	2031	2.00%	490,230	-	46,007	444,223	46,933
2010B	2031	2.00%	53,727	-	5,042	48,685	5,144
2015A	2030	1.50%-3.50%	1,297,800	-	1,297,800	-	-
2015B	2029	1.50%-4.00%	2,215,350	-	2,215,350	-	-
2016A	2046	1.60%-4.50%	6,890,000	-	175,000	6,715,000	180,000
2018A-7	2046	0.50%	807,754	-	31,411	776,343	31,568
2020A	2043	2.00%-2.25%	2,068,000	-	77,550	1,990,450	164,500
2022A	2033	.63%-1.63%	-	3,188,000	-	3,188,000	372,000
Total Bonds Payable			\$ 16,819,049	\$ 3,188,000	\$ 3,994,827	16,012,222	\$ 948,260
				Unamortized Premiums/ Discounts, Net		12,801	
						\$ 16,025,023	

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 - LONG-TERM DEBT (continued)

Bonds Payable - Water Fund (continued)

Maturities of water bonds payable for years succeeding June 30, 2022, are as follows:

Year	Principal	Interest	Total
2023	\$ 948,260	\$ 397,680	\$ 1,345,940
2024	1,008,349	375,482	1,383,831
2025	1,023,898	357,089	1,380,987
2026	1,029,215	342,155	1,371,370
2027	1,014,400	326,200	1,340,600
2028-2032	3,797,629	1,363,923	5,161,552
2033-2037	2,643,250	932,915	3,576,165
2038-2042	2,787,702	530,384	3,318,086
2043-2046	1,759,519	151,855	1,911,374
	<u>\$ 16,012,222</u>	<u>\$ 4,777,683</u>	<u>\$ 20,789,905</u>

Bonds Payable - Sewer Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2021	Additions	Payments	Balance June 30, 2022	Due Within One Year
1988B	2028	0.00%	\$ 60,688	\$ -	\$ 7,588	\$ 53,100	\$ 7,588
2010C	2041	0.00%	833,320	-	41,668	791,652	41,668
2010D	2041	0.00%	333,320	-	16,668	316,652	16,668
2011A	2041	0.00%	5,007,455	-	250,373	4,757,082	250,373
2013A	2044	0.50%	466,409	-	18,964	447,445	19,060
2014A	2046	0.50%	3,391,792	-	129,065	3,262,727	129,712
2015A	2030	1.50%-3.50%	762,200	-	762,200	-	-
2015B	2030	1.50%-4.00%	519,650	-	519,650	-	-
2016B	2046	1.50%-4.00%	3,840,000	-	130,000	3,710,000	50,000
2018A-1	2029	0.00%	87,340	-	10,917	76,423	10,917
2018A-3	2038	1.00%	598,118	-	32,443	565,675	32,768
2018A-4	2030	0.00%	110,355	-	12,612	97,743	12,612
2018A-5	2032	0.00%	404,208	-	38,496	365,712	38,496
2018A-6	2039	0.00%	1,169,560	-	66,832	1,102,728	66,832
2018B	2033	2.25%-3.50%	2,715,000	-	180,000	2,535,000	185,000
2020A	2043	2.00%-2.25%	2,332,000	-	87,450	2,244,550	185,500
2022A	2033	.63%-1.63%	-	1,192,000	-	1,192,000	103,000
Total Bonds Payable			<u>\$ 22,631,415</u>	<u>\$ 1,192,000</u>	<u>\$ 2,304,926</u>	\$ 21,518,489	<u>\$ 1,150,194</u>
				Unamortized Premiums/ Discounts, Net		46,003	
						<u>\$ 21,564,492</u>	

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 9 - LONG-TERM DEBT (continued)

Bonds Payable - Sewer Fund

Maturities of sewer bonds payable for years succeeding June 30, 2022, are as follows:

Year	Principal	Interest	Total
2023	\$ 1,150,194	\$ 293,889	\$ 1,444,083
2024	1,198,918	279,327	1,478,245
2025	1,212,299	265,584	1,477,883
2026	1,231,037	252,706	1,483,743
2027	1,205,033	238,106	1,443,139
2028-2032	6,078,040	942,349	7,020,389
2033-2037	4,359,630	515,564	4,875,194
2038-2042	3,495,041	293,909	3,788,950
2043-2046	1,588,297	77,866	1,666,163
	<u>\$ 21,518,489</u>	<u>\$ 3,159,300</u>	<u>\$ 24,677,789</u>

Certain of the water and sewer revenue bonds require administrative fees to be paid to the governmental issuers. Administrative fees amounted to \$2,545 and \$48,321 for the water and sewer funds, respectively, for the year ended June 30, 2022. 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, 2022.

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, 2022.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 10 - FINANCED PURCHASES

The Charles Town Utility Board financed various equipment and vehicles under financed purchase agreements expiring at various times. The assets and liabilities under the financed purchases are recorded at their present value of the minimum purchase payments.

The financed purchase obligations are secured by the purchased equipment and vehicles. Depreciation of financed purchases is included in depreciation expense for the year ended June 30, 2022.

Financed Purchases	Expiration	Water Fund	Sewer Fund	Total
		Remaining Minimum (net of interest) Payments	Remaining Minimum (net of interest) Payments	
Various utility improvements, equipment, and vehicles	2023-2024			
Total financed purchases payable at June 30, 2022		\$ 4,448	\$ 6,653	\$ 11,101
Less: Current portion due in upcoming year		(2,192)	(3,195)	(5,387)
Long-term financed purchases payable at June 30, 2022 (net of current portion)		<u>\$ 2,256</u>	<u>\$ 3,458</u>	<u>\$ 5,714</u>

Estimated minimum future water financed purchase payments as of June 30, 2022 are as follows:

Year	Principal	Interest	Total
2023	\$ 2,192	\$ 148	\$ 2,340
2024	2,256	83	2,339
	<u>\$ 4,448</u>	<u>\$ 231</u>	<u>\$ 4,679</u>

Estimated minimum future sewer financed purchase payments as of June 30, 2022 are as follows:

Year	Principal	Interest	Total
2023	\$ 3,195	\$ 549	\$ 3,744
2024	3,458	286	3,744
	<u>\$ 6,653</u>	<u>\$ 835</u>	<u>\$ 7,488</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 11 - LEASE COMMITMENT

The Utility Board entered into a facility lease agreement with the Municipality of Charles Town on April 1, 2019, which expires on June 1, 2042. Monthly rental payments of \$2,550 are required during the term of the lease including principal and interest at 3.5%. The related liability under the lease was \$437,758 at June 30, 2022. The Utility Board recognized \$14,970 of interest expense during the year ended June 30, 2022.

The following is a schedule of future minimum lease payments under the lease:

Year	Principal	Interest	Total
2023	\$ 14,842	\$ 15,758	\$ 30,600
2024	16,054	14,546	30,600
2025	16,625	13,975	30,600
2026	17,216	13,384	30,600
2027	17,828	12,772	30,600
2028-2032	99,117	53,883	153,000
2033-2037	118,043	34,957	153,000
2038-2042	138,033	12,418	150,451
Total minimum lease payments	<u>\$ 437,758</u>	<u>\$ 171,693</u>	<u>\$ 609,451</u>

NOTE 12 - CHANGES IN LONG-TERM LIABILITIES OTHER THAN BONDS

	Balance			Balance
	June 30, 2021			Additions
Financed purchases payable	\$ 57,871	\$ -	\$ 46,770	\$ 11,101
Leases	453,388	-	15,630	437,758
Loan from Charles Town	512,635	-	12,816	499,819
Accrued compensated absences	124,131	-	14,110	110,021
Collective net pension liability (asset)	606,914	287,953	1,906,741	(1,011,874)
Net other post employment benefit liability (asset)	127,840	186,219	322,981	(8,922)
Total	<u>\$ 1,882,779</u>	<u>\$ 474,172</u>	<u>\$2,319,048</u>	<u>\$ 37,903</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 - 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:	West Virginia State Code Section 5-10d
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 2021 (Effective July 1, 2022, the Utility Board is required to contribute 9%)
Period required to vest:	5 years for Tier 1 and 10 years for Tier 2
Benefits and eligibility for distribution:	<u>Tier 1</u> 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. <u>Tier 2</u> 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, 2022

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed
2022	\$189,341	100%
2021	\$183,928	100%
2020	\$176,926	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 Asset, Pension Expense (Offset), Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

At June 30, 2022, the Utility Board reported the following liability (asset) for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of June 30, 2020, rolled forward to the measurement date of June 30, 2021. The Utility Board's proportion of the net pension asset 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, 2022, the Utility Board reported the following proportion:

Amount for proportionate share of net pension asset	\$1,011,874
Percentage for proportionate share of net pension asset	0.115256%
Increase/(decrease) % from prior proportion measured	0.000456%

For the year ended June 30, 2022, the Utility Board recognized the following pension expense (offset):

	Water	Sewer	Total
Pension expense (offset)	\$(81,988)	\$(126,791)	\$(208,779)

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Pension Asset, Pension Expense (Offset), 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	\$ -	\$ 1,296,046
Difference between expected and actual experience	115,481	3,836
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	21,630	30,056
Change in assumptions	192,525	8,202
Utility Board contributions subsequent to the measurement date	189,341	-
	<u>\$ 518,977</u>	<u>\$ 1,338,140</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 asset (liability) in the year ending June 30, 2023. 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

2023	\$ (219,293)
2024	(198,472)
2025	(272,900)
2026	(317,839)
	<u>(1,008,504)</u>
Total	<u>\$ (1,008,504)</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2020, and rolled forward to June 30, 2021, 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	7.25%
Projected salary increases	3.60-6.75%%, including inflation
Inflation rate	2.75%
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 - 117% of Pub 2010 General/Teachers Disabled Male table, below-median headcount weighted, projected with scale MP-2018
Withdrawal rates	
State	2.28-45.63%%
Non-state	2.50-35.88%%
Disability rates	0.005-0.0540%%
Retirement rates	12 - 100%%
Date range in most recent experience study	2015-2020 - Economic assumptions; 2013-2018 - All other assumptions

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 13 - 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, 2021, 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	5.5%	27.50%
International Equity	7.0%	27.50%
Private Equity	8.5%	10.00%
Fixed Income	2.2%	15.00%
Real Estate	6.6%	10.00%
Hedge Funds	4.0%	10.00%
		100.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.25 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 (asset) 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 6.25%	Current Discount Rate 7.25%	1% Increase 8.25%
Utility Board's proportionate share of net pension liability asset	\$ (11,562)	\$ 1,011,874	\$ 1,875,704

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, 2022

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Summary of Deferred Outflow/Inflow Balances

	Total	Water	Sewer
Difference between expected and actual experience	\$ 111,645	\$ 59,552	\$ 52,093
Net difference between projected and actual earnings on pension plan investments	(1,296,046)	(650,497)	(645,549)
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(8,426)	9,211	(17,637)
Change in assumptions	184,323	92,141	92,182
Utility Board contributions subsequent to the measurement date	189,341	98,635	90,706
	<u>\$ (819,163)</u>	<u>\$(390,958)</u>	<u>\$(428,205)</u>

NOTE 14 - 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, 2021. 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, 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, 2022

NOTE 14 - 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 \$137 million for the fiscal year ended June 30, 2021. Contributions to the OPEB plan from the Utility Board were as follows:

Year	Water	Sewer	Total
2022	\$ 15,818	\$ 14,566	\$ 30,384
2021	\$ 28,215	\$ 26,505	\$ 54,720
2020	\$ 28,461	\$ 27,300	\$ 55,761

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

At June 30, 2022, the Utility Board reported an asset of \$8,209 and \$713 for the water and sewer funds, respectively, for its proportionate share of the net OPEB asset. The net OPEB asset, deferred inflows and outflows of resources, and OPEB expense (offset) were determined by an actuarial valuation date as of June 30, 2020, rolled forward to June 30, 2021, which is the measurement date. The Utility Board's proportion of the net OPEB asset 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, 2021, the Utility Board's proportionate share was 0.030006865%, which was an increase of 0.001063553% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Utility Board recognized OPEB expense (offset) of \$(82,310) and \$(77,322) 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	\$ 84,018	\$ 74,674
Change in assumptions	-	188,803
Net difference between projected and actual investment earnings on OPEB plan investments	-	61,576
Difference between expected and actual experience	-	61,462
Reallocation of opt-out employer change in proportionate share	-	3,371
Utility Board contributions subsequent to the measurement date	30,384	-
	\$ 114,402	\$ 389,886

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities (Assets), OPEB Expense (Offset), 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 (asset) in the year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense (offset) as follows:

<u>Year Ended June 30:</u>	
2023	\$ (148,048)
2024	(121,350)
2025	(17,659)
2026	<u>(18,811)</u>
Total	<u>\$ (305,868)</u>

Actuarial Assumptions

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

Inflation rate	2.25%
Wage inflation	2.75%
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, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities (Assets), OPEB Expense (Offset), 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	<u>Post Retirement:</u> TRS: Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females. PERS: Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females. Troopers A and B: Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females.

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	Long-Term Expected Real Rate of Return
Global Equity	4.80%
Core Plus Fixed Income	2.10%
Core Real Estate	4.10%
Hedge Fund	2.40%
Private Equity	6.80%

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities (Assets), OPEB Expense (Offset), 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 (asset). This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. 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. Based on those assumptions, 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 (Asset) to Changes in the Discount Rate

The following chart presents the Utility Board's proportionate share of the net OPEB liability (asset), as well as what the proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease 5.65%	Discount Rate 6.65%	1% Increase 7.65%
Net OPEB Liability (Asset)	\$ 47,876	\$ (8,922)	\$ (56,080)

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

The following chart presents the Utility Board's proportionate share of the net OPEB liability (asset), as well as what the proportionate share of the net OPEB liability (asset) 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 (Asset)	\$ (65,875)	\$ (8,922)	\$ 60,454

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, 2022

NOTE 14 - POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Liabilities (Assets), OPEB Expense (Offset), 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	\$ (61,462)	\$ (30,812)	\$ (30,650)
Net difference between projected and actual earnings on OPEB plan investments	(61,576)	(31,669)	(29,907)
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	9,344	(700)	10,044
Change in assumptions	(188,803)	(91,671)	(97,132)
Reallocation of opt-out employer change in proportionate share	(3,371)	(1,666)	(1,705)
Utility Board contributions subsequent to the measurement date	<u>30,384</u>	<u>15,818</u>	<u>14,566</u>
	<u><u>\$(275,484)</u></u>	<u><u>\$(140,700)</u></u>	<u><u>\$(134,784)</u></u>

NOTE 15 - 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 16 - 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 \$394,020 and \$105,799 for the water and sewer departments, respectively, at June 30, 2022.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 17 - 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, 2022:

Cash and temporary investments	
Debt service and debt service reserve funds	\$ 650,431
Construction funds	115,516
Repair and replacement funds	1,481,953
Capacity improvement funds	6,422,904
Accrued interest	(129,242)
Total	\$ 8,541,562

NOTE 18 - COMMITMENTS AND CONTINGENCIES

Alternate Mainline Extension Agreements

The Utility Board has entered into alternate mainline extension agreements with customers (developers) for certain sewer improvements to provide sewer service to the customers (developers). The customers (developers) have agreed to pay for the improvements and the Utility Board is required to reimburse the customers (developers) to the extent that new connections are made to the improvements during specified time periods. After the time periods lapse, remaining customer advance balances will be converted to contributed capital.

Customer advances for construction under alternate mainline extension agreements amounted to \$10,598,076 at June 30, 2022. The Utility Board reimbursed \$5,847 of advances to customers (developers) under the agreements for the year ended June 30, 2022.

NOTE 19 - CONTRIBUTED CAPITAL

A summary of contributed capital for the year ended June 30, 2022 is as follows:

	Water	Sewer	Total
Capacity improvement fees received from customers and developers	\$ 886,136	\$1,400,004	\$2,286,140
Contributed capital received from customers developers, and grantor agencies	523,765	1,108,713	1,632,478
Total	\$1,409,901	\$2,508,717	\$3,918,618

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 20 - PRIOR PERIOD ADJUSTMENT

Net position required restatement at the beginning of the year as follows:

	Water	Sewer	Total
Net position, as previously stated	\$ 6,430,436	\$ 28,564,534	\$ 34,994,970
Implementation of GASB No. 87, <i>Leases</i>	365,908	(7,371)	358,537
Net position as restated	\$ 6,796,344	\$ 28,557,163	\$ 35,353,507

NOTE 21 - SUBSEQUENT EVENTS

The Utility Board has evaluated all subsequent events through February 28, 2023, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

Charles Town Utility Board
SCHEDULES OF THE UTILITY BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY (ASSET)
June 30, 2022

Public Employees Retirement System
Last 10 Fiscal Years

	2022	2021	2020	2019	2018	2017	2016	2015
Utility Board's proportionate share of the net pension liability (%)	0.115256%	0.114800%	0.105962%	0.122021%	0.091775%	0.09351%	0.0858%	0.0802%
Utility Board's proportionate share of the net pension liability (asset) (\$)	\$(1,011,874)	\$ 606,914	\$ 260,340	\$ 315,120	\$ 396,145	\$ 859,464	\$ 479,022	\$ 295,926
Utility Board's covered payroll	\$ 1,898,244	\$ 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 (asset) as a % of its covered payroll	-53.31%	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 (asset)	111.07%	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, 2022

	Public Employees Retirement System Last 10 Fiscal Years							
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 189,824	\$ 183,928	\$ 176,926	\$ 155,565	\$ 137,439	\$ 149,296	\$ 174,028	\$ 162,876
Contributions in relation to the contractually required contribution	<u>(189,824)</u>	<u>(183,928)</u>	<u>(176,926)</u>	<u>(155,565)</u>	<u>(137,439)</u>	<u>(149,296)</u>	<u>(174,028)</u>	<u>(162,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utility Board's covered payroll	<u>\$ 1,898,244</u>	<u>\$ 1,839,277</u>	<u>\$ 1,764,571</u>	<u>\$ 1,555,646</u>	<u>\$ 1,249,446</u>	<u>\$ 1,244,131</u>	<u>\$ 1,289,097</u>	<u>\$ 1,163,400</u>
Contributions as a percentage of covered payroll	<u>10.0%</u>	<u>10.0%</u>	<u>10.0%</u>	<u>10.0%</u>	<u>11.0%</u>	<u>12.0%</u>	<u>13.5%</u>	<u>14.0%</u>

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 (ASSET)
For the year ended June 30, 2022

Public Employees Insurance Agency

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Utility Board's proportion of the net OPEB liability (asset)	0.030006865%	0.028943312%	0.026558014%	0.028583397%	0.018956336%	0.022773022%
Utility Board's proportionate share of the net OPEB liability (asset)	\$ (8,922)	\$ 127,840	\$ 511,370	\$ 613,238	\$ 466,134	\$ 565,528
Utility Board's covered payroll	\$ 1,898,244	\$ 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 (asset) as a percentage of its covered payroll	-0.47%	6.95%	28.98%	34.50%	37.33%	48.19%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	101.81%	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, 2022

Public Employees Insurance Agency

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 30,384	\$ 54,720	\$ 55,761	\$ 55,081	\$ 41,772	\$ 38,936
Contributions in relation to the contractually required contribution	<u>(30,384)</u>	<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>	<u>\$ -</u>
Utility Board's covered payroll	\$ 1,898,244	\$ 1,839,277	\$ 1,764,571	\$ 1,555,565	\$ 1,248,678	\$ 1,173,454
Contributions as a percentage of covered payroll	1.60%	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
For the year ended June 30, 2022

PERS

A. Change in Benefit Terms

Legislation passed during the 2015 Legislative session created a second tier of retirement benefits for those hired for the first time and first becoming a member of PERS on or after July 1, 2015 (Tier II). For tier II employees, normal retirement is a member who has attained age 62 and has earned 10 years or more of contributing service. The final average salary (five highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.

B. Change in Assumptions

The actuarial assumptions for mortality, withdrawal rates, salary scales, and non-contributory service loads that were used in the total Pension liability calculation were changed from June 30, 2019 to June 30, 2020, to reflect the most recent experience study for July 1, 2013 through June 30, 2018.

C. Actuarial Revisions

Total Pension Liability	\$	7,927,948
Plan Fiduciary Net Position		(8,805,884)
Net Pension (Asset) Liability		<u>\$ (877,936)</u>
Plan Fiduciary Net Position as a percentage of the total pension liability		111.07%

OPEB

A. Subsequent Events

The OPEB valuation measured at June 30, 2021, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations.

B. Actuarial Revisions

Total OPEB Liability	\$	1,643,289,292
Plan Fiduciary Net Position		(1,673,024,000)
Net OPEB (Asset) Liability		<u>\$ (29,734,708)</u>
Plan Fiduciary Net Position as a percentage of the total OPEB liability		101.81%

Charles Town Utility Board
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2022

OPEB (continued)

C. Changes in Assumptions

- General/price inflation - Decrease price inflation rate from 2.75% to 2.25%..
- Discount rate - Decrease discount rate from 7.15% to 6.65%.
- Wage inflation - Decrease wage inflation from 4.00% to 2.75%.
- OPEB retirement - Develop explicit retirement rates for members who are eligible to retire with health care benefits and elect health care coverage.
- Waived annuitant termination - Develop explicit waived termination rates for members who are eligible to retire with health care benefits but waive health coverage.
- SAL conversion - Develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits.
- Lapse/re-entry - Develop net lapse/re-entry rates for members who either lapse coverage after electing health care coverage or elect health care coverage after waiving coverage.
- Other demographic assumptions - Develop termination, disability, and mortality rates based on experience specific to OPEB covered group.
- Salary increase - Develop salary increase assumptions based on experience specific to the OPEB covered group.

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

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**, Jefferson County (the Utility Board), a component unit of the Municipality of Charles Town, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Utility Board's basic financial statements and have issued our report dated February 28, 2023, wherein we noted the Utility Board adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

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

February 28, 2023