



**CHARLES TOWN UTILITY BOARD
(A Component Unit of the Municipality of Charles Town)
JEFFERSON COUNTY
REGULAR AUDIT
FOR THE YEAR ENDED JUNE 30, 2023**

RFP# 23-249

**CHARLES TOWN UTILITY BOARD
JEFFERSON COUNTY**

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Charles Town Utility Board
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2023

BUSINESS-TYPE FUNDS

Major Funds

Water Fund

Sewer Fund

Charles Town Utility Board
BOARD OFFICIALS AND MANAGEMENT
June 30, 2023

		<u>Term Expires</u>
City Manager of Charles Town Chairman	John Nissel	
Mayor of City of Ranson, Vice Chair	Mayor Keith Pierson	12/31/26
Treasurer	Thomas Stocks	12/31/24
Board Member	Heidi Parker	12/31/23
Board Member	Jefferson Whitten	12/31/25
Utility Manager	Kristen Stolipher	
Assistant Utility Manager	April Shultz	
Board Attorney	Robert Rodecker	
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 year ended June 30, 2023, 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, 2023, and the changes in financial position and cash flows thereof 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.

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 opinions. 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 March 12, 2024, 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

March 12, 2024

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2023

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, 2023. Please read it in conjunction with the Utility Board's financial statements.

FINANCIAL HIGHLIGHTS

The Utility Board's net position increased \$7.0 million as a result of this year's operations. Net position of the water fund increased \$2.9 million compared to the previous year, or 33.7 percent. Net position of the sewer fund increased by \$4.1 million, or 12.9 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 increased \$0.4 million to \$10.6 million for 2023. Operating expenses increased \$1.2 million to \$9.8 million for 2023. Water fund operating income decreased \$0.2 million to \$0.1 million and sewer operating income decreased \$0.6 million to \$0.7 million for 2023.

The \$0.4 million increase in operating revenues is primarily a result of system growth (\$0.2 million water and \$0.2 million sewer). The \$1.2 million increase in operating expenses (\$0.4 million water and \$0.8 million sewer) is attributed to increases in personnel services (\$0.1 million water and \$0.3 million sewer), increases in materials and supplies (\$0.2 million water and \$0.1 million sewer) increases in depreciation expense (\$0.3 million sewer), and other expense increases (\$0.1 million water and \$0.1 million sewer).

By City Council ordinance adopted January 2, 2024, and effective February 16, 2024, the Utility Board equalized its water rates and its sewer rates throughout its service area. The applicable rate adjustments for water are expected to generate an additional \$0.6 million in annual revenues. The applicable rate adjustments for sewer are expected to be revenue neutral.

The Utility Board added approximately \$8.2 million and \$2.2 million in capital assets during 2023 and 2022, respectively. During 2023, approximately \$3.9 million was from construction in progress related to the sewer department wastewater treatment plant renewal and replacement project. Also during 2023, the Utility Board added approximately \$4.0 million of water and sewer utility plant through developer contributions. During 2022, approximately \$1.9 million in water and sewer utility plant was added through developer contributions and advances.

At June 30, 2023, the Utility Board was in the construction phase of its sewer department renewal and replacement project. The estimated cost of the project is \$12.1 million with \$4.3 million being expended as of June 30, 2023. The project is being financed by a \$7.435 million bond issue, grants, and internal funding.

At June 30, 2023, the Utility Board was in the design stage of a sewer department collection system project. The estimated cost of the project is \$9.6 million with \$0.5 million expended as of June 30, 2023. The project is being financed with a future bond issue, grants, and internal funding.

During 2023, the Utility Board issued \$7.435 million of Series 2022 B and C revenue bonds to finance construction of the sewer wastewater treatment plant renewal and replacement project. During 2022, the Utility Board refunded its Series 2015A and 2015B revenue bonds.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2023

FINANCIAL HIGHLIGHTS (continued)

The Utility Board entered into alternate mainline extension agreements with developers. These agreements amounted to approximately \$4.0 million and \$1.9 million for 2023 and 2022, respectively. Certain developer agreements require repayment 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 2023 and 2022.

USING THIS ANNUAL REPORT

1. Management's Discussion and Analysis

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

2. Financial Statements

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

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

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

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

The basic financial statements report all Utility Board financial activities. The activities are primarily supported by water and sewer user fees. The Utility Board's mission is furthering the preservation of public health, comfort and convenience by providing water and sewer services to the residents of Charles Town, Ranson, territories formerly served by the Jefferson County Public Service District, and other areas in Jefferson County.

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2023

USING THIS ANNUAL REPORT (continued)

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	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 13.5	\$ 13.3	\$ 14.5	\$ 9.4	\$ 28.0	\$ 22.7
Capital assets	19.2	19.0	60.6	55.7	79.8	74.7
Total assets	32.7	32.3	75.1	65.1	107.8	97.4
Deferred outflows of resources	0.4	0.6	0.3	0.4	0.7	1.0
Total assets and deferred outflows of resources	\$ 33.1	\$ 32.9	\$ 75.4	\$ 65.5	\$ 108.5	\$ 98.4
Long-term debt outstanding	\$ 15.7	\$ 16.6	\$ 27.9	\$ 21.9	\$ 43.6	\$ 38.5
Other liabilities	0.4	0.4	11.5	10.9	11.9	11.3
Total liabilities	16.1	17.0	39.4	32.8	55.5	49.8
Deferred inflows of resources	5.5	7.3	0.1	0.9	5.6	8.2
Net position:						
Net investment in capital assets	3.8	2.7	26.3	23.4	30.1	26.1
Restricted	5.3	3.9	5.5	4.7	10.8	8.6
Unrestricted	2.4	2.0	4.1	3.7	6.5	5.7
Total net position	11.5	8.6	35.9	31.8	47.4	40.4
Total liabilities, deferred inflows, and net position	\$ 33.1	\$ 32.9	\$ 75.4	\$ 65.5	\$ 108.5	\$ 98.4

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
June 30, 2023

REPORTING THE UTILITY BOARD AS A WHOLE (continued)

The net position of the Utility Board as a whole increased by 17.3 percent (\$7.0 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 \$5.7 million at June 30, 2022, to \$6.5 million at the end of this year, a 14.0 percent increase.

Water net position increased by \$2.9 million or 33.7 percent and sewer net position increased by \$4.1 million or 12.9 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	
	2023	2022	2023	2022	2023	2022
Operating revenues	\$ 4.2	\$ 4.0	\$ 6.4	\$ 6.2	\$ 10.6	\$ 10.2
Operating expenses	4.1	3.7	5.7	4.9	9.8	8.6
Operating income	0.1	0.3	0.7	1.3	0.8	1.6
Non-operating revenues (expenses)	0.3	0.1	(0.6)	(0.6)	(0.3)	(0.5)
Changes in net position before capital contributions	0.4	0.4	0.1	0.7	0.5	1.1
Capital contributions	2.5	1.4	4.0	2.5	6.5	3.9
Change in net position	\$ 2.9	\$ 1.8	\$ 4.1	\$ 3.2	\$ 7.0	\$ 5.0

The Utility Board's operating revenues increased \$0.4 million. Operating expenses of the water department increased \$0.4 million and operating expenses of the sewer department increased \$0.8 million. The analysis separately considers the operations of the water and sewer funds.

BUDGETARY HIGHLIGHTS

For the year ended June 30, 2023, 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, 2023

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2023, the Utility Board had \$79.8 million invested in a broad range of capital assets, including land, structures, machinery and equipment, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions, disposals, and depreciation) of \$5.1 million compared to the previous year.

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

	2023	2022
Capital assets not depreciated - utility plant (land, easements, and construction in progress)	\$ 7.2	\$ 3.1
Capital assets depreciated - utility plant	117.8	113.7
Totals	125.0	116.8
Accumulated depreciation	(45.2)	(42.1)
Capital assets, net of depreciation	\$ 79.8	\$ 74.7
 2023 Utility Plant Additions (capital assets being depreciated)		
<u>Water (at cost or estimated fair value excluding accumulated depreciation)</u>		
Transmission and distribution mains		\$ 0.7
Services		0.4
Hydrants and other		0.1
Transportation equipment		0.1
		1.3
 <u>Sewer (at cost or estimated fair value excluding depreciation)</u>		
Collection plant		3.0
Pumping plant		0.1
Transportation and other		0.1
		3.2
Total 2023 additions to utility plant in service		4.5
 <u>2023 utility plant retirements (capital assets being depreciated)</u>		
Water		0.2
Sewer		0.2
Total 2022 utility plant retirements		0.4
Net increase in utility plant (capital assets being depreciated) for 2023		\$ 4.1

Charles Town Utility Board
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
 June 30, 2023

Debt

At year-end, the Utility Board had \$43.6 million in long-term debt outstanding compared to \$38.5 million in the previous year.

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

	2023	2022
Lease Liability	\$ 0.4	\$ 0.4
Loans (Municipality of Charles Town)	0.5	0.5
Bonds	42.7	37.6
	\$ 43.6	\$ 38.5

The Utility Board issued \$7.435 of Series 2022 B&C revenue bonds in 2023 to finance construction of the sewer wastewater treatment plant renewal and replacement project.

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 2023 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, 2023

ASSETS AND DEFERRED OUTFLOWS

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS			
Cash	\$ 1,138,494	\$ 3,463,917	\$ 4,602,411
Customer accounts receivable, net of allowances	2,397	107,183	109,580
Lease receivable (current portion)	265,968	-	265,968
Inventory, at cost	153,332	2,357	155,689
Accrued utility revenue	380,134	570,025	950,159
	<u>1,940,325</u>	<u>4,143,482</u>	<u>6,083,807</u>
TOTAL CURRENT ASSETS			
RESTRICTED ASSETS			
Debt service and debt service reserve funds	510,205	338,866	849,071
Construction funds	18,858	4,407,613	4,426,471
Capacity improvement funds	4,067,640	4,912,383	8,980,023
Repair and replacement funds	820,063	318,241	1,138,304
	<u>5,416,766</u>	<u>9,977,103</u>	<u>15,393,869</u>
TOTAL RESTRICTED ASSETS			
CAPITAL ASSETS			
Utility plant in service	38,964,504	80,897,136	119,861,640
Less: accumulated depreciation and amortization	<u>19,866,633</u>	<u>25,267,097</u>	<u>45,133,730</u>
	19,097,871	55,630,039	74,727,910
Net utility plant in service			
Construction in progress	<u>141,847</u>	<u>4,948,328</u>	<u>5,090,175</u>
TOTAL CAPITAL ASSETS			
	<u>19,239,718</u>	<u>60,578,367</u>	<u>79,818,085</u>
RIGHT TO USE ASSET			
Office facility	242,041	242,041	484,082
Less: accumulated amortization	<u>(43,790)</u>	<u>(43,790)</u>	<u>(87,580)</u>
	198,251	198,251	396,502
TOTAL RIGHT TO USE ASSET			
	<u>198,251</u>	<u>198,251</u>	<u>396,502</u>
OTHER ASSETS			
Lease receivable (net of current portion)	5,781,363	-	5,781,363
Prepaid bond insurance	<u>90,896</u>	<u>164,118</u>	<u>255,014</u>
TOTAL OTHER ASSETS			
	<u>5,872,259</u>	<u>164,118</u>	<u>6,036,377</u>
TOTAL ASSETS			
	<u>32,667,319</u>	<u>75,061,321</u>	<u>107,728,640</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized amounts from refunding of debt	147,523	23,365	170,888
Defined benefit pension plan contribution	85,697	84,192	169,889
Other post employment plan contribution	11,849	11,321	23,170
Collective deferred outflows related to pension plan	152,183	139,437	291,620
Collective deferred outflows related to post employment plan	<u>29,729</u>	<u>24,137</u>	<u>53,866</u>
TOTAL DEFERRED OUTFLOWS			
	<u>426,981</u>	<u>282,452</u>	<u>709,433</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS			
	<u>\$ 33,094,300</u>	<u>\$ 75,343,773</u>	<u>\$ 108,438,073</u>

See notes to financial statements.

Charles Town Utility Board
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2023

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

	Water Fund	Sewer Fund	Totals
CURRENT LIABILITIES			
(PAYABLE FROM CURRENT ASSETS)			
Accounts payable	\$ 48,285	\$ 37,342	\$ 85,627
Accrued expenses	20,699	22,853	43,552
Customer deposits	108,676	222,892	331,568
Due to other government	-	24,050	24,050
Financed purchases payable	2,257	3,458	5,715
Lease liability	8,027	8,027	16,054
	<u>187,944</u>	<u>318,622</u>	<u>506,566</u>
CURRENT LIABILITIES			
(PAYABLE FROM RESTRICTED ASSETS)			
Revenue bonds payable	997,449	1,274,818	2,272,267
Accrued revenue bond interest payable	101,573	50,555	152,128
Construction accounts payable	-	456,593	456,593
Customer advances for construction	-	10,498,692	10,498,692
	<u>1,099,022</u>	<u>12,280,658</u>	<u>13,379,680</u>
LONG-TERM LIABILITIES			
(NET OF CURRENT PORTION)			
Revenue bonds payable	14,114,382	26,333,858	40,448,240
Lease liability	203,431	203,431	406,862
Accrued expenses	58,150	48,081	106,231
Loan from Charles Town	383,840	103,163	487,003
Collective net pension liability	92,020	82,604	174,624
Net OPEB liability	10,961	17,801	28,762
	<u>14,862,784</u>	<u>26,788,938</u>	<u>41,651,722</u>
Total long-term liabilities	<u>14,862,784</u>	<u>26,788,938</u>	<u>41,651,722</u>
Total liabilities	<u>16,149,750</u>	<u>39,388,218</u>	<u>55,537,968</u>
DEFERRED INFLOWS OF RESOURCES			
Collective deferred inflows related to other post employment benefit plan	89,475	81,378	170,853
Collective deferred inflows related to pension plan	424	6,495	6,919
Collective deferred inflows related to lease receivable	5,438,362	-	5,438,362
	<u>5,528,261</u>	<u>87,873</u>	<u>5,616,134</u>
Total deferred inflows of resources	<u>5,528,261</u>	<u>87,873</u>	<u>5,616,134</u>
Total liabilities and deferred inflows	<u>21,678,011</u>	<u>39,476,091</u>	<u>61,154,102</u>
NET POSITION			
Net investment in capital assets	3,760,648	26,315,398	30,076,046
Restricted	5,296,335	5,518,935	10,815,270
Unrestricted	2,359,306	4,033,349	6,392,655
	<u>11,416,289</u>	<u>35,867,682</u>	<u>47,283,971</u>
Total net position	<u>11,416,289</u>	<u>35,867,682</u>	<u>47,283,971</u>
Total liabilities, deferred inflows and net position	<u>\$ 33,094,300</u>	<u>\$ 75,343,773</u>	<u>\$ 108,438,073</u>

See notes to financial statements.

Charles Town Utility Board
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the year ended June 30, 2023

	Water Fund	Sewer Fund	Totals
OPERATING REVENUES			
Sales and services to customers	\$ 4,152,875	\$ 6,413,244	\$ 10,566,119
Total operating revenues	<u>4,152,875</u>	<u>6,413,244</u>	<u>10,566,119</u>
OPERATING EXPENSES			
Personal services	1,280,869	1,242,322	2,523,191
Contractual services	81,320	288,763	370,083
Administrative and general	196,394	317,550	513,944
Materials and supplies	400,459	474,696	875,155
Utilities	148,043	362,200	510,243
Maintenance	613,645	763,477	1,377,122
Technology, license fees and subscriptions	102,518	47,241	149,759
Depreciation and amortization	1,237,073	2,205,421	3,442,494
Total operating expenses	<u>4,060,321</u>	<u>5,701,670</u>	<u>9,761,991</u>
Operating income	<u>92,554</u>	<u>711,574</u>	<u>804,128</u>
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	264,970	193,657	458,627
Interest and fiscal charges	(475,845)	(653,147)	(1,128,992)
Bond issuance costs	-	(192,863)	(192,863)
Gain (loss) on disposition of assets	14,005	6,488	20,493
Rental income	441,715	-	441,715
Miscellaneous revenues	33,484	4,000	37,484
Total nonoperating revenues (expenses)	<u>278,329</u>	<u>(641,865)</u>	<u>(363,536)</u>
Income before contributed capital	370,883	69,709	440,592
CONTRIBUTED CAPITAL	<u>2,476,493</u>	<u>4,023,387</u>	<u>6,499,880</u>
Change in net position	2,847,376	4,093,096	6,940,472
Total net position at beginning of year	<u>8,568,913</u>	<u>31,774,586</u>	<u>40,343,499</u>
Total net position at end of year	<u>\$ 11,416,289</u>	<u>\$ 35,867,682</u>	<u>\$ 47,283,971</u>

See notes to financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS
For the year ended June 30, 2023

	Water Fund	Sewer Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 4,126,973	\$ 6,520,250	\$ 10,647,223
Cash paid for operation and maintenance expenses	<u>(3,036,604)</u>	<u>(3,613,806)</u>	<u>(6,650,410)</u>
Net cash provided by operations	<u>1,090,369</u>	<u>2,906,444</u>	<u>3,996,813</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and construction of capital assets	(255,794)	(3,908,335)	(4,164,129)
Proceeds from sale of capital assets	14,005	52,159	66,164
Proceeds from revenue bonds and financed purchases	-	7,256,811	7,256,811
Principal paid on revenue bonds and financed purchases	(915,802)	(1,223,039)	(2,138,841)
Interest paid on bonds and financed purchases	(398,162)	(533,929)	(932,091)
Principal paid on lease liability	(7,421)	(7,421)	(14,842)
Interest paid on lease liability	(7,549)	(7,549)	(15,098)
Bond administration fees paid	(5,193)	(51,257)	(56,450)
Bond issuance costs paid	-	(192,863)	(192,863)
Bond insurance paid	-	(77,544)	(77,544)
Advances from other government	-	24,050	24,050
Customer advance deposits (repayments) for construction	-	(99,385)	(99,385)
Decrease (increase) in restricted assets, net	(1,432,564)	(5,290,501)	(6,723,065)
Contributed capital	<u>1,307,051</u>	<u>1,208,562</u>	<u>2,515,613</u>
Net cash used in capital and related financing activities	<u>(1,701,429)</u>	<u>(2,850,241)</u>	<u>(4,551,670)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and miscellaneous non-operating income received	298,454	197,657	496,111
Rental income received	344,452	-	344,452
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>632,726</u>	<u>195,021</u>	<u>827,747</u>
Net increase in cash and cash equivalents	21,666	251,224	272,890
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,116,828</u>	<u>3,212,693</u>	<u>4,329,521</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,138,494</u>	<u>\$ 3,463,917</u>	<u>\$ 4,602,411</u>

See notes to financial statements.

Charles Town Utility Board
STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended June 30, 2023

	Water Fund	Sewer Fund	Totals
Operating income	\$ 92,554	\$ 711,574	\$ 804,128
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization expense	1,237,073	2,205,421	3,442,494
Decrease (increase) in receivables	11,683	103,677	115,360
Decrease (increase) in accrued revenues	(29,841)	(53,975)	(83,816)
Decrease (increase) in inventory	(38,338)	(414)	(38,752)
Decrease (increase) in deferred outflows	54,082	40,750	94,832
Increase (decrease) in accounts payable	(51,748)	(5,167)	(56,915)
Increase (decrease) in customer deposits	(7,743)	57,303	49,560
Increase (decrease) in accrued expenses	(5,484)	1,478	(4,006)
Increase (decrease) in collective net pension liability	584,261	602,237	1,186,498
Increase (decrease) in net OPEB liability	19,170	18,514	37,684
Increase (decrease) in deferred inflows	(775,300)	(774,954)	(1,550,254)
Net cash provided by operating activities	<u>\$ 1,090,369</u>	<u>\$ 2,906,444</u>	<u>\$ 3,996,813</u>

**SUPPLEMENTAL DISCLOSURES
OF CASH FLOW INFORMATION**

Noncash investing, capital, and financing transactions:

Construction in progress financed with accounts payable	\$ -	\$ 456,593	\$ 456,593
Utility plant contributed by developer	1,169,442	2,814,825	3,984,267
	<u>\$ 1,169,442</u>	<u>\$ 3,271,418</u>	<u>\$ 4,440,860</u>

RECONCILIATION OF CASH

Cash per statement of net position	<u>\$ 1,138,494</u>	<u>\$ 3,463,917</u>	<u>\$ 4,602,411</u>
Cash per statement of cash flows	<u>\$ 1,138,494</u>	<u>\$ 3,463,917</u>	<u>\$ 4,602,411</u>

See notes to financial statements.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 6,612 water customers and 8,477 sewer customers. During the year ended June 30, 2023, the Utility Board's water customers increased by 184 and sewer customers increased by 245.

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, 2023

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, 2023 includes deposits of \$20,341,650 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, 2023

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, 2023. At June 30, 2023, accounts receivable for the water and sewer funds were \$2,397 and \$107,183, 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, 2023 were \$380,134 and \$570,025, respectively.

Management has completed customer rate equalization for the Utility Board's total franchise territory as of January 2, 2023. Water rates are expected to increase by an average of 13% and sewer rates are expected to be revenue neutral.

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, 2023

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, 2023.

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, 2023, amounted to \$58,150 and \$48,081, 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, 2023

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 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 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, 2023:

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.

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.

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.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - NEW ACCOUNTING PRONOUNCEMENTS

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, 2023:

	Water	Sewer	Total
Petty cash	\$ 175	\$ 125	\$ 300
Operation and maintenance accounts	650,665	2,544,101	3,194,766
Security deposit accounts	102,821	211,528	314,349
Working capital reserve accounts	384,833	708,163	1,092,996
	\$ 1,138,494	\$ 3,463,917	\$ 4,602,411

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 2024-2050. 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
2024	\$ 477,625
2025	468,948
2026	465,909
2027	479,280
2028	493,585
	\$ 2,385,347

Leases receivable were calculated using a discount rate of 3.5%. Leases receivable amounted to \$6,047,331 at June 30, 2023. Collective deferred inflows related to the leases amount to \$5,438,362 at June 30, 2023. 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 \$391,055 of lease revenue and \$221,939 of interest income on leases during the year ended June 30, 2023, 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, 2022	Other Additions	Reductions	Balance at June 30, 2023
Capital Assets Not Depreciated				
Land and land rights	\$ 2,065,609	\$ -	\$ -	\$ 2,065,609
Construction in progress	1,032,379	4,144,033	(86,237)	5,090,175
Total Capital Assets Not Depreciated	3,097,988	4,144,033	(86,237)	7,155,784
Capital Assets Depreciated				
Utility plant in service	113,685,279	4,489,011	(378,259)	117,796,031
Less accumulated depreciation	(42,090,667)	(3,421,322)	378,259	(45,133,730)
Net Capital Assets Depreciated	71,594,612	1,067,689	-	72,662,301
Total Capital Assets	\$74,692,600	\$ 5,211,722	\$ (86,237)	\$ 79,818,085
Depreciation Expense	\$ 3,421,322			

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - RIGHT TO USE ASSET

Changes in right to use asset as of June 30, 2023 is as follows:

	Balance 6/30/2022	Increase	Decrease	Balance 6/30/2023
Right to use asset - office facility	\$484,082	\$ -	\$ -	\$ 484,082
Less: accumulated amortization	(66,408)	(21,172)	-	(87,580)
Total net right to use asset	\$417,674	\$ (21,172)	\$ -	\$ 396,502

Amortization expense amounted to \$21,172 for the year ended June 30, 2023.

NOTE 9 - LONG-TERM DEBT

The following is a summary of bonds payable at June 30, 2023:

Bonds Payable - Water Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2022	Additions	Payments	Balance June 30, 2023	Due Within One Year
1987B	2026	0.00%	\$ 54,424	\$ -	\$ 10,885	\$ 43,539	\$ 10,885
1988B	2028	0.00%	100,144	-	14,308	85,836	14,308
1989B	2029	0.00%	24,099	-	3,012	21,087	3,012
2002A	2039	5.80%	800,725	-	26,403	774,322	27,935
2002B	2042	0.00%	1,870,129	-	93,506	1,776,623	93,507
2010A	2031	2.00%	444,223	-	46,933	397,290	47,878
2010B	2031	2.00%	48,685	-	5,144	43,541	5,248
2016A	2046	1.60%-4.50%	6,715,000	-	180,000	6,535,000	180,000
2018A-7	2046	0.50%	776,343	-	31,568	744,775	31,726
2020A	2043	2.00%-2.25%	1,990,450	-	164,500	1,825,950	166,850
2022A	2033	.63%-1.63%	3,188,000	-	337,350	2,850,650	416,100
Total Bonds Payable			\$ 16,012,222	\$ -	\$ 913,609	15,098,613	\$ 997,449
Unamortized Premiums/ Discounts, Net						13,218	
						\$ 15,111,831	

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - LONG-TERM DEBT (continued)

Bonds Payable - Water Fund (continued)

Maturities of water bonds payable for years succeeding June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 997,449	\$ 376,358	\$ 1,373,807
2025	1,013,648	358,160	1,371,808
2026	1,020,315	343,292	1,363,607
2027	1,004,150	327,419	1,331,569
2028	935,632	309,928	1,245,560
2029-2033	3,574,289	1,280,352	4,854,641
2034-2038	2,547,550	849,496	3,397,046
2039-2043	2,726,446	454,563	3,181,009
2044-2046	1,279,134	90,433	1,369,567
	<u>\$ 15,098,613</u>	<u>\$ 4,390,001</u>	<u>\$ 19,488,614</u>

Bonds Payable - Sewer Fund

Issue	Maturity Date	Interest Rates	Balance			Balance June 30, 2023	Due Within One Year
			June 30, 2022	Additions	Payments		
1988B	2028	0.00%	\$ 53,100	\$ -	\$ 7,588	\$ 45,512	\$ 7,588
2010C	2041	0.00%	791,652	-	41,668	749,984	41,668
2010D	2041	0.00%	316,652	-	16,668	299,984	16,668
2011A	2041	0.00%	4,757,082	-	250,373	4,506,709	250,373
2013A	2044	0.50%	447,445	-	19,060	428,385	19,156
2014A	2046	0.50%	3,262,727	-	129,712	3,133,015	130,361
2016B	2046	1.50%-4.00%	3,710,000	-	50,000	3,660,000	50,000
2018A-1	2029	0.00%	76,423	-	10,917	65,506	10,917
2018A-3	2038	1.00%	565,675	-	32,768	532,907	33,097
2018A-4	2030	0.00%	97,743	-	12,612	85,131	12,612
2018A-5	2032	0.00%	365,712	-	38,496	327,216	38,496
2018A-6	2039	0.00%	1,102,728	-	66,832	1,035,896	66,832
2018B	2033	2.25%-3.50%	2,535,000	-	185,000	2,350,000	190,000
2020A	2043	2.00%-2.25%	2,244,550	-	185,500	2,059,050	188,150
2022A	2033	.63%-1.63%	1,192,000	-	137,650	1,054,350	153,900
2022B	2052	4.00%-4.375%	-	5,620,000	-	5,620,000	-
2022C	2036	4.40%-5.50%	-	1,815,000	35,000	1,780,000	65,000
Total Bonds Payable			<u>\$ 21,518,489</u>	<u>\$ 7,435,000</u>	<u>\$ 1,219,844</u>	<u>\$ 27,733,645</u>	<u>\$ 1,274,818</u>

Unamortized Premiums/
Discounts, Net

(124,969)

\$ 27,608,676

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 9 - LONG-TERM DEBT (continued)

Bonds Payable - Sewer Fund

Maturities of sewer bonds payable for years succeeding June 30, 2023, are as follows:

Year	Principal	Interest	Total
2024	\$ 1,274,818	\$ 603,946	\$ 1,878,764
2025	1,292,549	587,147	1,879,696
2026	1,309,937	571,124	1,881,061
2027	1,325,283	553,361	1,878,644
2028	1,357,237	534,282	1,891,519
2029-2033	6,684,741	2,319,368	9,004,109
2034-2038	5,132,091	1,683,425	6,815,516
2039-2043	4,382,601	1,193,445	5,576,046
2044-2048	3,124,388	675,532	3,799,920
2049-2052	1,850,000	194,493	2,044,493
	<u>\$ 27,733,645</u>	<u>\$ 8,916,123</u>	<u>\$ 36,649,768</u>

Certain of the water and sewer revenue bonds require administrative fees to be paid to the governmental issuers and/or the Municipal Bond Commission. Administrative and service fees amounted to \$5,192 and \$51,257 for the water and sewer funds, respectively, for the year ended June 30, 2023. 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, 2023.

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, 2023.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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, 2023.

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	2024			
Total financed purchases payable at June 30, 2023		\$ 2,257	\$ 3,458	\$ 5,715
Less: Current portion due in upcoming year		(2,257)	(3,458)	(5,715)
Long-term financed purchases payable at June 30, 2023 (net of current portion)		\$ -	\$ -	\$ -

Estimated minimum future water financed purchase payments as of June 30, 2023 are as follows:

Year	Principal	Interest	Total
2024	\$ 2,257	\$ 83	\$ 2,340
	\$ 2,257	\$ 83	\$ 2,340

Estimated minimum future sewer financed purchase payments as of June 30, 2023 are as follows:

Year	Principal	Interest	Total
2024	\$ 3,458	\$ 286	\$ 3,744
	\$ 3,458	\$ 286	\$ 3,744

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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 \$422,916 at June 30, 2023. The Utility Board recognized \$15,098 of interest expense during the year ended June 30, 2023.

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

Year	Principal	Interest	Total
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	18,463	12,137	30,600
2029-2033	102,642	50,358	153,000
2034-2038	122,241	30,759	153,000
2039-2042	111,847	8,004	119,851
	<u>\$ 422,916</u>	<u>\$ 155,935</u>	<u>\$ 578,851</u>

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

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023
Financed purchases payable	\$ 11,101	\$ -	\$ 5,386	\$ 5,715
Leases	437,758	-	14,842	422,916
Loan from Charles Town	499,819	-	12,816	487,003
Accrued compensated absences	110,021	-	3,790	106,231
Collective net pension liability (asset)	(1,011,874)	1,689,526	503,028	174,624
Net other post employment benefit liability (asset)	(8,922)	265,525	227,841	28,762
Total	<u>\$ 37,903</u>	<u>\$ 1,955,051</u>	<u>\$ 767,703</u>	<u>\$ 1,225,251</u>

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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:	9.00% for fiscal year 2023
Period required to vest:	5 years for Tier 1 and 10 years for Tier 2
Benefits and eligibility for distribution:	<p><u>Tier 1</u></p> <p>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.</p> <p><u>Tier 2</u></p> <p>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.</p>
Deferred retirement portion:	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed
2023	\$169,889	100%
2022	\$189,341	100%
2021	\$183,928	100%

PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

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

At June 30, 2023, the Utility Board reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to the measurement date of June 30, 2022. The Utility Board's proportion of the net pension liability was based on a projection of the Utility Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2023, the Utility Board reported the following proportion:

Amount for proportionate share of net pension liability	\$ 174,624
Percentage for proportionate share of net pension liability	0.117261%
Increase/(decrease) % from prior proportion measured	0.002005%

For the year ended June 30, 2023, the Utility Board recognized the following pension expense:

	Water	Sewer	Total
Pension expense	\$41,786	\$41,052	\$82,838

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 105,297	\$ -
Difference between expected and actual experience	66,991	-
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	4,399	6,495
Change in assumptions	114,933	424
Utility Board contributions subsequent to the measurement date	169,889	-
	\$ 461,509	\$ 6,919

The amount reported as deferred outflows of resources related to the pension plan resulting from Utility Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. 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

2024	\$ 110,969
2025	8,923
2026	(110,819)
2027	275,628
	\$ 284,701
Total	

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021, and rolled forward to June 30, 2022, 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	7.25%
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 Female 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, 2023

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, 2022, 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	5.3%	27.50%
International Equity	6.1%	27.50%
Private Equity	9.5%	10.00%
Fixed Income	2.2%	15.00%
Real Estate	6.5%	10.00%
Hedge Funds	3.8%	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 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	Current Discount Rate	1% Increase
	6.25%	7.25%	8.25%
Utility Board's proportionate share of net pension liability	\$ (1,235,606)	\$ (174,624)	\$ 733,423

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, 2023

NOTE 13 - EMPLOYEE RETIREMENT SYSTEM AND PLAN (continued)

Summary of Deferred Outflow/Inflow Balances

	Total	Water	Sewer
Difference between expected and actual experience	\$ 66,991	\$ 37,179	\$ 29,812
Net difference between projected and actual earnings on pension plan investments	105,297	53,115	52,182
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(2,096)	4,399	(6,495)
Change in assumptions	114,509	57,066	57,443
Utility Board contributions subsequent to the measurement date	169,889	85,697	84,192
	\$ 454,590	\$ 237,456	\$ 217,134

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, 2022. 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, 2023

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 \$89 million for the fiscal year ended June 30, 2022. Contributions to the OPEB plan from the Utility Board were as follows:

Year	Water	Sewer	Total
2023	\$ 11,849	\$ 11,321	\$ 23,170
2022	\$ 15,818	\$ 14,566	\$ 30,384
2021	\$ 28,215	\$ 26,505	\$ 54,720

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

At June 30, 2023, the Utility Board reported a liability of \$10,961 and \$17,801 for the water and sewer funds, respectively, for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources, and OPEB expense (offset) were determined by an actuarial valuation date as of June 30, 2021, rolled forward to June 30, 2022, which is the measurement date. The Utility Board's proportion of the net OPEB liability was based on a projection of the Utility Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2022, the Utility Board's proportionate share was 0.025842103%, which was a decrease of 0.004164762% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Utility Board recognized OPEB expense (offset) of \$(61,995) and \$(59,230) 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	\$ 30,957	\$ 60,469
Change in assumptions	18,445	73,079
Net difference between projected and actual investment earnings on OPEB plan investments	4,464	-
Difference between expected and actual experience	-	36,692
Reallocation of opt-out employer change in proportionate share	-	613
District contributions subsequent to the measurement date	23,170	-
	\$ 77,036	\$ 170,853

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

OPEB Liabilities, 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, 2024. 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>	
2024	\$ (103,699)
2025	(13,542)
2026	(10,923)
2027	<u>11,177</u>
Total	<u>\$ (116,987)</u>

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, 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 2023, decreasing by 0.50% for two years then 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 8.83% for plan year end 2023, decreasing ratably each year thereafter, until 4.25% is reached in plan year 2032.
Actuarial Cost Method	Entry age normal

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

OPEB Liabilities, 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
Asset Valuation Method	Market value
Mortality Rates	<u>Post Retirement:</u> TRRS: 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. <u>Pre Retirement:</u> TRRS: Pub-2010 General Employee Mortality Tables projected with MP-2019. PERS: Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019. Troopers A and B: Pub-2010 Public Safety Employee Mortality Tables projected with MP-2019.

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

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
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, 2023

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

OPEB Liabilities, 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. 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)	\$ 73,929	\$ 28,762	\$ (9,986)

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, 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)	\$ (16,351)	\$ 28,762	\$ 82,144

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, 2023

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

OPEB Liabilities, 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	\$ (36,692)	\$ (18,145)	\$ (18,547)
Net difference between projected and actual earnings on OPEB plan investments	4,464	2,283	2,181
Changes in proportion and differences between Utility Board contributions and proportionate share of contributions	(29,512)	(20,572)	(8,940)
Change in assumptions	(54,634)	(23,056)	(31,578)
Reallocation of opt-out employer change in proportionate share	(613)	(256)	(357)
Utility Board contributions subsequent to the measurement date	<u>23,170</u>	<u>11,849</u>	<u>11,321</u>
	<u>\$ (93,817)</u>	<u>\$ (47,897)</u>	<u>\$ (45,920)</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 \$383,840 and \$103,163 for the water and sewer departments, respectively, at June 30, 2023.

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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, 2023:

Cash and temporary investments	
Debt service and debt service reserve funds	\$ 849,071
Repair and replacement funds	1,138,304
Capacity improvement funds	8,980,023
Accrued interest	(152,128)
Total	\$ 10,815,270

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 \$10,498,692 at June 30, 2023. The Utility Board reimbursed \$99,384 of advances to customers (developers) under the agreements for the year ended June 30, 2023.

NOTE 19 - CONTRIBUTED CAPITAL

A summary of contributed capital for the year ended June 30, 2023 is as follows:

	Water	Sewer	Total
Capacity improvement fees received from customers and developers	\$1,295,971	\$1,208,563	\$2,504,534
Contributed capital received from customers, developers, and grantor agencies	1,180,522	2,814,824	3,995,346
Total	\$2,476,493	\$4,023,387	\$6,499,880

Charles Town Utility Board
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 20 - SUBSEQUENT EVENTS

The Utility Board has evaluated all subsequent events through March 12, 2024, the date the financial statements were available to be issued.

The Utility Board through the Charles Town City Council equalized water and sewer user rates by approval of a municipal ordinance on January 2, 2024. Average water rates are expected to increase 13% and average sewer rates are expected to be revenue neutral.

REQUIRED SUPPLEMENTARY INFORMATION

Charles Town Utility Board
SCHEDULES OF THE UTILITY BOARD'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY (ASSET)
June 30, 2023

Public Employees Retirement System
Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Utility Board's proportionate share of the net pension liability (%)	0.117261%	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) (\$)	\$ 174,624	\$(1,011,874)	\$ 606,914	\$ 260,340	\$ 315,120	\$ 396,145	\$ 859,464	\$ 479,022	\$ 295,926
Utility Board's covered payroll	\$ 1,887,662	\$ 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	9.25%	-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)	98.17%	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, 2023

	Public Employees Retirement System Last 10 Fiscal Years								
	<u>2023</u>	<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	\$ 234,177	\$ 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>(234,177)</u>	<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>	<u>\$ -</u>
Utility Board's covered payroll	<u>\$ 1,887,662</u>	<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>12.4%</u>	<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, 2023

Public Employees Insurance Agency

	<u>2023</u>	<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)	0.025842103%	0.030006865%	0.028943312%	0.026558014%	0.028583397%	0.018956336%	0.022773022%
Utility Board's proportionate share of the net OPEB liability (asset)	\$ 28,762	\$ (8,922)	\$ 127,840	\$ 511,370	\$ 613,238	\$ 466,134	\$ 565,528
Utility Board's covered-employee payroll	\$ 1,887,662	\$ 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-employee payroll	1.52%	-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)	93.59%	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, 2023

Public Employees Insurance Agency

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 23,170	\$ 30,384	\$ 54,720	\$ 55,761	\$ 55,081	\$ 41,772	\$ 38,936
Contributions in relation to the contractually required contribution	<u>(23,170)</u>	<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>	<u>\$ -</u>
Utility Board's covered-employee payroll	\$ 1,887,662	\$ 1,898,244	\$ 1,839,277	\$ 1,764,571	\$ 1,555,565	\$ 1,248,678	\$ 1,173,454
Contributions as a percentage of covered-employee payroll	1.23%	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 THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2023

PENSION DATA

A. Changes 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. Changes in Assumptions

The actuarial assumptions for mortality, withdrawal rates, disability 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. Net Pension Liability

The components of the net pension liability as of June 30, 2022, are as follows (in thousands):

Total Pension Liability	\$ (8,150,369)
Plan Fiduciary Net Position	8,007,329
Net Pension (Asset) Liability	\$ (143,040)
 Plan Fiduciary Net Position as a percentage of the total pension liability	98.24%

OPEB DATA

A. Subsequent Events

RHBT had significant savings with the Humana contract renewal beginning fiscal years 2022 through 2025. In addition to the Humana contract savings, RHBT experienced favorable investment returns in fiscal year 2021, resulting in an excess in the premium stabilization reserve. RHBT is passing on these savings to PEIA active employers. There will be no PAYGO billed in fiscal year 2024. The 5-year financial plan, which was passed by the Board in December 2021, originally had PAYGO to be billed at \$20M for fiscal year 2024.

For fiscal year ending June 30, 2025 financial reporting, many OPEB eligible Employers will see \$0 OPEB contributions and a \$0 OPEB liability (asset) on the GASB 75 Schedules of Employer OPEB Allocations and OPEB Amounts by Employer.

The OPEB liability (asset) is allocated to all OPEB eligible employers based on OPEB contributions. These contributions include PAYGO, Retiree Leave Conversion (Health & Life) and Non-Participating billings for a given fiscal year. For fiscal year 2024, there will be \$0 billed in PAYGO leaving only the remaining contribution types to be allocated. Many OPEB eligible Employers are billed PAYGO only. These Employers will have \$0 OPEB contributions resulting in a \$0 OPEB liability (asset) on the schedules for fiscal year 2025 (based on FY 2024 contributions), resulting in the remaining Employers that do have other types of OPEB contributions absorbing the entire OPEB liability (asset). Based off the current year schedules, approximately 413 out of the 700+ Employers have only PAYGO billings as contributions.

Charles Town Utility Board
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2023

OPEB DATA (continued)

B. Net OPEB Liability

Total OPEB Liability	\$ 1,736,270,764
Plan Fiduciary Net Position	(1,624,972,000)
Net OPEB (Asset) Liability	\$ 111,298,764

Plan Fiduciary Net Position as a percentage of the total OPEB liability	93.59%
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The total OPEB liability as of June 30, 2022 increased \$92,982 from June 30, 2021. The key factors which caused the change include:

- Decrease due to normal cost, benefit payments and interest
- Decrease due to demographic experience
- Decrease due to changes in assumptions
- Increase due to updated capped subsidy rates, per capita costs, trend rates and methods

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the **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, 2023, and the related notes to the financial statements, which collectively comprise the Utility Board's basic financial statements and have issued our report thereon dated March 12, 2024.

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 purpose 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utility Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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

March 12, 2024