



Certified Public Accountants, A.C.

**MUNICIPALITY OF CHARLES TOWN  
JEFFERSON COUNTY  
Regular Audit  
For the Year Ended June 30, 2018**

**RFP #18-133**

313 Second St.  
Marietta, OH 45750  
740.373.0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304.422.2203

104 South Sugar St.  
St. Clairsville, OH 43950  
740.695.1569

1310 Market St.,  
Suite 300  
Wheeling, WV 26003  
304.232.1358

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

[www.perrycpas.com](http://www.perrycpas.com)

**Municipality of Charles Town, West Virginia**  
**Table of Contents**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position .....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet – Governmental Funds .....	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund .....	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Coal Severance Tax Fund.....	17
Statement of Fiduciary Net Position.....	18
Statement of Changes in Fiduciary Net Position .....	19
Notes to the Financial Statements .....	20
Required Supplementary Information:	
Schedule of the Municipality's Proportionate Share of the Collective Net Pension Liability.....	60
Schedule of the Municipality's Pension Plan Contributions.....	61
Schedule of Changes in the Net Pension Liability and Related Ratios - Policemen's Pension and Relief Fund .....	62
Schedule of Contributions - Policemen's Pension and Relief Funds .....	63
Schedule of the Municipality's Proportionate Share of the Net OPEB Liability .....	64
Schedule of the Municipality's OPEB Plan Contributions .....	65
Supplementary Information:	
Combining Balance Sheet – Nonmajor Governmental Funds .....	66

**Municipality of Charles Town, West Virginia  
Table of Contents (Continued)**

<b><u>TITLE</u></b>	<b><u>PAGE</u></b>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	67
Other Information:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	68
Schedule of Prior Audit Findings.....	70



313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., Suite A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740 435 3417

## INDEPENDENT AUDITOR'S REPORT

August 27, 2019

Municipality of Charles Town  
101 East Washington Street  
Charles Town, West Virginia 25414

To the Members of Council:

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the **Municipality of Charles Town**, West Virginia (the Municipality), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the municipality's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

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### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Municipality of Charles Town, West Virginia, as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the General and Coal Severance Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, during the year ended June 30, 2018, the Municipality adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary and Other Information***

Our audit was conducted to opine on the Municipality's basic financial statements taken as a whole.

The supplementary information of the Combining Balance Sheet – Nonmajor Governmental Funds and the Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Municipality.

This information is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected the schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, these schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2019, on our consideration of the Municipality's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Municipality's internal control over financial reporting and compliance.



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

Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

The discussion and analysis of the Municipality of Charles Town's financial performance provides an overview and analysis of the Municipality's financial activities for the fiscal year ended June 30, 2018. It should be read in conjunction with the accompanying accountant's compilation report and the accompanying basic financial statements. The Charles Town Utility Board, component unit of the Municipality of Charles Town, has presented a Management's Discussion and Analysis in its separately issued financial statements.

## **FINANCIAL HIGHLIGHTS**

Net position of the governmental activities increased by \$0.8 million to \$10.4 million at June 30, 2018.

During the year, the Municipality had expenses for governmental programs that were \$4.2 million more than the \$0.3 million generated by governmental program revenues and intergovernmental aid. The remaining cost of governmental activities was financed with general revenues, which totaled \$5.4 million this year.

The governmental funds ended the year with a fund balance of \$7.8 million which is an increase of \$1.4 million from 2017.

The Municipality's Building Commission commenced design and construction of the new municipal annex facility. The facility is being financed with a \$2.1 million bond issue and internal funding.

The Municipality's implementation of a 1% sales tax as of July 1, 2016, generated \$0.9 million in both 2018 and 2017.

Other Municipality tax revenues increased \$0.1 million compared with the previous year. Expenses declined approximately \$1.0 million primarily as a result of lower grant expenditures for the City's land reclamation project. The Municipality received \$0.1 million in grant funding during 2018 compared to \$0.8 million in 2017.

The Municipality adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, in 2018. The Municipality offers postemployment health benefits through the State of West Virginia. The Net OPEB liability increased approximately \$0.3 million with the adoption of the new standard and OPEB expense for 2018 is \$30,000 less than required employer contributions to the plan. The following tables have been restated for 2017 to provide for comparability with the adoption of GASB No. 75.

## **MUNICIPALITY AS A WHOLE**

One of the most important questions asked about the Municipality's finances is, "Is the Municipality as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Municipality as a whole and about its activities in a way that helps answer this question. These statements include all governmental assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

**MUNICIPALITY AS A WHOLE (continued)**

These two statements report the Municipality's net position and changes to it. You can think of the Municipality's net position-the difference between assets and deferred outflows and liabilities and deferred inflows - as one way to measure the Municipality's financial health or financial position. Over time, increases or decreases in the Municipality's net position, is one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Municipality's property tax base, debt structure and the condition of the Municipality's infrastructure, to assess the overall health of the Municipality.

In the Statement of Net Position and the Statement of Activities, the Municipality reports the Governmental Activities and Component Units. The business-type activities are found in the Municipality's component units, the Municipality of Charles Town Building Commission and the Charles Town Utility Board. The Charles Town Utility Board issues separate financial statements.

Governmental activities - Most of the Municipality's basic services are reported here, including the police, streets, culture and recreation, social services, and general administration. Taxes, licenses and permits, fines, fees and forfeits, lottery and table gaming revenues, and general revenues finance most of these activities.

**Reporting the Municipality's Most Significant Funds**

The fund financial statements provide detailed information about the most significant funds-not the Municipality as a whole. Some funds are required to be established by State law and by bond covenants. However, the Municipality Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Municipality uses the governmental fund types.

Governmental funds -The majority of the Municipality's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year- end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Municipality's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Municipality's programs.

**The Municipality as Trustee**

The Municipality is the trustee for the policeman's pension and relief fund. The Municipality's fiduciary activities related to this pension fund are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the Municipality's other financial statements because the Municipality cannot use these assets to finance its operations. The Municipality is responsible for ensuring that the assets reported in this fund are used to provide pension benefits to eligible participants.



Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

**MUNICIPALITY AS A WHOLE (continued)**

**The Municipality as Trustee (continued)**

The Municipality's combined net position increased \$1.3 million (\$10.4 million for 2018, \$9.1 million for 2017) compared to the prior year. Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements, increased from \$3.8 million at June 30, 2017, to \$5.3 million at the end of this year. Reviewing the net position and net expenses of governmental activities provides more detail about this change. The analyses below focus on the net position and changes in net position of the Municipality's governmental activities.

Statements of Net Position  
June 30, 2018 and 2017  
(in Millions)

	Governmental Activities	
	2018	2017
Current and other assets	\$ 8.1	\$ 7.1
Capital assets	4.6	4.8
Deferred outflows of resources	0.4	0.8
Total assets and deferred outflows	\$ 13.1	\$ 12.7
Long-term liabilities	\$ 2.1	\$ 2.3
Other liabilities	0.3	0.7
Deferred inflows of resources	0.3	0.1
Total liabilities and deferred inflows	2.7	3.6
Net investment in capital assets	4.6	4.8
Restricted	0.5	0.5
Unrestricted	5.3	4.3
Total net position	10.4	9.6
Total liabilities, deferred inflows, and net position	\$ 13.1	\$ 12.7

Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

**MUNICIPALITY AS A WHOLE (continued)**

Statements of Activities  
For the years ended June 30, 2018 and 2017 (in  
Millions)

	Governmental Activities	
	2018	2017
Revenues		
Program revenues:		
Charges for services	\$ 0.2	\$ 0.2
Operating grants and contributions	0.1	0.8
Capital grants and contributions		
General revenues:		
Taxes	3.5	3.4
Licenses and permits	0.1	0.1
Fines, forfeits and confiscated property	0.3	0.8
Fees	0.1	
Table gaming Video	0.3	0.3
lottery	0.8	0.9
Other general revenues	0.3	0.2
Total revenues	5.7	6.7
Expenses		
General government	1.6	2.5
Public safety Highways	1.7	1.8
and streets	0.9	0.9
Culture and recreation/social services	0.2	0.2
Total expenses	4.4	5.4
Change in net position	\$ 1.3	\$ 1.3

Revenues for the Municipality's governmental activities decreased by 15 percent (\$1.0 million), while total expenses decreased by \$1.0 million or 19 percent. The factors driving these results include the following:

- a) The Municipality's governmental revenue sources decreased by \$1.0 million primarily because of decreases in federal funding (\$0.5 million) for the City's land reclamation project, decreases in other grant funding of \$0.2 million and decreases in law enforcement confiscated property revenue of \$0.3 million.
- b) The Municipality's governmental expenses decreased (\$1.0 million) because of limited work done on the City's land reclamation project.

Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

**MUNICIPALITY AS A WHOLE (continued)**

The cost of all governmental activities this year was \$4.5 million. As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through general revenues was \$4.2 million because some of the cost was paid by those who directly benefitted from the programs (\$0.2 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$0.1 million).

As the Municipality completed the year, the governmental funds (as presented in the balance sheet) reported a combined fund balance of \$7.8 million, which is an increase of \$1.4 million from the previous year.

**General Fund Budgetary Highlights**

Over the course of the year, the Municipality's Council made occasional revisions to the Municipality budget. These budget amendments were made to reflect anticipated funding changes in the Municipality's operations.

Even with the above-mentioned amendments, the Municipality's general fund actual revenues exceeded budgeted revenues by \$0.8 million and general fund expenditures were less than budgeted by \$0.3 million.

**CAPITAL ASSET AND DEBT AND LONG-TERM LIABILITY ADMINISTRATION (in Millions)**

Capital Assets

Capital assets of the Governmental Activities consisted of the following :

	Governmental Activities	
	2018	2017
Land	\$ 0.7	\$ 0.7
Land improvements	4.5	4.5
Buildings and improvements	2.2	2.2
Leasehold improvements	0.1	0.1
Equipment and vehicles	2.4	2.2
<b>Total</b>	<b>9.9</b>	<b>9.7</b>
Accumulated depreciation	(5.3)	(4.9)
<b>Capital assets, net of accumulated depreciation</b>	<b>\$ 4.6</b>	<b>\$ 4.8</b>

This year's major additions included

Vehicles including outfitting	\$ 0.2
<b>Total</b>	<b>\$ 0.2</b>

Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

**CAPITAL ASSET AND DEBT AND LONG-TERM LIABILITY ADMINISTRATION (in Millions)**  
**(continued)**

Capital assets of the Building Commission consisted of the following:

	Building Commission	
	2018	2017
Land	\$ 0.2	\$ 0.2
Buildings and improvements	3.7	3.6
Roads	1.0	1.0
Construction in progress	1.7	1.6
Total	6.6	6.4
Accumulated depreciation	(1.4)	(1.3)
Capital assets, net of accumulated depreciation	\$ 5.2	\$ 5.1

This year's major additions included

Building construction and improvements - Municipal Annex and Charles Washington Hall	\$ 0.2
Total	\$ 0.2

Debt and Long-Term Liabilities

The governmental activities had no fixed debt obligations at June 30, 2018 and 2017. Other long-term liabilities consisted of the following:

	2018	2017
Accrued compensated absences	\$ 0.1	\$ 0.1
Collective net pension liability	1.4	2.2
Net other post employment benefit liability	0.6	0.8
Total	\$ 2.1	\$ 3.1

Municipality of Charles Town, West Virginia  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)  
June 30, 2018

**CAPITAL ASSET AND DEBT AND LONG-TERM LIABILITY ADMINISTRATION (in Millions)**  
**(continued)**

Debt and Long-Term Liabilities (continued)

The Charles Town Building Commission fixed debt consisted of the following at June 30, 2018 and 2017:

	Building Commission	
	2018	2017
Series 1999 Lease Revenue Bonds (Roads)	\$ 0.1	\$ 0.2
Series 2015A and 2015B Lease Revenue Bonds (Charles Washington Hall)	3.6	3.6
Series 2017A Lease Revenue Bonds (Municipal Annex)	2.1	1.5
	<hr/>	<hr/>
Total	\$ 5.8	\$ 5.3
	<hr/>	<hr/>

The Building Commission received \$600,000 of bond proceeds from the 2017A issue and \$200,000 from the 2015A issue during 2018. The Charles Town Building Commission had no long-term liabilities except fixed debt.

**ECONOMIC FACTORS**

The Municipality's elected and appointed officials considered many factors when setting the fiscal- year 2018 budget and tax rates. One of those factors is the economy. The County's population has a direct impact on the Municipality's economic growth.

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

**CONTACTING THE MUNICIPALITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Municipality's finances and to show the Municipality's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City Hall 101 E. Washington Street, Charles Town, West Virginia.

Municipality of Charles Town, West Virginia  
**STATEMENT OF NET POSITION**  
June 30, 2018

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES	DISCRETELY PRESENTED COMPONENT UNITS BUILDING COMMISSION	UTILITY BOARD
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
Assets:			
Cash and cash equivalents	\$ 5,403,544	\$ 612,419	\$ 921,505
Restricted cash	572,830	899,658	4,417,078
Accounts receivable	918,110	-	253,537
Accrued revenue	69,718	-	487,144
Due from other utilities	-	-	189,601
Due from primary government/component units	68,306	27,294	-
Inventory	-	-	86,096
Investments	572,466	-	-
Prepaid expenses	5,213	-	-
Loan to Charles Town Utility Board	551,083	-	-
Development fee receivable	-	718,615	-
Capital assets not being depreciated	751,174	1,884,755	765,829
Capital assets being depreciated, net	3,810,289	3,300,051	54,908,752
Prepaid bond insurance	-	-	159,715
Total assets	<u>12,722,733</u>	<u>7,442,792</u>	<u>62,189,257</u>
Deferred outflows of resources:			
Defined benefit pension plan contributions	212,851	-	137,439
Other post employment plan contributions	52,038	-	41,772
Collective deferred outflows related to pensions	122,888	-	71,168
Unamortized amounts from refunding of debt	-	-	571,460
Total deferred outflows	<u>387,777</u>	<u>-</u>	<u>821,839</u>
Total assets and deferred outflows	<u>\$ 13,110,510</u>	<u>\$ 7,442,792</u>	<u>\$ 63,011,096</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>			
Liabilities:			
Accounts payable	\$ 69,603	\$ 35,000	\$ 166,972
Accrued expenses	144,986	-	30,005
Accrued interest	-	7,796	189,749
Advance rents received	-	5,213	-
Due to primary government/component units	27,294	53,965	14,341
Customer deposits	14,725	-	190,239
Developer bonds held	107,157	-	-
Compensated absences	123,687	-	83,626
Loan from City of Charles Town	-	-	551,083
Net other post employment benefit liability	592,054	-	466,134
Net pension liabilities	1,375,182	-	396,145
Long-term debt:			
Due within one year	-	219,717	1,906,348
Due in more than one year	-	5,597,779	37,933,517
Total liabilities	<u>2,454,688</u>	<u>5,919,470</u>	<u>41,928,159</u>
Deferred inflows of resources:			
Collective deferred inflows related to other post employment benefit plan	140,652	-	83,676
Collective deferred inflows related to pensions	173,233	-	125,538
Total deferred inflows	<u>313,885</u>	<u>-</u>	<u>209,214</u>
Total liabilities and deferred inflows	<u>2,768,573</u>	<u>5,919,470</u>	<u>42,137,373</u>
<b>NET POSITION</b>			
Net investment in capital assets	4,561,463	(721,655)	16,024,562
Restricted by debt/construction	-	899,658	3,486,400
Restricted by regulations	468,854	-	-
Unrestricted	5,311,620	1,345,319	1,362,761
Total net position	<u>10,341,937</u>	<u>1,523,322</u>	<u>20,873,723</u>
Total liabilities, deferred inflows and net position	<u>\$ 13,110,510</u>	<u>\$ 7,442,792</u>	<u>\$ 63,011,096</u>

See accompanying notes.

Municipality of Charles Town, West Virginia  
**STATEMENT OF ACTIVITIES**  
June 30, 2018

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSES) REVENUES AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	PRIMARY GOVERNMENT	DISCRETELY PRESENTED COMPONENT UNITS	
					GOVERNMENTAL ACTIVITIES	BUILDING COMMISSION	UTILITY BOARD
<b>PRIMARY GOVERNMENT</b>							
Governmental activities:							
General government	\$ 1,602,975	\$ -	\$ 95,793	\$ -	\$ (1,507,182)	\$ -	\$ -
Public safety	1,689,495	-	-	22,500	(1,666,995)	-	-
Streets and transportation	935,022	150,328	-	-	(784,694)	-	-
Culture and recreation	260,342	51,341	-	-	(209,001)	-	-
Total governmental activities	<u>\$ 4,487,834</u>	<u>\$ 201,669</u>	<u>\$ 95,793</u>	<u>\$ 22,500</u>	<u>(4,167,872)</u>	<u>-</u>	<u>-</u>
<b>DISCRETELY PRESENTED COMPONENT UNITS</b>							
Building Commission	\$ 346,644	\$ 455,020	\$ -	\$ 21,989	-	130,365	-
Utility Board	7,991,888	7,633,089	-	236,807	-	-	(121,992)
Total discretely presented component units	<u>\$ 8,338,532</u>	<u>\$ 8,088,109</u>	<u>\$ -</u>	<u>\$ 258,796</u>		<u>130,365</u>	<u>(121,992)</u>
General revenues:							
Taxes					3,520,484	-	-
Licenses and permits					134,890	-	-
Fines, forfeits and confiscated property					321,635	-	-
Fees					135,624	-	-
Interest and investment earnings					51,822	30	41,993
Table gaming					253,201	-	-
Video lottery					825,398	-	-
Reimbursements					90,581	-	-
Rentals					1	-	435,037
Miscellaneous					45,902	2,342	95,260
Total general revenues					<u>5,379,538</u>	<u>2,372</u>	<u>572,290</u>
Change in net position					1,211,666	132,737	450,298
Net position at beginning of year, as adjusted					<u>9,130,271</u>	<u>1,390,585</u>	<u>20,423,425</u>
Net position at end of year					<u>\$ 10,341,937</u>	<u>\$ 1,523,322</u>	<u>\$ 20,873,723</u>

See accompanying notes.

Municipality of Charles Town, West Virginia  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2018

	GENERAL FUND	COAL SEVERANCE FUND	CAPITAL RESERVE FUND	RESIDUAL FUND	SALES TAX FUND	BOND ESCROW FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
<b>ASSETS</b>								
Cash	\$ 2,003,069	\$ 31,640	\$ 1,330,103	\$ 253,903	\$ 1,713,987	\$ -	\$ 70,842	\$ 5,403,544
Restricted cash	-	-	-	-	-	103,976	468,854	572,830
Investments	-	-	-	572,466	-	-	-	572,466
Receivables, net of allowances:								
Taxes	634,997	4,316	-	-	218,324	-	-	857,637
Accounts	13,235	-	-	-	-	-	-	13,235
Grants	-	-	69,718	-	-	-	-	69,718
Due from other funds	4,652	-	258,365	38,448	-	3,649	-	305,114
Due from component units	14,341	-	53,965	-	-	-	-	68,306
Prepayments	5,213	-	-	-	-	-	-	5,213
Loan to Charles Town Utility Board	-	-	-	551,083	-	-	-	551,083
<b>Total assets</b>	<b>\$ 2,675,507</b>	<b>\$ 35,956</b>	<b>\$ 1,712,151</b>	<b>\$ 1,415,900</b>	<b>\$ 1,932,311</b>	<b>\$ 107,625</b>	<b>\$ 539,696</b>	<b>\$ 8,419,146</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	\$ 56,835	\$ -	\$ 5,917	\$ -	\$ 4,050	\$ -	\$ 2,801	\$ 69,603
License fees and deposits	14,725	-	-	-	-	-	-	14,725
Other accrued expenses	139,819	-	-	-	-	-	5,167	144,986
Developer bonds held	-	-	-	-	-	107,157	-	107,157
Due to other funds	290,781	-	12,110	-	-	-	2,223	305,114
Due to component units	27,294	-	-	-	-	-	-	27,294
<b>Total liabilities</b>	<b>529,454</b>	<b>-</b>	<b>18,027</b>	<b>-</b>	<b>4,050</b>	<b>107,157</b>	<b>10,191</b>	<b>668,879</b>
<b>Fund balances:</b>								
Nonspendable	5,213	-	-	-	-	-	-	5,213
Restricted	-	-	-	-	-	-	468,854	468,854
Committed	-	-	1,694,124	1,415,900	1,928,261	-	-	5,038,285
Assigned	2,140,840	35,956	-	-	-	468	64,258	2,241,522
Unassigned	-	-	-	-	-	-	(3,607)	(3,607)
<b>Total fund balances</b>	<b>2,146,053</b>	<b>35,956</b>	<b>1,694,124</b>	<b>1,415,900</b>	<b>1,928,261</b>	<b>468</b>	<b>529,505</b>	<b>7,750,267</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,675,507</b>	<b>\$ 35,956</b>	<b>\$ 1,712,151</b>	<b>\$ 1,415,900</b>	<b>\$ 1,932,311</b>	<b>\$ 107,625</b>	<b>\$ 539,696</b>	

Amounts reported for governmental activities  
in the statement of net position are different  
because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,561,463
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	47,238
Deferred inflows and outflows of resources related to pension activity are not required to be reported in the funds but are required to be reported at the government-wide level.	162,506
Deferred inflows and outflows of resources related to other post employment benefit plan activity are not required to be reported in the funds but are required to be reported at the government-wide level.	(88,614)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(2,090,923)

Net position of governmental activities. \$ 10,341,937

See accompanying notes.



Municipality of Charles Town, West Virginia  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
June 30, 2018

	GENERAL FUND	COAL SEVERANCE FUND	CAPITAL RESERVE FUND	RESIDUAL FUND	SALES TAX FUND	BOND ESCROW FUND	OTHER GOVERNMENTAL FUNDS	TOTALS
<b>REVENUES</b>								
Taxes (including interest and penalties)	\$ 2,591,573	\$ -	\$ -	\$ -	\$ 913,139	\$ -	\$ -	\$ 3,504,712
Licenses and permits	134,890	-	-	-	-	-	-	134,890
Intergovernmental:								
Federal	22,500	-	30,791	-	-	-	-	53,291
State	5,940	14,097	8,700	-	-	-	-	28,737
Grants and contributions	36,265	-	-	-	-	-	-	36,265
Charges for services	23,180	-	-	-	-	-	51,341	74,521
Fines and forfeits	316,156	-	-	-	-	-	-	316,156
Street paving fees	127,149	-	-	-	-	-	-	127,149
Franchise fees	62,699	-	-	-	-	-	-	62,699
Interest	3,508	26	4,184	8,402	3,009	104	532	19,765
Dividends	-	-	-	5,491	-	-	-	5,491
Gain (loss) on investments	-	-	-	26,566	-	-	-	26,566
Video lottery	825,398	-	-	-	-	-	-	825,398
Gaming income	253,201	-	-	-	-	-	-	253,201
Fees	69,175	-	-	-	-	-	-	69,175
Developer fees	-	-	3,750	-	-	-	-	3,750
Reimbursements	90,581	-	-	-	-	-	-	90,581
Confiscated property	-	-	-	-	-	-	5,479	5,479
Miscellaneous	21,250	-	-	-	-	-	2,060	23,310
Total revenues	<u>4,583,465</u>	<u>14,123</u>	<u>47,425</u>	<u>40,459</u>	<u>916,148</u>	<u>104</u>	<u>59,412</u>	<u>5,661,136</u>
<b>EXPENDITURES</b>								
General government	1,068,510	-	136,206	5,565	355,089	-	-	1,565,370
Public safety	1,761,978	-	178,785	-	-	-	15,046	1,955,809
Streets and transportation	699,510	-	52,608	-	-	-	-	752,118
Culture and recreation	81,874	-	22,122	-	-	-	135,442	239,438
Total expenditures	<u>3,611,872</u>	<u>-</u>	<u>389,721</u>	<u>5,565</u>	<u>355,089</u>	<u>-</u>	<u>150,488</u>	<u>4,512,735</u>
Excess (deficiency) of revenues over expenditures	<u>971,593</u>	<u>14,123</u>	<u>(342,296)</u>	<u>34,894</u>	<u>561,059</u>	<u>104</u>	<u>(91,076)</u>	<u>1,148,401</u>
Other financing sources (uses):								
Transfers from other funds	7,859	-	253,201	-	-	-	45,000	306,060
Transfers to other funds	(298,201)	-	-	-	(7,859)	-	-	(306,060)
Total other financing sources (uses)	<u>(290,342)</u>	<u>-</u>	<u>253,201</u>	<u>-</u>	<u>(7,859)</u>	<u>-</u>	<u>45,000</u>	<u>-</u>
Net change in fund balance	681,251	14,123	(89,095)	34,894	553,200	104	(46,076)	1,148,401
Fund balance at beginning of year, as adjusted	<u>1,464,802</u>	<u>21,833</u>	<u>1,783,219</u>	<u>1,381,006</u>	<u>1,375,061</u>	<u>364</u>	<u>575,581</u>	<u>6,601,866</u>
Fund balance at end of year	<u>\$ 2,146,053</u>	<u>\$ 35,956</u>	<u>\$ 1,694,124</u>	<u>\$ 1,415,900</u>	<u>\$ 1,928,261</u>	<u>\$ 468</u>	<u>\$ 529,505</u>	<u>\$ 7,750,267</u>

See accompanying notes.

Municipality of Charles Town, West Virginia  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
 June 30, 2018

Net change in fund balance - total governmental funds \$ 1,148,401

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$	192,294
Depreciation expense		<u>(420,752)</u>

Amount depreciation expense exceeded capital outlays in the current period.	(228,458)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds. Deferred revenues increased by this amount in the current period.	15,772
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Certain pension expenses in the statement of activities are recognized on the accrual basis of accounting in accordance with GASB No. 68

Amount of pension expenditures at fund modified level	298,355
Amount of pension expenses recognized at government-wide level	<u>(13,573)</u>

Amount pension expense exceeded contractual retirement payments in the current period.	284,782
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Certain other post employment benefit expense in the statement of activities is recognized on the accrual basis of accounting in accordance with GASB No. 75

Amount of other post employment benefits expenditures at fund level	52,038
Amount of other post employment benefit expense recognized at government -wide level	<u>(20,235)</u>

Amount that other post employment benefit payments exceeded other post employment benefit expense in the current period	31,803
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Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. Accrued compensated absences increased by this amount in current period.	<u>(40,634)</u>
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Change in net position of governmental activities.	<u><u>\$ 1,211,666</u></u>
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See accompanying notes.

Municipality of Charles Town, West Virginia  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -**  
**GENERAL FUND**  
For the year ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes (including interest and penalties):				
General property tax	\$ 1,099,694	\$ 1,099,694	\$ 1,125,799	\$ 26,105
Business and occupation tax	655,000	655,000	973,503	318,503
Alcoholic beverages tax	115,000	115,000	125,530	10,530
Utility services tax	190,000	190,000	270,980	80,980
Hotel/motel tax	85,000	85,000	82,950	(2,050)
Other taxes	6,400	6,400	12,811	6,411
Total taxes	2,151,094	2,151,094	2,591,573	440,479
Licenses and permits	105,000	105,000	134,890	29,890
Intergovernmental:				
Federal	15,000	15,000	22,500	7,500
State	4,125	4,125	5,940	1,815
Grants and contributions	-	-	36,265	36,265
Charges for services	25,000	25,000	23,180	(1,820)
Fines and forfeits	344,000	344,000	316,156	(27,844)
Street paving fees	100,000	100,000	127,149	27,149
Franchise fees	50,000	50,000	62,699	12,699
Interest	500	500	3,508	3,008
Video lottery	620,000	620,000	825,398	205,398
Gaming income	240,000	240,000	253,201	13,201
Fees	18,000	18,000	69,175	51,175
Reimbursements	50,000	50,000	90,581	40,581
Miscellaneous	15,000	15,000	21,250	6,250
Total revenues	3,737,719	3,737,719	4,583,465	845,746
<b>EXPENDITURES</b>				
General government	1,120,539	1,120,539	1,068,510	52,029
Public safety	1,847,470	1,847,470	1,761,978	85,492
Streets and transportation	803,096	803,096	699,510	103,586
Culture and recreation	94,614	94,614	81,874	12,740
Total expenditures	3,865,719	3,865,719	3,611,872	253,847
Excess (deficiency) of revenues over expenditures	(128,000)	(128,000)	971,593	1,099,593
Other financing sources (uses):				
Transfers from other funds	-	-	7,859	7,859
Transfers to other funds	(290,000)	(290,000)	(298,201)	(8,201)
Total other financing sources (uses)	(290,000)	(290,000)	(290,342)	(342)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(418,000)	(418,000)	681,251	1,099,251
Fund balance at beginning of year, as adjusted	418,000	418,000	1,464,802	1,046,802
Fund balance at end of year	\$ -	\$ -	\$ 2,146,053	\$ 2,146,053

See accompanying notes.

Municipality of Charles Town, West Virginia  
**STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL - COAL SEVERANCE TAX FUND**  
For the year ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
<b>REVENUES</b>				
Intergovernmental:				
State	\$ 8,000	\$ 8,000	\$ 14,097	\$ 6,097
Interest	-	-	26	26
Total revenues	<u>8,000</u>	<u>8,000</u>	<u>14,123</u>	<u>6,123</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Public Safety	-	-	-	-
Streets and Transportation	<u>21,900</u>	<u>25,367</u>	<u>-</u>	<u>25,367</u>
Total expenditures	<u>21,900</u>	<u>25,367</u>	<u>-</u>	<u>25,367</u>
Excess (deficiency) of revenues over expenditures	(13,900)	(17,367)	14,123	31,490
Fund balance at beginning of year	<u>13,900</u>	<u>17,367</u>	<u>21,833</u>	<u>4,466</u>
Fund balance at end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 35,956</u></u>	<u><u>\$ 35,956</u></u>

See accompanying notes.

Municipality of Charles Town, West Virginia  
**STATEMENT OF FIDUCIARY NET POSITION**  
June 30, 2018

	Policemen's Pension and Relief
	<u>                    </u>
 <b>ASSETS</b>	
Cash	\$ 76,450
Investments	357,431
Due from general fund	43,531
State allocation receivable	<u>13,453</u>
 Total assets	 <u><u>\$ 490,865</u></u>
 <b>LIABILITIES AND NET POSITION</b>	
 Liabilities:	 <u>\$ -</u>
 Net position:	
Restricted for pension benefits	<u>490,865</u>
 Total liabilities and net position	 <u><u>\$ 490,865</u></u>

See accompanying notes.

Municipality of Charles Town, West Virginia  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
June 30, 2018

	Policemen's Pension and Relief
	<u>                    </u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 85,506
State of West Virginia	<u>13,454</u>
Total contributions	<u>98,960</u>
Investment income:	
Realized and unrealized gains (losses)	11,203
Interest and dividends	10,145
Investment expense	<u>(4,023)</u>
Net investment income	<u>17,325</u>
Other income:	
Accident reports	<u>5,220</u>
Total other income	<u>5,220</u>
Total additions	<u>121,505</u>
<b>DEDUCTIONS</b>	
Benefits	92,708
Administrative expense	<u>921</u>
Total deductions	<u>93,629</u>
Change in net position	27,876
Net position restricted for pension benefits:	
Beginning of year	<u>462,989</u>
End of year	<u><u>\$ 490,865</u></u>

See accompanying notes.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Municipality of Charles Town, West Virginia ("Municipality") is a municipal corporation in which citizens elect the mayor at large and eight council members. The Municipality engages in a comprehensive range of services, including general government administration, public safety, administration of justice, water and sewer services, transportation, planning, community development, recreation, cultural and historic activities, and social services.

The accounting policies and the presentation of the financial report of the Municipality has been designed to conform to generally accepted accounting principles as applicable to government units, in accordance with the Governmental Accounting Standards Board (GASB).

The Municipality follows the Governmental Accounting Standards Board (GASB) Standards for financial reporting. Certain significant components of the Standards include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Municipality's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Municipality's activities.
- Fund financial statements that focus on major funds.

These financial statements present all fund types of the City and its discretely presented component units.

**Individual Component Unit Disclosure**

The criteria for including component units consists of identification of legally separate organizations for which the elected officials of the Municipality are financially accountable. This criteria also includes identification of organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the government.

The Municipality had no blended component units as of and for the year ended June 30, 2018.

The Municipality of Charles Town Building Commission and the Charles Town Utility Board are governed by boards appointed by the Municipality's Council. While legally separate from the Municipality, they are reported as part of the reporting entity under the discretely presented method because the Municipality's elected officials are financially accountable for the Municipality of Charles Town Building Commission and the Charles Town Utility Board. The Municipality Council has the power to approve, disapprove, or modify budgets and financial operations of the Building Commission and the Charles Town Utility Board. Separate financial information can be obtained from the Municipality of Charles Town Building Commission and the Charles Town Utility Board.

## **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **Parks and Recreation Fund**

The Parks and Recreation fund is not a legally separate organization but does have a separate board of directors and federal employer identification number. The fund relies on financial support from the City and daily operations are managed by City employees. The fund does not meet the criteria to be considered a component unit.

### **Related Organizations**

The Municipality's officials are also responsible for appointing the members of the boards of various organizations, but the Municipality's accountability for these organizations does not significantly extend beyond making the appointments. The Municipality is not financially accountable for the organizations to which these appointments are made.

### **Government-wide and Fund Financial Statements**

The financial statements include both government-wide (based on the Municipality as a whole) and fund financial statements. Under this reporting model, the focus is on both the Municipality as a whole and the fund financial statements, including the major funds of the governmental and business-type categories, as well as the fiduciary funds, (by fund type) and the component units. Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type, as applicable. In the government-wide Statement of Net Position, both the governmental and business-type activities columns, as applicable, (a) are presented on a consolidated basis by column, and (b) are reflected in a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (general government, public safety, highways and streets, culture and recreation, etc.) that are otherwise being supported by general government revenues (property, business and occupation taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants and contributions. The program revenues must be directly associated with the function (general government, public safety, highways and streets, culture and recreation, etc.) or a business-type activity, as applicable. Program revenues include 1) charges to customers for applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues. The Municipality does not allocate indirect expenses. The operating grants include operating - specific and discretionary (either operating or capital) grants while the capital grants column reflects capital - specific grants and contributions.

In the fund financial statements, financial transactions and accounts of the Municipality are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The fund statements are presented on a current financial resources and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile the fund financial statements to the governmental column of the government-wide financial statements.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-wide and Fund Financial Statements (continued)**

The emphasis in fund financial statements is on major funds in the governmental categories. Non-major funds by category are summarized into a single column. GASB Standards set forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental categories combined) for the determination of major funds.

Municipality management may electively add funds as major funds, when it is determined the funds have specific community or management focus. The coal severance fund has been electively added as a major fund.

The Municipality's fiduciary funds are presented in the fund financial statements by type (pension). Since, by definition, these assets are being held for the benefit of a third party (pension participants) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government - wide statements.

The following is a brief description of the specific funds used by the Municipality:

**Governmental Funds**

Governmental funds are those through which most governmental functions typically are financed. Governmental funds are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within a current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Municipality considers revenues to be available if they are collected within sixty days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**General Fund**

The general fund is the primary operating fund of the Municipality. This fund is used to account for all financial transactions and resources except those required to be accounted for in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, interest, and other income.

**Special Revenue Funds**

Special revenue funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. The special revenue funds, except for the coal severance fund, capital reserve fund, residual fund, sales tax fund, and bond escrow fund are considered non-major funds for reporting purposes. The coal severance fund is used to account for the funds received from the State of West Virginia that are derived from the coal severance tax. The capital reserve fund is used to administer the capital grant and bond and loan monies received for capital improvements. The sales tax fund is used to account for the Municipality's 1% sales tax including allowable uses of sales tax revenue. The bond escrow fund is used to administer developer bonds held. The residual fund is used for municipal stabilization purposes.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Government-wide and Fund Financial Statements (continued)**

**Fiduciary Funds**

Fiduciary funds are used to account for assets held by the Municipality in a trustee capacity for individuals, private organizations and other governments. The fiduciary fund of the Municipality is a pension trust fund. For accounting measurement purposes, the pension trust fund accounts for the assets of the Municipality's police pension plan. Fiduciary funds are not included in the government-wide financial statements.

**Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the funds statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of the governmental funds present increases (i.e. revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide statements of net position and statements of activities and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these activities are either included on the statement of net position or on the statement of activities as increases (e.g. revenues) decreases (e.g. expenses) in net position.

The statement of net position, statement of activities, and financial statements of the fiduciary funds are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized when earned, and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

When both restricted and unrestricted resources are available for use, it is the Municipality's policy to use restricted resources first, and then the unrestricted resources as needed.

**Budgets and Budgetary Accounting**

All municipalities within West Virginia are required by statute to prepare annual budgets (levy estimates) on prescribed forms and submit these for approval to the West Virginia State Auditor's office. These budgets are prepared in accordance with the following procedures:

1. The governing body of the Municipality is required to hold a meeting or meetings between the seventh and twenty-eighth days of March to ascertain the financial condition of the Municipality and to prepare the levy estimate (budget) for the fiscal year commencing July 1.
2. The budget is then forthwith submitted to the West Virginia State Auditor's office for approval.
3. The governing body then reconvenes on the third Tuesday in April to hear objections from the public and to formally lay the levy.

The annual budget for the General Fund is prepared on a basis generally consistent with U.S. generally accepted accounting principles.

Revisions are authorized only with the prior written approval of the West Virginia State Auditor's office. The budgeted amounts reflected in the accompanying financial statements represent those adopted by the Municipality's Council and approved by the West Virginia State Auditor's office.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Encumbrances**

Encumbrance accounting, under which purchase orders are issued but are not considered expenditures until liabilities for payments are incurred, is not employed as an extension of the formal budgetary process.

**Cash and Cash Equivalents**

Cash and cash equivalents of the primary government, fiduciary fund, and component units at June 30, 2018 include deposits of \$11,099,196 at six financial institutions (excludes investments and funds held at the West Virginia Municipal Bond Commission). Deposits are FDIC insured and deposits in excess of FDIC limits are 100% collateralized with securities held by the financial institutions.

**Restricted Cash**

Restricted cash of the primary government consists of the following:

Law enforcement funds held in investigation and evidence accounts whose use is limited by state law and regulation.	\$ 468,854
Developer bonds held in accordance with Municipality requirements to assure development project completion.	103,976
Total	<u>\$ 572,830</u>

Restricted cash of the Utility Board consists of the following:

Debt service funds and debt service reserve funds represent funds required by debt covenants under the various debt ordinances. These funds are to be used to pay bond interest and principal.	\$ 2,060,185
Construction funds represent funds held by banks as trustees under the bond ordinances. These funds are to be used solely for payment of costs associated with the Utility Board's ongoing construction projects.	740,929
Capacity improvement funds are established by ordinance and subject to regulatory commission oversight. The capacity improvement fund is to be kept apart from all other funds and shall be invested and reinvested in accordance with applicable regulation. Withdrawals and disbursements may be made for replacements, emergency repairs, improvements, and upgrades to the system.	1,295,223
The repair and replacement fund represents funds held by a bank under the Utility Board's bond ordinances. Withdrawals may be made for replacement and emergency repairs.	320,741
Total	<u>\$ 4,417,078</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Restricted Cash (continued)**

Restricted cash of Building Commission consists of the following:

Debt service funds and debt service reserve funds represent funds required by debt covenants under the various debt ordinances. These funds are to be used to pay bond interest and principal.	\$ 299,456
Construction funds represent funds held bank as escrow agent under 2017A Bond Ordinance. These funds are to be used solely for payment of costs associated with the Building Commission's construction of the new municipal annex facility.	600,202
Total	<u>\$ 899,658</u>

**Investment Securities - Policemen's Pension and Relief Fund and Residual Fund**

Investments are carried at fair value. Realized gains and losses on sales of securities are recognized based on the cost of specified securities sold and are included in revenue. Fair values are determined by quoted market prices. Changes in fair values are included in the determination of changes in net position.

**Market Risks - Policemen's Pension and Relief Fund and Residual Fund**

Investments are exposed to various risks, such as interest rate, market, currency and credit risks. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would affect investment assets reported in the financial statements.

**Accounts Receivable**

**Primary Government**

The Municipality uses the reserve method of providing for possible losses in the collection of its accounts receivable. Management believes all accounts are materially collectible and the allowance of \$15,000 is adequate at June 30, 2018.

**Utility Board**

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. At June 30, 2018, accounts receivable amounted to \$253,537 net of allowance of doubtful accounts. Revenue accrued but not billed amounted to \$487,144 at June 30, 2018.

**Building Commission**

The Building Commission's management considers all accounts receivable to be collectible. Accounts receivable from the primary government amounted to \$27,294 at June 30, 2018.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Inventories**

Primary Government

The Municipality considers inventories of materials and supplies utilized in governmental fund type operations as expended at the time of purchase. Therefore, they do not appear in the Municipality's financial statements.

Utility Board

Inventories consist of expendable supplies and are accounted for on a first-in first-out basis. Inventories approximate fair market value at June 30, 2018.

**Capital Assets**

Capital outlays are recorded as expenditures of the general and special revenue funds and as assets in the government-wide financial statements including the component units. The capitalization threshold is \$5,000. Depreciation is recorded using the straight-line method and the following estimated useful lives:

Primary Government

Buildings	25-50 years
Improvements	10-20 years
Equipment	3-10 years

Utility Board

Utility Plant	5-50 years
---------------	------------

Building Commission

Buildings	40 years
Improvements	40 years
Roads	20 years

All assets are valued at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at their estimated fair market value on the date donated.

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 is capitalized on qualifying construction in process. For assets acquired with tax-exempt debt, the amount of capitalized interest equals the difference between the interest cost associated with the tax-exempt borrowing used to finance the project and the interest earned from temporary investment of the debt proceeds. Capitalized interest is recorded as a component of the asset cost. The Utility Board capitalized \$152,769 of interest during the year ended June 30, 2018. The Building Commission capitalized \$58,237 of interest during the year ended June 30, 2018.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Bond Issue Costs**

Bond issue costs are expensed as incurred except for those costs related to prepaid insurance.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of net position and or balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred amounts resulting from advance refunding of debt and elements of the Municipality's defined benefit pension plans and other post employment benefit plan qualifies for reporting in this category.

In addition to liabilities, the statements of net position and or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Elements of the Municipality's defined benefit pension plans and other post employment benefit plans qualify for reporting in this category.

**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.

**Compensated Absences**

Employees are permitted to accumulate earned but unused vacation benefits. The liability related to compensated absences is fully recognized in the government-wide financial statements without modification.

**Interfund Charges**

All interfund services provided and used are reported as due to/due from asset and liability accounts.

**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.

**Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

**Nonexchange Transactions**

GASS Standards establish accounting and reporting guidelines for government entities that gives (or receives) value without directly receiving (or giving) equal value in return is followed. Voluntary nonexchange transactions from developer and customer donations of cash, property, lines and improvements are received. In addition, various capital grants are received from federal and state agencies. These donations are considered capital contributions in the government-wide financial statements.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Customer Utility Deposits**

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

**Fund Balances**

In accordance with GASB Standards, the Municipality classifies governmental fund balances within the following categories: Nonspendable fund balance, which includes amounts that cannot be spent because it is not in spendable form; restricted fund balance, which includes amounts constrained for specific purposes that are externally imposed by the resource providers; committed fund balance, which includes amounts constrained for specific purposes that are internally imposed through formal action of the City Council; assigned fund balance, which includes amounts intended to be used for specific purposes that are neither restricted or committed, however, assigned by non-formal action of City Council or finance department; and unassigned fund balance, which is the residual classification for amounts in the general fund that have not been classified within the other categories and special revenue funds with deficit fund balances.

**Net Position**

Net Position is classified as follows:

Net investment in capital assets - This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted net position - This amount is net position that does not meet the definition of "net investment in capital assets" or "restricted net position."

**Pension**

For purposes of measuring the net pension liability and deferred outflows/inflows of the resources related to the pension, and pension expense, information about the fiduciary net position of the Municipality's Public Employee Retirement System (PERS) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefits Trust (RHBT) and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by the RHBT. RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Change in Accounting Principle**

Effective July 1, 2017, the Municipality adopted the Governmental Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The objective of the requirements of this statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

**NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations. This statement establishes criteria for determining the timing and pattern for recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. Statement 83 will be effective for the fiscal year ending June 30, 2019.

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, requires additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit, assets pledged as collateral for the debt; and terms specified in debt agreements related significant events of default with finance-related consequences. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. Statement 88 will be effective for fiscal year ending June 30, 2019.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, is designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. Statement 89 will be effective for fiscal year ending Jun 30, 2021.

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



Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS (continued)**

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

**NOTE 3: PROPERTY TAXES**

The taxes on real property and the interest and other charges upon such taxes attach as an enforceable lien on the first day of July. There is no lien denominated as such on personal property. However, statutes provide that the sheriff of a county may distrain for delinquent taxes any goods and chattels belonging to a person assessed. All current taxes assessed on real and personal property may be paid in two installments: the first installment is payable on September first of the year for which the assessment is made and becomes delinquent on October first; the second installment is payable on the first day of the following March and becomes delinquent on April first. Taxes paid on or before the date when they are due, including both first and second installments, are subject to a discount of two and one-half percent. If taxes are not paid on or before the date on which they become delinquent, including both first and second installments, interest at the rate of nine percent per annum is added from the date they become delinquent until paid.

All municipalities within the state are authorized to levy taxes not in excess of the maximum levies per \$100 of assessed valuation. In addition, municipalities may provide for an election to lay an excess levy, the rates not to exceed fifty percent of such authorized maximum levies, provided that at least sixty percent of the voters cast ballots in favor of the excess levy.

The rates levied by the Municipality per \$100 of

Class of Property	Assessed Valuations For Tax Purposes	Current Expense
Class I	\$ -	11.68¢
Class II	\$ 208,029,000	23.36¢
Class IV	\$ 146,099,517	46.72¢

**NOTE 4: CASH**

Unrestricted cash and cash equivalents at June 30, 2018 were as follows:

	Primary Government	Utility Board	Building Commission
Cash in checking and savings accounts	\$ 5,402,194	\$ 921,355	\$ 612,419
Cash on hand	1,350	150	-
Total cash and cash equivalents	<u>\$ 5,403,544</u>	<u>\$ 921,505</u>	<u>\$ 612,419</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 5: INVESTMENTS - POLICEMEN'S PENSION AND RELIEF FUND AND RESIDUAL FUND**

The Municipality uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the assets or liabilities.

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (that is, the inputs are supported by little or no market activity).

- A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

**Policemen's Pension and Relief Fund**

The Plan's investments are as follows at June 30, 2018:

	Fair Value	Cost	Appreciation (Depreciation)	Hierarchy
Stocks and bonds	\$ 357,431	\$ 310,324	\$ 47,107	Level 1

The components of investment income for the year ended June 30, 2018 are as follows:

Interest and dividends	\$ 10,145
Realized and unrealized gain (loss)	11,203
Investment expense	(4,023)
	<hr/>
Net investment income	\$ 17,325

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 5: INVESTMENTS - POLICEMEN'S PENSION AND RELIEF FUND AND RESIDUAL FUND (continued)**

**Residual Fund**

The Plan's investments are as follows at June 30, 2018:

	Fair Value	Cost	Appreciation (Depreciation)	Hierarchy
Stocks, bonds, core account	\$ 572,466	\$ 504,319	\$ 68,147	Level 1

The components of investment income for the year ended June 30, 2018 are as follows:

Interest and dividends	\$ 13,893
Realized and unrealized gain (loss)	26,566
Investment expenses	(5,565)
	<hr/>
Net investment income	\$ 34,894

**NOTE 6: INTERNAL BALANCES AND INTERFUND TRANSFERS**

The composition of internal balances as of June 30, 2018 is as follows:

Governmental funds/component units:

Receivable Fund/CU	Payable Fund/CU	Amount	Nature
General Fund	CT Utility Board	\$ 14,341	Utility tax and repaving fees
Residual Fund	CT Utility Board	551,083	Loan (loan to CT Utility Board)
Capital Reserve Fund	General Fund	258,365	Table gaming revenue (due to/from)
CT Building Commission	General Fund	20,594	Lease revenues (accounts receivable)
CT Building Commission	General Fund	6,700	Charles Washington Hall rental income
Residual Fund	General Fund	25,632	CT Utility Board loan repayment (due to/from)
Bond Escrow Fund	General Fund	3,649	Expense reimbursement (due to/from)
Capital Reserve Fund	CT Building Commission	53,965	Municipal Annex construction cost reimbursement
Residual Fund	Capital Reserve	12,816	Misposted deposit (due to/from)
General Fund	Parks & Recreation Fund	1,517	Expense reimbursement (due to/from)
General Fund	Capital Reserve	3,135	Expense reimbursement (due to/from)
		<hr/>	
		\$ 951,797	

These balances represent timing differences due to routine transfers. Internal receivables and payables and are expected to be paid by year end except for the Charles Town Utility Board to Residual Fund, which represents financing of water and sewer assets.

The Residual Fund advanced the Utility Board \$640,795 to finance certain construction projects. The advance bears no interest and is generally being repaid over a 50 year term. For the year ended June 30, 2018, \$12,816 has been repaid.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 6: INTERNAL BALANCES AND INTERFUND TRANSFERS (continued)**

Interfund transfers and transactions for the year ended June 30, 2018, consisted of the following:

Transfer to (Fund)	Transfer from (Fund)	Amount	Nature
Capital Reserve Fund	General Fund	\$ 253,201	Table gaming revenue transfers
General Fund	Sales Tax Fund	7,859	Expense reimbursements
Parks and Recreation Fund	General Fund	45,000	Hotel and motel tax revenue contributions
		<u>\$ 306,060</u>	

**NOTE 7: CHANGES IN CAPITAL ASSETS**

The following is a summary of the changes in capital assets of governmental activities during the year:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 727,062	\$ -	\$ -	\$ 727,062
Construction in progress	24,112	-	-	24,112
	<u>751,174</u>	<u>-</u>	<u>-</u>	<u>751,174</u>
Total capital assets not being depreciated				
	<u>751,174</u>	<u>-</u>	<u>-</u>	<u>751,174</u>
Capital assets being depreciated:				
Buildings and improvements	2,223,108	-	-	2,223,108
Leasehold improvements	85,263	-	-	85,263
Land improvements	4,462,032	-	-	4,462,032
Equipment	1,246,385	-	-	1,246,385
Vehicles	900,458	192,294	-	1,092,752
	<u>8,917,246</u>	<u>192,294</u>	<u>-</u>	<u>9,109,540</u>
Total				
	<u>8,917,246</u>	<u>192,294</u>	<u>-</u>	<u>9,109,540</u>
Less accumulated depreciation	(4,878,498)	(420,753)	-	(5,299,251)
	<u>(4,878,498)</u>	<u>(420,753)</u>	<u>-</u>	<u>(5,299,251)</u>
Total capital assets being depreciated, net				
	<u>4,038,748</u>	<u>(228,459)</u>	<u>-</u>	<u>3,810,289</u>
Governmental activities capital assets, net	\$ 4,789,922	\$ (228,459)	\$ -	\$ 4,561,463
	<u>\$ 4,789,922</u>	<u>\$ (228,459)</u>	<u>\$ -</u>	<u>\$ 4,561,463</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 7: CHANGES IN CAPITAL ASSETS (continued)**

Depreciation was charged to functions as follows:

Governmental activities:

General government	\$ 53,367
Public safety	100,556
Highways and streets	245,926
Culture and recreation	20,904
	<u>                    </u>
Total government activities depreciation expense	<u>\$ 420,753</u>

The following is a summary of the changes in capital assets of the Utility Board during the year:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018
Capital Assets Not Depreciated				
Land and land rights	\$ 525,800	\$ -	\$ -	\$ 525,800
Construction in progress	8,703,872	2,307,675	10,771,518	240,029
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Capital Assets Not Depreciated	9,229,672	2,307,675	10,771,518	765,829
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Capital Assets Depreciated				
Utility plant in service	69,963,553	10,771,518	(1,290,821)	79,444,250
Less accumulated depreciation	(23,797,774)	(2,028,545)	1,290,821	(24,535,498)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net Capital Assets Depreciated	46,165,779	8,742,973	-	54,908,752
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Capital Assets	\$ 55,395,451	\$ 11,050,648	\$ 10,771,518	\$ 55,674,581
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Depreciation Expense	<u>\$ 2,028,545</u>			

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 7: CHANGES IN CAPITAL ASSETS (continued)**

The following is a summary of changes in capital assets of the Building Commission during the year:

	Balance at June 30, 2017	Additions	Reductions	Balance at June 30, 2018
Capital assets not being depreciated:				
Land	\$ 196,845	\$ 18,750	\$ -	\$ 215,595
Construction in progress	1,582,198	86,962	-	1,669,160
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets not being depreciated	1,779,043	105,712	-	1,884,755
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets being depreciated:				
Buildings and improvements	3,635,927	93,431	-	3,729,358
Roads and improvements	979,119	-	-	979,119
Land improvements	22,457	-	-	22,457
Equipment and furnishings	2,175	-	-	2,175
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated	4,639,678	93,431	-	4,733,109
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation	(1,276,699)	(156,359)	-	(1,433,058)
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets being depreciated, net	3,362,979	(62,928)	-	3,300,051
	<hr/>	<hr/>	<hr/>	<hr/>
Building Commission capital assets, net	\$ 5,142,022	\$ 42,784	\$ -	\$ 5,184,806
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation expense	\$ 156,359			
	<hr/>			

**NOTE 8: PERFORMANCE BONDS**

Bond Escrow Fund

The Municipality periodically holds developer performance bonds based on Municipality requirements. The performance bonds are refunded to the developers based on satisfactory completion of related developer project construction.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES**

**Primary Government - Governmental Activities**

**Governmental Activities Changes in Long-Term Liabilities**

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Accrued compensated absences	\$ 83,053	\$ 40,634	\$ -	\$ 123,687
Collective net pension liability	2,158,280	224,628	1,007,726	1,375,182
Net other post employment benefit liability	761,925	20,235	190,106	592,054
	<u>\$ 3,003,258</u>	<u>\$ 285,497</u>	<u>\$ 1,197,832</u>	<u>\$ 2,090,923</u>

**Charles Town Building Commission (Component Unit)**

**Series 1999 Lease Revenue Bond**

Series 1999 Lease Revenue Bond in the original amount of \$1,070,000 with an outstanding balance of \$175,217 at June 30, 2018. The bond bears interest at 6.0% to 6.5% and matures June 2019.

Scheduled maturities of the bond for years succeeding June 30, 2018 are as follows:

Year	Principal	Interest	Total
2019	\$ 95,328	\$ 4,672	\$ 100,000

Bond debt service is payable solely from lease rental payments pursuant to an agreement and lease between the Building Commission and the City. Lease rentals are subject to annual appropriation by the City. The bonds are secured by a lease assignment made to the bondholder by the Building Commission.

**Series 2015A and Series 2015B Lease Revenue Bonds**

The Series 2015A and Series 2015B Lease Revenue Bonds were issued to the United States Department of Agriculture (USDA) on March 4, 2015 in the aggregate amount of \$3,893,950 to finance improvements and renovations to Charles Washington Hall. Bond proceeds are advanced by the USDA based on amounts requisitioned by the Building Commission. The term of the bonds is for 36 years at 3.75% interest per annum. Interest only is payable annually for the first year of the term and monthly interest and principal payments are required thereafter. The 2015 Series A Lease Revenue Bonds were issued for \$2,999,950 and had an outstanding balance of \$2,776,920 at June 30, 2018. The 2015 Series B Lease Revenue Bonds were issued for \$894,000 and had an outstanding balance of \$858,706 at June 30, 2018. Monthly interest and principal payments are \$12,840 for the 2015 Series A Bonds and \$3,827 for the Series B Bonds. The bonds are secured by a Credit Line Leasehold Deed of Trust, Security Agreement and a lease assignment made to the bondholder by the Building Commission.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES (continued)**

**Charles Town Building Commission (Component Unit) (continued)**

Scheduled maturities of the bonds for years succeeding June 30, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 64,773	\$ 135,231	\$ 200,004
2020	67,246	132,758	200,004
2021	69,810	130,194	200,004
2022	72,474	127,530	200,004
2023	75,239	124,765	200,004
2024-2028	421,505	578,515	1,000,020
2029-2033	508,283	491,737	1,000,020
2034-2038	612,927	387,093	1,000,020
2039-2043	739,115	260,905	1,000,020
2044-2048	891,283	108,737	1,000,020
2049-2051	112,971	4,479	117,450
	<u>\$ 3,635,626</u>	<u>\$ 2,481,944</u>	<u>\$ 6,117,570</u>

**Series 2017A Lease Revenue Bonds**

The Series 2017A Lease Revenue Bonds were issued to a financial institution on May 30, 2017, in the aggregate amount of \$2,100,000 to purchase land and finance the construction of a municipal annex at 661 South George Street. Bond proceeds are advanced by the financial institution based on amounts requisitioned by the Charles Town Building Commission. The term of the bonds is for 25 years at 3.16% interest per annum. Interest only is payable for the first 9 months of the term and monthly interest and principal payments of \$10,391 are required thereafter. The outstanding balance of the bonds was \$2,086,542 at June 30, 2018. The bonds are secured by a credit line deed of trust and a lease assignment made to the bondholder by the Building Commission.

Scheduled maturities of the bonds for the years succeeding June 30, 2018 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 59,616	\$ 65,076	\$ 124,692
2020	61,527	63,165	124,692
2021	63,500	61,192	124,692
2022	65,535	59,157	124,692
2023	67,637	57,055	124,692
2024-2028	372,136	251,323	623,459
2029-2033	435,743	187,716	623,459
2034-2038	510,221	113,238	623,459
2039-2042	450,627	28,507	479,134
	<u>\$ 2,086,542</u>	<u>\$ 886,429</u>	<u>\$ 2,972,971</u>



Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES (continued)**

**Charles Town Building Commission (Component Unit) (continued)**

Changes in Long-Term Liabilities

Charles Town Building Commission changes in long-term debt for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
1999 Bond	\$ 175,216	\$	\$ 79,888	\$ 95,328	\$ 95,328
2015A Bond	2,764,052	160,923	148,055	2,776,920	50,813
2015B Bond	872,152		13,446	858,706	13,960
2017A Bond	1,500,000	600,000	13,458	2,086,542	59,616
Total	<u>\$ 5,311,420</u>	<u>\$ 760,923</u>	<u>\$ 254,847</u>	<u>\$ 5,817,496</u>	<u>\$ 219,717</u>

**Utility Board (Component Unit)**

Bonds Payable - Water Fund

Issue	Maturity Date	Interest Rates	Balance June 30, 2017	Additions	Payments	Balance June 30, 2018	Due Within One Year
1987B	2026	0.00%	\$ 108,850	\$ -	\$ 10,885	\$ 97,965	\$ 10,885
1988B	2028	0.00%	171,684	-	14,308	157,376	14,308
1989B	2029	0.00%	39,160	-	3,012	36,148	3,012
2002A	2039	5.80%	912,554	-	19,917	892,637	21,073
2002B	2042	0.00%	2,337,662	-	93,506	2,244,156	93,507
2010A	2031	2.00%	665,343	-	42,478	622,865	43,332
2010B	2031	2.00%	72,917	-	4,656	68,261	4,748
2013B	2043	4.70%	1,067,800	-	22,800	1,045,000	22,800
2014C	2033	2.50%-4.75%	755,000	-	35,000	720,000	35,000
2014E	2026	1.50%-3.40%	1,155,000	-	115,000	1,040,000	120,000
2015A	2030	1.50%-3.50%	1,650,600	-	85,050	1,565,550	88,200
2015B	2029	1.50%-4.00%	3,288,600	-	259,200	3,029,400	267,300
2016A	2046	1.60%-4.50%	7,555,000	-	160,000	7,395,000	165,000
Total Bonds Payable			<u>\$ 19,780,170</u>	<u>\$ -</u>	<u>\$ 865,812</u>	18,914,358	<u>\$ 889,165</u>

Unamortized Premiums/  
Discounts, Net

49,701

\$ 18,964,059

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES (continued)**

**Utility Board (Component Unit) (continued)**

Maturities of water bonds payable for years succeeding June 30, 2018, are as follows :

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 889,165	\$ 563,725	\$ 1,452,890
2020	905,407	547,115	1,452,522
2021	921,789	529,969	1,451,758
2022	933,217	511,190	1,444,407
2023	964,792	489,364	1,454,156
2024-2028	4,729,468	2,037,382	6,766,850
2029-2033	3,322,812	1,409,221	4,732,033
2034-2038	2,428,063	910,379	3,338,442
2039-2043	2,551,244	476,484	3,027,728
2044-2046	1,268,401	89,900	1,358,301
	<u>\$ 18,914,358</u>	<u>\$ 7,564,729</u>	<u>\$ 26,479,087</u>

**Bonds Payable - Sewer Fund**

<u>Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
1988B	2028	0.00%	\$ 91,040	\$ -	\$ 7,588	\$ 83,452	\$ 7,588
1998 Design	2019	2.00%	58,383	-	25,625	32,758	26,141
2000A	2021	2.00%	825,668	-	177,130	648,538	180,699
2010C	2041	0.00%	999,992	-	41,668	958,324	41,668
2010D	2041	0.00%	399,992	-	16,668	383,324	16,668
2011A	2041	0.00%	6,008,947	-	250,373	5,758,574	250,373
2013A	2044	0.50%	541,331	-	18,590	522,741	18,684
2013B	2043	4.70%	1,742,200	-	37,200	1,705,000	37,200
2014A	2046	0.50%	3,901,648	-	126,510	3,775,138	127,145
2014D	2028	3.00%-5.00%	1,225,000	-	90,000	1,135,000	95,000
2015A	2030	1.50%-3.50%	969,400	-	49,950	919,450	51,800
2015B	2030	1.50%-4.00%	771,400	-	60,800	710,600	62,700
2016B	2046	1.50%-4.00%	3,895,000	-	-	3,895,000	-
Total Bonds Payable			<u>\$ 21,430,001</u>	<u>\$ -</u>	<u>\$ 902,102</u>	<u>\$ 20,527,899</u>	<u>\$ 915,666</u>

Unamortized Premiums/ Discounts, Net	<u>104,765</u>
	<u>\$ 20,632,664</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES (continued)**

**Utility Board (Component Unit) (continued)**

Maturities of sewer bonds payable for years succeeding June 30, 2018, are as follows:

Year	Principal	Interest	Total
2019	\$ 915,665	\$ 400,190	\$ 1,315,855
2020	926,458	385,942	1,312,400
2021	940,194	372,750	1,312,944
2022	954,272	350,641	1,304,913
2023	790,469	328,149	1,118,618
2024-2028	4,148,197	1,430,234	5,578,431
2029-2033	3,752,565	1,060,593	4,813,158
2034-2038	3,597,404	753,721	4,351,125
2039-2043	3,266,685	394,083	3,660,768
2044-2046	1,235,990	53,399	1,289,389
	\$ 20,527,899	\$ 5,529,702	\$ 26,057,601

Interest in the above schedule includes administrative fees payable to the West Virginia State Revolving Fund program.

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, 2018.

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, 2018.

**Notes Payable Bank - Sewer Fund**

Loan from a bank in the original amount of \$71,000; monthly installments of principal and interest of \$515 including interest at 6.15% until 2020; secured by deed of trust. \$ 7,850

Scheduled maturities of the note for the years succeeding June 30, 2018 are estimated as follows:

Year	Principal	Interest	Total
2019	\$ 5,858	\$ 319	\$ 6,177
2020	1,992	25	2,017
	\$ 7,850	\$ 344	\$ 8,194

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENT (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES (continued)**

**Utility Board (Component Unit) (continued)**

Water and Sewer Fund Capital Leases

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

The lease obligations are secured by the leased equipment and/or improvements. Depreciation of assets under capital lease is included in depreciation expense for the year ended June 30, 2018.

<u>Leased Equipment</u>	<u>Expiration</u>	<u>Water Fund</u> <u>Remaining Minimum</u> (net of interest) <u>Lease Payments</u>
Various utility improvements, equipment, and vehicles	2019-2022	
Total capital leases payable at June 30, 2018		\$ 235,292
Less: Current portion due in upcoming year		<u>(95,659)</u>
Long-term capital leases payable at June 30, 2018 (net of current portion)		<u>\$ 139,633</u>

Estimated minimum future lease payments under the capital leases as of June 30, 2018 are as follows:

**Water**

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 95,659	\$ 8,154	\$ 103,813
2020	57,906	5,089	62,995
2021	40,037	3,374	43,411
2022	41,690	1,721	43,411
	<u>\$ 235,292</u>	<u>\$ 18,338</u>	<u>\$ 253,630</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 9: LONG-TERM LIABILITIES (continued)**

**Utility Board (Component Unit) (continued)**

**Utility Board Changes in Long-Term Liabilities other than Bonds**

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Note payable	\$ 13,356	\$ -	\$ 5,506	\$ 7,850
Capital leases payable	299,994	115,590	180,292	235,292
Loan from Charles Town	563,899	-	12,816	551,083
Accrued compensated absences	75,610	8,016	-	83,626
Collective net pension liability	859,464	260,637	723,956	396,145
Net other post employment benefit liability	565,528	23,218	122,612	466,134
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 2,377,851	\$ 407,461	\$ 1,045,182	\$ 1,740,130
	<hr/>	<hr/>	<hr/>	<hr/>

**NOTE 10: OPERATING LEASE AGREEMENTS**

**Operating Leases**

**Municipality of Charles Town (Lessor) and Charles Town Building Commission (Lessee)**

The Municipality and the Building Commission entered into a 20 year lease agreement dated July 27, 1999, whereby the Municipality leased certain of its roads and streets including improvements thereon to the Building Commission. No rentals are payable under the agreement and the Municipality retains responsibility for all taxes and insurance regarding the leased property.

**Charles Town Building Commission (Lessor) and Municipality of Charles Town (Lessee)**

The Municipality and the Building Commission entered into an Agreement and Lease dated July 27, 1999, whereby the Municipality leases from the Building Commission certain improved roads and streets in consideration for the issuance by the Building Commission of Lease Revenue Bonds, Series 1999.

The lease term is for a 20 year period ending July 30, 2019. The Municipality has pledged to pay lease rentals to the Building Commission consisting of amounts received by the Municipality as municipal service fees for street improvements as established by City ordinance. The Municipality is required to pay sufficient lease rentals to accumulated sums necessary to promptly pay principal and interest due on the Building Commission's Lease Revenue Bonds, Series 1999. The Municipality is responsible for all operation and maintenance costs associated with the leased property.

The Municipality and the Building Commission entered into a lease agreement dated March 2, 2015, whereby the Municipality leases from the Building Commission the Charles Washington Hall facilities. The lease is for a 36 year term reflecting the same term as the bond financing used to fund the Charles Washington Hall improvements and renovation. The Municipality is required to pay sufficient lease rentals to accumulate sums necessary to promptly pay principal and interest due on the Building Commission's Series 2015A and Series 2015B Lease Revenue Bonds. The lease is a net lease therefore the Municipality is responsible for all operation and maintenance costs associated with the leased property.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 10: OPERATING LEASE AGREEMENTS (continued)**

**Operating Leases (continued)**

**Charles Town Building Commission (Lessor) and Municipality of Charles Town (Lessee)  
(continued)**

The Municipality and the Building Commission entered into a lease agreement dated May 30, 2017, whereby the Municipality leases from the Building Commission the Municipal Annex Facilities (Construction in Progress at June 30, 2018). The lease is for a 25 year term reflecting the same term as the bond financing used to fund the Municipal Annex land purchase and building construction. The Municipality is required to pay sufficient rentals to accumulate sums necessary to promptly pay principal and interest due on the Building Commission's Series 2017A Lease Revenue Bonds. The lease is a net lease therefore the Municipality is responsible for all operation and maintenance costs associated with the leased property.

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM AND PLAN**

***Plan Description, Contribution Information, and Funding Policies***

The Municipality participates in the West Virginia Public Employees Retirement System (PERS), a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of Municipality 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](http://www.wvretirement.com).

The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate:	All Municipality full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions:	State Statute
Tier 1 Plan member's contribution rate:	4.50% (Employees hired before July 1, 2015)
Tier 2 Plan member's contribution rate:	6.00% (Employees hired after July 1, 2015)
Municipality's contribution rate:	11.00% for fiscal year 2018
Period required to vest:	5 years for Tier 1 and 10 years for Tier 2

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM AND PLAN (continued)**

***Plan Description, Contribution Information, and Funding Policies (continued)***

Benefits and eligibility for distribution:

Tier 1

A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit.

Tier 2

Qualification for normal retirement is age 62 with 10 years of service or at least age 55 plus service years equal to 80 or greater. The final average salary is the average of the five consecutive highest annual earnings years out of the last fifteen years. The final average salary times the years of service times 2% equals the annual retirement benefit.

Deferred retirement portion: No

Provisions for:  
Cost of living No  
Death benefits Yes

***Trend Information***

Fiscal Year	Annual Pension Cost	Percentage Contributed
2018	\$212,851	100%
2017	\$200,531	100%
2016	\$243,364	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, 2018, the Municipality reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Municipality's proportion of the net pension liability was based on a projection of the Municipality's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM AND PLAN (continued)**

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

At June 30, 2018, the Municipality reported the following proportion increase/(decrease) from its proportion measured as of June 30, 2017:

Amount for proportionate share of net pension liability	\$582,885
Percentage for proportionate share of net pension liability	.135038%
Increase/(decrease) % from prior proportion measured	.004217%

For the year ended June 30, 2018, the Municipality recognized \$152,528 of pension expense.

The Municipality 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
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments	\$	\$ 141,709
Difference between expected and actual experience	51,872	1,290
Changes in assumptions		30,234
Changes in proportion and differences between Municipality contributions and proportionate share of contributions	51,361	
Municipality contributions subsequent to the measurement date	212,851	
	\$ 316,084	\$ 173,233

The amount reported as deferred outflows of resources related to the pension plan resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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

2019	\$ (27,997)
2020	73,353
2021	5,898
2022	(121,254)
Total	\$ (70,000)



Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM AND PLAN (continued)**

***Actuarial Assumptions***

The total pension liability was determined by an actuarial valuation as of July 1, 2016, and rolled forward to June 30, 2017, which is the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Individual entry age normal cost with level percentage of payroll
Asset Valuation Method	Fair value
Amortization Method	Level dollar, fixed period
Amortization Period	Through fiscal year 2035
Actuarial Assumptions:	
Investment Rate of Return	7.50%
Projected Salary Increases:	
PERS:	
State	3.0-4.6%%
Nonstate	3.35-6%%
Inflation Rate	3.00%
Discount Rate	7.50%
Mortality Rates	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males 110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational
Withdrawal Rates:	
State	1.75-35.10%%
Nonstate	2-35.88%%
Disability Rates	0.007-.675%%
Retirement Rates	12-100%%
Date Range in Most Recent Experience Study	2009-2014

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM AND PLAN (continued)**

***Actuarial Assumptions (continued)***

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2017, include the inflation component and were used for the defined benefit plan:

Asset Class	Long-Term Expected Rate of Return	PERS Target Asset Allocation
Domestic Equity	7.00%	27.50%
International Equity	7.70%	27.50%
Private Equity	2.70%	10.00%
Fixed Income	5.50%	15.00%
Real Estate	7.00%	10.00%
Hedge Funds	2.70%	10.00%
		<hr/> 100.00% <hr/>

***Discount Rate***

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

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Municipality's proportionate share of PERS's net pension liability	\$ (1,613,682)	\$ (582,885)	\$ 288,645

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](http://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.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM AND PLAN (continued)**

**Charles Town Utility Board (Component Unit)**

Information regarding the Charles Town Utility Board's West Virginia Public Employee pension benefits can be found in the separately issued Utility Board audited financial statements.

**Policemen's Pension and Relief Fund**

The Municipality participates in one single employer, public employee retirement system. Assets are held separately and may be used only for the payment of benefits to the members of the plan.

The Policemen's Pension Relief Fund (PPRF) provides retirement benefits for certain retired police employees and their beneficiaries. The PPRF's Board consists of a chairman which is the Mayor and four members from the municipal police department. The Municipality is authorized in accordance with State Code §8-22 to establish and maintain this plan. Unless otherwise indicated, PPRF information in this Note is provided as of the latest actuarial valuation, July 1, 2017, and projected to the measurement date of June 30, 2018.

Actuarial valuations are required to be performed once every year.

The investment policies of the PPRF are restricted by State Code and may be restricted further as determined by the Board. For additional information relating to basis of accounting and reported investment values, see Notes 1 and 5. There were no significant changes in the investment policies for the current year.

Membership of the plan is as follows:

Group	Participants
Active Employees	0
Inactive, Non-Retired Members	0
Retirees and Beneficiaries	
Currently Receiving Benefits	4
Total	4

This plan is a defined benefit plan. The following is a summary of funding policies, contribution methods, and benefit provisions.

Determination of Contribution  
Requirements

Actuarially determined

Employer

Contributes annually an amount which, together with contributions from the members and others, and the allocable portion of the State premium tax fund, will be sufficient to meet the normal cost of the fund and amortize any actuarial deficiency over a period of not more than forty years in accordance with West Virginia State code §8-22-10.

Plan Members

7% of covered payroll

Period Required to Vest

No vesting occurs. If separation from employment occurs the member is entitled to a refund of his/her contributions only.

Post-Retirement Benefit

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Policemen's Pension and Relief Fund (continued)**

Increases	Cost of living adjustment after two years of retirement. Adjustment calculated on the first \$15,000 of the total annual benefit in the first year and then the cumulative index for the preceding year. The supplemental pension benefit shall not exceed four percent.
Eligibility for Distribution	20 years of credited service or age 65; whichever comes first. Must be at least age 50.
Provisions for:	
Disability Benefits	Yes
Death Benefits	Yes

**Actuarial Assumptions and Rate of Return**

The total pension liability was determined by an actuarial valuation as of July 1, 2017, and projected to the measurement date of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement. The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2009, through June 30, 2014. Additional actuarial assumptions are disclosed in the Required Supplementary Information.

Actuarial Assumptions	
Inflation Rate	2.75%
Wage Inflation	1% plus
Investment Rate of Return	5.00%

Mortality rates were as follows: Active: RP-2014 Blue Collar Healthy Employee; Post-Retirement: RP-2014 Blue Collar Healthy Annuitant; Disabled: RP-2014 Blue Collar Healthy Annuitant set forward four years. These incorporate generational mortality improvement using MP-2014 two-dimensional mortality improvement scales.

**Rate of Return**

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments (excluding cash equivalents), net of pension plan investment expense was 4.34%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Policemen's Pension and Relief Fund (continued)**

**Rate of Return (continued)**

The long-term expected rate of return on pension plan investments and target asset allocation as of June 30, 2018, are summarized in the following chart:

Asset Class	Target Allocation	Expected Annualized Return
U.S. Large Cap Growth	10.00%	5.90%
U.S. Large Cap Value	10.00%	5.90%
U.S. Mild Cap	5.00%	5.90%
U.S. Small Cap	3.00%	5.90%
International Developed Equity	4.00%	6.50%
Emerging Markets Equity	3.00%	5.70%
U.S. Treasury Bonds	30.00%	2.70%
U.S. Investment-Grade Corporate Bonds	30.00%	3.10%
Cash	5.00%	2.00%
	<hr/> 100.00% <hr/>	

**Net Pension Liability, Reserves and Discount Rate**

The current year net pension liability is shown below. The annual required contributions were made in accordance with State Code.

**Reserves**

There are no assets legally reserved for purposes other than the payment of plan members benefits.

**Net Pension Liability**

The Municipality's net pension liability is as follows:

Total pension liability	\$ 1,283,162
Plan fiduciary net position	<u>(490,865)</u>
Net pension liability	<u><u>\$ 792,297</u></u>
 Plan fiduciary net position as a percentage of the total pension liability	  38.25%

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 11: EMPLOYEES' RETIREMENT SYSTEM (continued)**

**Policemen's Pension and Relief Fund (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 5.00% and the municipal bond rate used was 3.62%. The projection of cash flows used to determine these discount rates assumed that the plans sponsor would make the statutory required contribution as defined by the funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the single discount rate of 5.00% was applied to all periods of projected benefit payments to determine the total pension liability.

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% lower or 1% higher than the current rate:

	1% Decrease 4.00%	Current Discount Rate 5.00%	1% Increase 6.00%
	<u>                    </u>	<u>                    </u>	<u>                    </u>
PPRF's net pension liability	<u>\$ (929,433)</u>	<u>\$ (792,297)</u>	<u>\$ (676,411)</u>

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

***General Information about the OPEB Plan***

**Plan Description**

The Municipality 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 63,000 covered lives at June 30, 2017. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at [www.peia.wv.gov](http://www.peia.wv.gov). You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 6015th Street, SE, Suite 2, Charleston WV 25304.

**Benefits Provided**

The Plan provides medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: 1) Self-Insured Preferred Provider Benefit Plan (primarily for non-Medicare-eligible retirees and spouses) and 2) External Managed Care Organizations (primarily for Medicare-eligible retirees and spouses).

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

***General Information about the OPEB Plan (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 \$150 million for both fiscal years ended June 30, 2016 and June 30, 2017. For the year ended June 30, 2018, contributions to the OPEB plan from the Municipality were \$52,038.

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

At June 30, 2018, the Municipality reported a liability of \$592,054 for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources, and OPEB expense were determined by an actuarial valuation date as of June 30, 2016, rolled forward to June 30, 2017, which is the measurement date. The Municipality's proportion of the net OPEB liability was based on a projection of the Municipality's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2017, the Municipality's proportionate share was .024077117%, which was a decrease of .006604527% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Municipality recognized OPEB expense of \$20,116.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between Municipality contributions and proportionate share of contributions	\$ -	\$ (129,219)
Net difference between projected and actual investment earnings on OPEB plan investments	-	(9,450)
Difference between expected and actual experience	-	(1,983)
Municipality contributions subsequent to the measurement date	<u>52,038</u>	<u>-</u>
	<u>\$ 52,038</u>	<u>\$ (140,652)</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

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

The amount reported as deferred outflows of resources related to OPEB resulting from Municipality contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

Year ended June 30

2019	\$	(37,721)
2020		(37,721)
2021		(37,721)
2022		(27,489)
<hr/>		
Total	\$	(140,652)
<hr/>		

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation rate	2.75%
Salary increases	Dependent upon pension system, ranging from 3.0% to 6.5%, including inflation.
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation.
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims beginning in 2020 to account for the excise tax.

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



Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

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

Actuarial Assumptions (continued)

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

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

Discount Rate

The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)**

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

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

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

1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
<hr/>	<hr/>	<hr/>
(689,379)	(592,054)	(511,150)

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

The following chart presents the Municipality's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates described in the actuarial assumptions:

1% Decrease	Cost Trend Rates	1% Increase
<hr/>	<hr/>	<hr/>
(497,333)	(592,054)	(707,902)

**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](http://peia.wv.gov). That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 5th Street, Suite 2, Charleston, WV 25304.

**Charles Town Utility Board (Component Unit)**

Information regarding the Charles Town Utility Board's postemployment benefits other than pensions can be found in the separately issued Utility Board audited financial statements.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 14: RISK MANAGEMENT**

The Municipality is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries umbrella (general liability) insurance for these various risks.

The Municipality provides insurance coverage to employees for job-related injuries through Travelers Casualty Insurance Company of America and offers health insurance to all eligible employees through Public Employees Insurance Agency (PEIA).

Liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 15: COMMITMENTS AND CONTINGENCIES**

**Litigation**

The Municipality is routinely a party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Municipality, when considered in relation to insurance coverage in force.

**Federal and State Grants**

In the normal course of operations, the Municipality receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

**NOTE 16: CHARLES WASHINGTON HALL HISTORIC TAX CREDITS**

Improvements were made in prior years to the Charles Washington Hall facility representing qualified rehabilitation expenditures for purposes of claiming Federal And State Historic Tax Credits. The Federal and State Historic Tax Credits represent 20% and 10% of qualified rehabilitation expenditures, respectively. Because the Municipality and Charles Town Building Commission are tax exempt entities, the Municipality entered into a partnership, Charles Washington Hall Landlord, LLC, with a private investor to enable the Building Commission to receive a financial benefit from the federal tax credits. During the year ended June 30, 2017, tax credits were sold at a discount to the private investor through Charles Washington Hall Landlord, LLC. The Building Commission, as the property owner and developer, is due a \$718,616 developer fee from the partnership. The developer fee has not been paid as of June 30, 2018 and is contingent on Charles Washington Hall Landlord, LLC cash flows as defined by the Charles Washington Hall Landlord, LLC operating agreement. The Building Commission received, through a wholly owned Municipal entity (Charles Washington Hall Manager, LLC), \$395,717 from the sale of State Historic Tax Credits during the year ended June 30, 2017.

Both the developer fee and the proceeds from the sale of state tax credits were offset against the book value of the Charles Washington Hall facility.

There are various rights and restrictions contained in lease agreements, operating agreements, a developer agreement, contribution agreements, and other agreements that pertain to the leasing operations of Charles Washington Hall during the existence of Charles Washington Hall Landlord, LLC which is generally for a 40 year period.

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 17: PRIOR PERIOD ADJUSTMENT**

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

	<u>Net Position</u> Governmental Activities	<u>Fund Balance</u> General Fund
Net position/fund balance, as previously stated	\$ 9,571,143	\$ 1,193,203
OPEB payable balance reported in prior year in accordance with GASB No. 45	271,599	271,599
GASB No. 75 beginning of year Net OPEB Liability	(761,925)	-
2017 OPEB Paygo employer contributions recognized in the current year under GASB No. 75	<u>49,454</u>	<u>-</u>
Net Position/fund balance, restated	<u>\$ 9,130,271</u>	<u>\$ 1,464,802</u>

Municipality of Charles Town, West Virginia  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
June 30, 2018

**NOTE 18: FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Municipality is bound to observe constraints imposed upon the use of the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General	Coal Severance	Capital Reserve Fund	Sales Tax Fund	Residual Fund	Bond Escrow Fund	Other
Nonspendable:							
Prepayments	\$ 5,213	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for:							
Law enforcement	-	-	-	-	-	-	468,854
Committed for:							
Capital outlays/debt service on capital projects	-	-	1,694,124	1,928,261	1,415,900	-	-
Assigned for:							
Carryover in fiscal year June 30, 2019 budget	2,140,840	-	-	-	-	-	-
General government operations/ capital outlay	-	35,956	-	-	-	468	-
Community development	-	-	-	-	-	-	62,176
Law enforcement	-	-	-	-	-	-	2,082
Unassigned for Parks and Recreation	-	-	-	-	-	-	(3,607)
Total fund balance	\$ 2,146,053	\$ 35,956	\$ 1,694,124	\$ 1,928,261	\$ 1,415,900	\$ 468	\$ 529,505

**NOTE 19: SUBSEQUENT EVENTS**

The Municipality has evaluated all subsequent events through August 27, 2019, the date the financial statements were available to be issued. The Municipality has determined there are no additional subsequent events that require recognition or disclosure.

## REQUIRED SUPPLEMENTAL INFORMATION

Municipality of Charles Town, West Virginia  
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY  
June 30, 2018

	Public Employees Retirement System Last 10 Fiscal Years				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Municipality's proportionate share of the net pension liability (%)	.135038%	.130821%	.123718%	.120059%	.116021%
Municipality's proportionate share of the net pension liability (\$)	\$ 582,885	\$ 1,202,400	\$ 690,846	\$ 443,096	\$ 1,057,685
Municipality's covered-employee payroll	\$ 1,935,009	\$ 1,853,925	\$ 1,706,834	\$ 1,693,143	\$ 1,606,497
Municipality's proportionate share of net pension liability as a % of its covered-employee payroll	30.12%	64.86%	40.48%	26.17%	65.84%
Plan fiduciary net position as a percentage of the total pension liability	99.56%	86.11%	91.29%	93.98%	79.70%

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.

Municipality of Charles Town, West Virginia  
SCHEDULE OF THE MUNICIPALITY'S PENSION PLAN CONTRIBUTIONS  
June 30, 2018

	Public Employees Retirement System Last 10 Fiscal Years							
	2018	2017*	2016*	2015	2014	2013	2012	2011
Contractually required contribution	\$ 212,851	\$ 222,471	\$ 243,364	\$ 237,040	\$ 232,942	\$ 218,397	\$ 222,826	\$ 189,161
Contributions in relation to the contractually required contribution	<u>(212,851)</u>	<u>(222,471)</u>	<u>(243,364)</u>	<u>(237,040)</u>	<u>(232,942)</u>	<u>(218,397)</u>	<u>(222,826)</u>	<u>(189,161)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	<u>\$ 1,935,009</u>	<u>\$ 1,853,925</u>	<u>\$ 1,802,696</u>	<u>\$ 1,693,143</u>	<u>\$ 1,606,497</u>	<u>\$ 1,559,979</u>	<u>\$ 1,536,731</u>	<u>\$ 1,513,288</u>
Contributions as a percentage of covered-employee payroll	<u>11.0%</u>	<u>12.0%</u>	<u>13.5%</u>	<u>14.0%</u>	<u>14.5%</u>	<u>14.0%</u>	<u>14.5%</u>	<u>12.5%</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.

\*Amended



Municipality of Charles Town, West Virginia  
**POLICEMEN'S PENSION AND RELIEF FUND SUPPLEMENTARY INFORMATION**  
For the Fiscal Year Ended June 30, 2018

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

	2018	2017	2016	2015	2014
<b>Total pension liability</b>					
Service cost	\$ -	\$ -	\$ -	\$ -	\$ -
Interest on total pension liability	63,310	72,157	73,313	74,674	76,052
Difference between expected and actual experience	(150,063)	(8,200)	9,315	6,054	-
Assumption changes	-	-	152,520	-	-
Benefits payments	(92,708)	(105,358)	(109,553)	(107,918)	(106,408)
Net change in total pension liability	(179,461)	(41,401)	125,595	(27,190)	(30,356)
Total pension liability - beginning	1,462,623	1,504,024	1,378,429	1,405,619	1,435,975
Total pension liability - ending (a)	\$ 1,283,162	\$ 1,462,623	\$ 1,504,024	\$ 1,378,429	\$ 1,405,619
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 98,960	\$ 98,049	\$ 85,871	\$ 93,468	\$ 111,388
Contributions - members	-	-	-	-	-
Net investment income	17,325	17,191	5,562	6,065	19,050
Benefit payments	(92,708)	(105,358)	(109,553)	(107,918)	(106,408)
Administrative expenses	(920)	(4,793)	(2,478)	(4,056)	(3,145)
Other	5,220	11,119	5,390	-	5,680
Net change in plan fiduciary net position	27,877	16,208	(15,208)	(12,441)	26,565
Plan fiduciary net position - beginning, as adjusted	462,989	490,535	462,469	474,910	448,345
Plan fiduciary net position - ending (b)	\$ 490,866	\$ 506,743	\$ 447,261	\$ 462,469	\$ 474,910
Net pension liability - ending (a) - (b)	\$ 792,296	\$ 955,880	\$ 1,056,763	\$ 915,960	\$ 930,709
Plan fiduciary net position as a percentage of the total pension liability	38.25%	34.65%	29.74%	33.55%	33.79%
Covered employee payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Net pension liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

Only five years are presented due to the availability of the information. The application of the reporting requirements will be prospective to cover ten years.

**SCHEDULE OF INVESTMENT RETURNS**

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense (excluding cash equivalents)	4.34%	5.05%	1.06%	1.50%	7.97%

Only four years are presented due to the availability of the information. The application of the reporting requirements will be prospective to cover ten years.

Municipality of Charles Town, West Virginia  
**POLICEMEN'S PENSION AND RELIEF FUND SUPPLEMENTARY INFORMATION (continued)**  
For the Fiscal Year Ended June 30, 2018

**SCHEDULE OF CONTRIBUTIONS (MULTI-YEAR)**

	2018	2017	2016	2015	2014	2013
Actuarially determined contribution (a)	\$ 98,960	\$98,048	\$ 85,057	\$ 86,746	\$ 112,230	\$ 124,337
Employer contribution (b)	85,506	83,965	73,086	79,204	100,741	110,655
State contribution (c)	13,454	14,084	12,785	14,264	10,647	15,148
Percentage contributed [(b)+(c)]/(a)	100%	100%	101%	108%	99%	101%
Covered payroll (f)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Actual contribution as a percent of covered payroll [(b)+(c)]/(f)	N/A	N/A	N/A	N/A	N/A	N/A

Only six years are presented due to the availability of the information. The application of the reporting requirements will be prospective to cover ten years.

**NOTES TO SCHEDULES**

Significant Actuarial Assumptions

The actuarial assumptions and other information used to determine the annual required contributions are as follows:

Measurement date	June 30, 2018 measurement date based on actuarial liabilities as of July 1, 2017
Actuarial cost method	Entry age normal, level-percentage-of-pay
Actuarial value of assets	Market value used for GASB Nos. 67 and 68 reporting
Contribution policy and amortization method	The sponsor finances benefits using the standard funding policy as defined in state statutes. Sponsor contributions are equal to the normal cost, net of employee contributions, plus amortization of the unfunded actuarial liability, net of the premium tax allocation applicable to the plan year. The amortization is based on a 40-year closed amortization period, commencing on July 1, 1991, with level dollar payments. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. Projected sponsor, state and member contributions along with projected investment earnings are expected to fully fund the projected actuarial liability for current plan members by 2031.
Actuarial assumptions:	
Investment rate of return	5.00% per year
GASB 67/68 discount rate	5.0% per year at June 30, 2018 and 5.0% at June 30, 2017
Projected salary increases	Service-based increases: 20.0% in year 1, 6.5% in year 2, reducing over years of service down to 1.25% in year 30 - 34.0% increases for service over 34
Cost of living increases	2.75% on first \$15,000 of annual benefit and on the accumulated supplemental pension amounts for prior years, Assumed to be payable to all members receiving payments.

Municipality of Charles Town, West Virginia  
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
For the year ended June 30, 2018

Public Employees Insurance Agency

	<u>2018</u>	<u>2017</u>
Municipality's proportion of the net OPEB liability	0.024077117%	0.030681644%
Municipality's proportionate share of the net OPEB liability	\$ 592,054	\$ 761,925
Municipality's covered-employee payroll	\$ 1,806,825	\$ 1,996,927
Municipality's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	32.77%	38.15%
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%	21.64%

\*Applicable information was available for two years for this schedule

Municipality of Charles Town, West Virginia  
SCHEDULE OF THE MUNICIPALITY OPEB PLAN CONTRIBUTIONS  
For the year ended June 30, 2018

Public Employees Insurance Agency

	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 52,038	\$ 49,454
Contributions in relation to the contractually required contribution	<u>(52,038)</u>	<u>(49,454)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Municipality's covered-employee payroll	\$ 1,806,825	\$ 1,996,927
Contributions as a percentage of covered-employee payroll	2.88%	2.48%

\*Applicable information was available for two years for this schedule

Municipality of Charles Town, West Virginia  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
June 30, 2018

	Parks and Recreation Fund	Community Development Fund	Law Enforcement Fund	Totals
<b>ASSETS</b>				
Cash	\$ 6,584	\$ 62,176	\$ 2,082	\$ 70,842
Restricted cash	-	-	468,854	468,854
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u><u>\$ 6,584</u></u>	<u><u>\$ 62,176</u></u>	<u><u>\$ 470,936</u></u>	<u><u>\$ 539,696</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 2,801	\$ -	\$ -	\$ 2,801
Other accrued expenses	5,167	-	-	5,167
Due from other funds	2,223	-	-	2,223
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>10,191</u>	<u>-</u>	<u>-</u>	<u>10,191</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	-	468,854	468,854
Committed	-	-	-	-
Assigned	-	62,176	2,082	64,258
Unassigned	(3,607)	-	-	(3,607)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>(3,607)</u>	<u>62,176</u>	<u>470,936</u>	<u>529,505</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u><u>\$ 6,584</u></u>	<u><u>\$ 62,176</u></u>	<u><u>\$ 470,936</u></u>	<u><u>\$ 539,696</u></u>

Municipality of Charles Town, West Virginia  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
For the year ended June 30, 2018

	Parks and Recreation Fund	Community Development Fund	Law Enforcement Fund	Totals
<b>REVENUES</b>				
Charges for services	\$ 51,341	\$ -	\$ -	\$ 51,341
Interest	27	31	474	532
Confiscated property	-	-	5,479	5,479
Other	-	-	2,060	2,060
Total revenues	<u>51,368</u>	<u>31</u>	<u>8,013</u>	<u>59,412</u>
<b>EXPENDITURES</b>				
General government	-	-	-	-
Public safety	-	-	15,046	15,046
Streets and transportation	-	-	-	-
Culture and recreation	<u>135,442</u>	<u>-</u>	<u>-</u>	<u>135,442</u>
Total expenditures	<u>135,442</u>	<u>-</u>	<u>15,046</u>	<u>150,488</u>
Excess (deficiency) of revenues over expenditures	<u>(84,074)</u>	<u>31</u>	<u>(7,033)</u>	<u>(91,076)</u>
Other financing sources (uses):				
Transfers from other funds	45,000	-	-	45,000
Transfer to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>45,000</u>
Net change in fund balance	<u>(39,074)</u>	<u>31</u>	<u>(7,033)</u>	<u>(46,076)</u>
Fund balance at beginning of year, as adjusted	<u>35,467</u>	<u>62,145</u>	<u>477,969</u>	<u>575,581</u>
Fund balance at end of year	<u><u>\$ (3,607)</u></u>	<u><u>\$ 62,176</u></u>	<u><u>\$ 470,936</u></u>	<u><u>\$ 529,505</u></u>



313 Second St.  
Marietta, OH 45750  
740 373 0056

1907 Grand Central Ave.  
Vienna, WV 26105  
304 422 2203

150 W. Main St., Suite A  
St. Clairsville, OH 43950  
740 695 1569

1310 Market St., Suite 300  
Wheeling, WV 26003  
304 232 1358

749 Wheeling Ave., Suite 300  
Cambridge, OH 43725  
740 435 3417

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

August 27, 2019

Municipality of Charles Town  
Jefferson County  
101 East Washington Street  
Charles Town, WV 25414

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **Municipality of Charles Town**, West Virginia (the Municipality) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated August 27, 2019, wherein we noted the Municipality adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

***Internal Control Over Financial Reporting***

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

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

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

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***Compliance and Other Matters***

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

***Purpose of this Report***

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

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

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



**MUNICIPALITY OF CHARLES TOWN  
JEFFERSON COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

Finding Number	Finding Summary	Status	Additional Information
2017-001	OPEB Liability	Corrected	N/A