



**MUNICIPALITY OF CHARLES TOWN
JEFFERSON COUNTY
Regular Audit
For the Year Ended June 30, 2019**

RFP #18-133

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Marietta, OH 45750
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Municipality of Charles Town, West Virginia
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Municipality of Charles Town, West Virginia
SCHEDULE OF FUNDS INCLUDED IN REPORT
June 30, 2019

GOVERNMENTAL FUND TYPES

Major Funds

General Fund

Coal Severance Fund

Capital Reserve Fund

Residual Fund

Sales Tax Fund

Bond Escrow Fund

Nonmajor Funds

Parks and Recreation Fund

Community Development Fund

Law Enforcement Fund

FIDUCIARY FUND TYPES

Policemen's Pension and Relief

COMPONENT UNITS

Municipality of Charles Town Building Commission

Charles Town Utility Board

Municipality of Charles Town, West Virginia

CITY OFFICIALS

June 30, 2019

Elected Officials:

| | | |
|---------------------|-------------------|-------------------|
| Mayor (Pro-Tempore) | Robert M. Trainor | 06/17/19-08/01/19 |
|---------------------|-------------------|-------------------|

| | | |
|--------------|---------------------|-------------------|
| City Council | Micheal George | 06/01/17-06/01/21 |
| | Chester Hines | 06/01/17-06/01/21 |
| | Michael Brittingham | 06/01/17-06/01/21 |
| | Todd Coyle | 06/01/17-06/01/21 |
| | Jean Petti | 06/01/19-06/01/23 |
| | James Kratovil | 06/01/19-06/01/23 |
| | Heather Sprenger | 06/01/19-06/01/23 |

Appointed Officials:

| | |
|--------------|----------------|
| City Manager | Daryl Hennessy |
|--------------|----------------|

INDEPENDENT AUDITOR'S REPORT

October 23, 2020

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

To the Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the **Municipality of Charles Town**, Jefferson County, West Virginia (the Municipality), as of and for the year ended June 30, 2019, 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 such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental 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, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the General and Coal Severance Tax 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 21 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Municipality. 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 October 23, 2020, 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.

A handwritten signature in black ink that reads "Perry & Associates CPAs A.C.".

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

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

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, 2019. 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 decreased by \$0.2 million to \$10.2 million at June 30, 2019.

During the year, the Municipality had expenses for governmental programs that were \$5.5 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 \$5.3 million this year, and a portion of the fund balance carryover from 2018.

The governmental funds ended the year with a fund balance of \$7.6 million which is a decrease of \$0.2 million from 2018.

The Municipality's Building Commission completed construction of the new municipal annex facility. The facility cost \$3.3 million and was financed with a \$2.1 million bond issue and \$1.2 million of internal funding.

Municipality tax revenues remained constant at \$3.5 million compared with the previous year. Expenses increased approximately \$1.4 million primarily as a result of contributions made to the Building Commission for construction of the Municipal annex facility. The Municipality received \$0.1 million in grant funding in both 2019 and 2018.

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

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

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

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

FINANCIAL HIGHLIGHTS (continued)

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

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.

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, fees, fines 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.

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

MUNICIPALITY AS A WHOLE (continued)

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.

Net Position and Activities

The Municipality's combined net position decreased \$0.2 million (\$10.2 million for 2019, \$10.4 million for 2018) 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 \$5.3 million at June 30, 2018, to \$5.7 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, 2019 and 2018
(in Millions)

| | Governmental Activities | |
|---|-------------------------|----------------|
| | 2019 | 2018 |
| Current and other assets | \$ 8.7 | \$ 8.1 |
| Capital assets | 4.3 | 4.6 |
| Deferred outflows of resources | 0.3 | 0.4 |
| Total assets and deferred outflows | <u>\$ 13.3</u> | <u>\$ 13.1</u> |
| Long-term liabilities | \$ 1.7 | \$ 2.1 |
| Other liabilities | 1.0 | 0.3 |
| Deferred inflows of resources | 0.4 | 0.3 |
| Total liabilities and deferred inflows | <u>3.1</u> | <u>2.7</u> |
| Net investment in capital assets | 4.4 | 4.6 |
| Restricted | 0.1 | 0.5 |
| Unrestricted | 5.7 | 5.3 |
| Total net position | <u>10.2</u> | <u>10.4</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 13.3</u> | <u>\$ 13.1</u> |

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

MUNICIPALITY AS A WHOLE (continued)

Net Position and Activities (continued)

Statements of Activities
For the years ended June 30, 2019 and 2018
(in Millions)

| | Governmental Activities | |
|--|-------------------------|--------|
| | 2019 | 2018 |
| Revenues | | |
| Program revenues: | | |
| Charges for services | \$ 0.2 | \$ 0.2 |
| Operating grants and contributions | 0.1 | 0.1 |
| General revenues: | | |
| Taxes | 3.5 | 3.5 |
| Licenses and permits | 0.1 | 0.1 |
| Fines, forfeits and confiscated property | 0.3 | 0.3 |
| Fees | 0.1 | 0.1 |
| Table gaming | 0.3 | 0.3 |
| Video lottery | 0.8 | 0.8 |
| Other general revenues | 0.2 | 0.3 |
| Total revenues | 5.6 | 5.7 |
| Expenses | | |
| General government | 2.2 | 1.6 |
| Public safety | 2.3 | 1.7 |
| Highways and streets | 1.0 | 0.9 |
| Culture and recreation/social services | 0.3 | 0.2 |
| Total expenses | 5.8 | 4.4 |
| Change in net position | \$ (0.2) | \$ 1.3 |

Revenues for the Municipality's governmental activities decreased by 2 percent (\$0.1 million), while total expenses increased by \$1.4 million or 32 percent. The factors driving these results include the following:

- a) The Municipality's governmental revenue sources decreased by \$0.1 million primarily because of decreases in other general revenues (\$0.1 million).
- b) The Municipality's governmental expenses increased (\$1.4 million) because of contributions of \$0.9 million for the new municipal annex, increases in compensation expense of \$0.2 million, and increases in other expenses of \$0.2 million (depreciation and lease payments for the municipal annex).

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

MUNICIPALITY AS A WHOLE (continued)

Net Position and Activities (continued)

The cost of all governmental activities this year was \$5.8 million. As shown in the Statement of Activities, the amount that taxpayers ultimately financed for these activities through general revenues was \$5.5 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).

Governmental Funds

As the Municipality completed the year, the governmental funds (as presented in the balance sheet) reported a combined fund balance of \$7.6 million, which is an decrease of \$0.2 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 \$0.5 million and general fund expenditures were less than budgeted expenditures by \$0.5 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 | |
|---|-------------------------|---------------|
| | 2019 | 2018 |
| 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 | 2.6 | 2.4 |
| | <hr/> | <hr/> |
| Total | 10.1 | 9.9 |
| Accumulated depreciation | (5.8) | (5.3) |
| | <hr/> | <hr/> |
| Capital assets, net of accumulated depreciation | <u>\$ 4.3</u> | <u>\$ 4.6</u> |

This year's major additions included

| | |
|-------------------------------|--------------|
| Vehicles including outfitting | <hr/> \$ 0.2 |
| Total | <hr/> \$ 0.2 |

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

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

Capital assets of the Building Commission consisted of the following:

| | Building Commission | |
|---|---------------------|---------------|
| | 2019 | 2018 |
| Land | \$ 1.7 | \$ 0.2 |
| Buildings and improvements | 5.1 | 3.7 |
| Land improvements | 0.1 | - |
| Roads | 1.0 | 1.0 |
| Equipment | 0.3 | - |
| Construction in progress | - | 1.7 |
| | <hr/> | <hr/> |
| Total | 8.2 | 6.6 |
| Accumulated depreciation | (1.6) | (1.4) |
| | <hr/> | <hr/> |
| Capital assets, net of accumulated depreciation | <u>\$ 6.6</u> | <u>\$ 5.2</u> |

This year's major additions included

| | |
|--------------------------------|---------------|
| Municipal Annex Construction - | |
| Building and improvements | \$ 1.3 |
| Equipment | 0.3 |
| | <hr/> |
| Total | <u>\$ 1.6</u> |

Debt and Long-Term Liabilities

The governmental activities had no fixed debt obligations at June 30, 2019 and 2018. Other long-term liabilities consisted of the following:

| | 2019 | 2018 |
|---|---------------|---------------|
| Accrued compensated absences | \$ 0.1 | \$ 0.1 |
| Collective net pension liability | 1.1 | 1.4 |
| Net other post employment benefit liability | 0.5 | 0.6 |
| | <hr/> | <hr/> |
| Total | <u>\$ 1.7</u> | <u>\$ 2.1</u> |

Municipality of Charles Town, West Virginia
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2019
(Unaudited)

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, 2019 and 2018:

| | Building Commission | |
|--|---------------------|---------------|
| | 2019 | 2018 |
| Series 1999 Lease Revenue Bonds (Roads) | \$ - | \$ 0.1 |
| Series 2015A and 2015B Lease Revenue Bonds (Charles Washington Hall) | 3.6 | 3.6 |
| Series 2017A Lease Revenue Bonds (Municipal Annex) | 2.0 | 2.1 |
| Total | <u>\$ 5.6</u> | <u>\$ 5.8</u> |

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 2020 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, 2019

| | PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES | DISCRETELY PRESENTED COMPONENT UNITS BUILDING COMMISSION | UTILITY BOARD |
|--|---|---|----------------------|
| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | | | |
| Assets: | | | |
| Cash and cash equivalents | \$ 6,451,504 | \$ 100,374 | \$ 1,768,415 |
| Restricted cash | 182,410 | 307,449 | 5,909,006 |
| Accounts receivable | 860,777 | - | 439,403 |
| Accrued revenue | - | - | 909,651 |
| Due from other utilities | - | - | 4,221 |
| Due from primary government/component units | 53,965 | 576,943 | - |
| Inventory | - | - | 92,114 |
| Investments | 563,532 | - | - |
| Prepaid expenses | 10,391 | 10,391 | - |
| Loan to Charles Town Utility Board | 538,267 | - | - |
| Development fee receivable | - | 718,615 | - |
| Capital assets not being depreciated | 727,662 | 1,771,066 | 2,004,705 |
| Capital assets being depreciated, net | 3,626,850 | 4,860,186 | 66,847,742 |
| Prepaid bond insurance | - | - | 178,743 |
| | <u>13,015,358</u> | <u>8,345,024</u> | <u>78,154,000</u> |
| Total assets | | | |
| Deferred outflows of resources: | | | |
| Defined benefit pension plan contributions | 190,476 | - | 177,760 |
| Other post employment plan contributions | 55,248 | - | 63,820 |
| Collective deferred outflows related to pensions | 57,926 | - | 32,862 |
| Collective deferred outflows related to other post post employment plan | 26,772 | - | 28,643 |
| Unamortized amounts from refunding of debt | - | - | 491,345 |
| | <u>330,422</u> | <u>-</u> | <u>794,430</u> |
| Total deferred outflows | | | |
| Total assets and deferred outflows | <u>\$ 13,345,780</u> | <u>\$ 8,345,024</u> | <u>\$ 78,948,430</u> |
| LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | | | |
| Liabilities: | | | |
| Accounts payable | \$ 222,789 | \$ 187,664 | \$ 228,437 |
| Accrued expenses | 99,453 | - | 38,854 |
| Accrued interest | - | 14,261 | 193,755 |
| Due to primary government/component units | 576,943 | 53,965 | - |
| Customer deposits | 16,865 | - | 259,113 |
| Developer bonds held | 107,157 | - | - |
| Compensated absences | 115,781 | - | 107,815 |
| Loan from City of Charles Town | - | - | 538,267 |
| Net other post employment benefit liability | 546,340 | - | 613,238 |
| Net pension liabilities | 1,087,523 | - | 315,120 |
| Long-term debt: | | | |
| Due within one year | - | 128,990 | 2,239,071 |
| Due in more than one year | - | 5,463,170 | 42,236,316 |
| | <u>2,772,851</u> | <u>5,848,050</u> | <u>46,769,986</u> |
| Total liabilities | | | |
| Deferred inflows of resources: | | | |
| Collective deferred inflows related to other post employment benefit plan | 167,172 | - | 147,941 |
| Collective deferred inflows related to pensions | 232,817 | - | 216,112 |
| | <u>399,989</u> | <u>-</u> | <u>364,053</u> |
| Total deferred inflows | | | |
| Total liabilities and deferred inflows | <u>3,172,840</u> | <u>5,848,050</u> | <u>47,134,039</u> |
| NET POSITION | | | |
| Net investment in capital assets | 4,354,512 | 879,622 | 24,646,254 |
| Restricted by debt/construction | - | 307,449 | 4,907,790 |
| Restricted by regulations | 74,159 | - | - |
| Unrestricted | 5,744,269 | 1,309,903 | 2,260,347 |
| | <u>10,172,940</u> | <u>2,496,974</u> | <u>31,814,391</u> |
| Total net position | | | |
| Total liabilities, deferred inflows and net position | <u>\$ 13,345,780</u> | <u>\$ 8,345,024</u> | <u>\$ 78,948,430</u> |

See accompanying notes.

Municipality of Charles Town, West Virginia
STATEMENT OF ACTIVITIES
For the year ended June 30, 2019

| 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 |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 2,207,021 | \$ - | \$ 53,107 | \$ 600 | \$ (2,153,314) | \$ - | \$ - |
| Public safety | 2,325,137 | - | - | - | (2,325,137) | - | - |
| Streets and transportation | 940,589 | 150,680 | - | - | (789,909) | - | - |
| Culture and recreation | 268,681 | 56,326 | - | - | (212,355) | - | - |
| Total governmental activities | <u>\$ 5,741,428</u> | <u>\$ 207,006</u> | <u>\$ 53,107</u> | <u>\$ 600</u> | <u>(5,480,715)</u> | <u>-</u> | <u>-</u> |
| DISCRETELY PRESENTED COMPONENT UNITS | | | | | | | |
| Building Commission | \$ 445,106 | \$ 514,175 | \$ - | \$ 900,000 | - | 969,069 | - |
| Utility Board | 9,489,341 | 9,194,025 | - | 10,512,850 | - | - | 10,217,534 |
| Total discretely presented component units | <u>\$ 9,934,447</u> | <u>\$ 9,708,200</u> | <u>\$ -</u> | <u>\$ 11,412,850</u> | | <u>969,069</u> | <u>10,217,534</u> |
| General revenues: | | | | | | | |
| Taxes | | | | | 3,527,573 | - | - |
| Licenses and permits | | | | | 68,118 | - | - |
| Fines, forfeits and confiscated property | | | | | 294,113 | - | - |
| Fees | | | | | 141,337 | - | - |
| Interest and investment earnings | | | | | 80,501 | 4,583 | 79,139 |
| Table gaming | | | | | 250,198 | - | - |
| Video lottery | | | | | 807,069 | - | - |
| Reimbursements | | | | | 78,413 | - | - |
| Rentals | | | | | 11,962 | - | 456,903 |
| Miscellaneous | | | | | 52,434 | - | 187,092 |
| Total general revenues | | | | | <u>5,311,718</u> | <u>4,583</u> | <u>723,134</u> |
| Change in net position | | | | | (168,997) | 973,652 | 10,940,668 |
| Net position at beginning of year | | | | | <u>10,341,937</u> | <u>1,523,322</u> | <u>20,873,723</u> |
| Net position at end of year | | | | | <u>\$ 10,172,940</u> | <u>\$ 2,496,974</u> | <u>\$ 31,814,391</u> |

See accompanying notes.

Municipality of Charles Town, West Virginia

**BALANCE SHEET -
GOVERNMENTAL FUNDS**

June 30, 2019

| | GENERAL FUND | COAL SEVERANCE FUND | CAPITAL RESERVE FUND | RESIDUAL FUND | SALES TAX FUND | BOND ESCROW FUND | OTHER GOVERNMENTAL FUNDS | TOTALS |
|--------------------------------------|---------------------|---------------------------|----------------------------|---------------------|----------------------|------------------------|--------------------------------|---------------------|
| ASSETS | | | | | | | | |
| Cash | \$ 1,597,566 | \$ 47,316 | \$ 2,047,671 | \$ 282,536 | \$ 2,359,447 | \$ - | \$ 116,968 | \$ 6,451,504 |
| Restricted cash | - | - | - | - | - | 108,251 | 74,159 | 182,410 |
| Investments | - | - | - | 563,532 | - | - | - | 563,532 |
| Receivables, net of allowances: | | | | | | | | |
| Taxes | 493,093 | 5,331 | - | - | 279,539 | - | - | 777,963 |
| Accounts | 37,136 | - | - | - | - | - | - | 37,136 |
| Due from other funds | - | - | 172,253 | 61,264 | - | 408 | 1,176 | 235,101 |
| Due from component units | - | - | 53,965 | - | - | - | - | 53,965 |
| Prepayments | - | - | - | - | 10,391 | - | - | 10,391 |
| Loan to Charles Town Utility Board | - | - | - | 538,267 | - | - | - | 538,267 |
| Total assets | <u>\$ 2,127,795</u> | <u>\$ 52,647</u> | <u>\$ 2,273,889</u> | <u>\$ 1,445,599</u> | <u>\$ 2,649,377</u> | <u>\$ 108,659</u> | <u>\$ 192,303</u> | <u>\$ 8,850,269</u> |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 180,186 | \$ - | \$ 12,995 | \$ - | \$ - | \$ - | \$ 29,607 | \$ 222,788 |
| License fees and deposits | 16,865 | - | - | - | - | - | - | 16,865 |
| Other accrued expenses | 94,098 | - | - | - | - | - | 5,355 | 99,453 |
| Developer bonds held | - | - | - | - | - | 107,157 | - | 107,157 |
| Due to other funds | 234,395 | - | - | - | - | - | 706 | 235,101 |
| Due to component units | 56,161 | - | 100,000 | 150,000 | 270,782 | - | - | 576,943 |
| Total liabilities | <u>581,705</u> | <u>-</u> | <u>112,995</u> | <u>150,000</u> | <u>270,782</u> | <u>107,157</u> | <u>35,668</u> | <u>1,258,307</u> |
| Fund balances: | | | | | | | | |
| Nonspendable | - | - | - | - | 10,391 | - | - | 10,391 |
| Restricted | - | - | - | - | - | - | 74,159 | 74,159 |
| Committed | - | - | 2,160,894 | 1,295,599 | 2,368,204 | - | - | 5,824,697 |
| Assigned | 1,546,090 | 52,647 | - | - | - | 1,502 | 82,476 | 1,682,715 |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>1,546,090</u> | <u>52,647</u> | <u>2,160,894</u> | <u>1,295,599</u> | <u>2,378,595</u> | <u>1,502</u> | <u>156,635</u> | <u>7,591,962</u> |
| Total liabilities and fund balances | <u>\$ 2,127,795</u> | <u>\$ 52,647</u> | <u>\$ 2,273,889</u> | <u>\$ 1,445,599</u> | <u>\$ 2,649,377</u> | <u>\$ 108,659</u> | <u>\$ 192,303</u> | |

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. | 4,354,512 |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. | 45,677 |
| 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. | 15,585 |
| 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. | (85,152) |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | (1,749,644) |
| Net position of governmental activities. | <u>\$ 10,172,940</u> |

See accompanying notes.

Municipality of Charles Town, West Virginia
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the year ended June 30, 2019

| | GENERAL FUND | COAL SEVERANCE FUND | CAPITAL RESERVE FUND | RESIDUAL FUND | SALES TAX FUND | BOND ESCROW FUND | OTHER GOVERNMENTAL FUNDS | TOTALS |
|---|-----------------|---------------------------|----------------------------|------------------|----------------------|------------------------|--------------------------------|--------------|
| REVENUES | | | | | | | | |
| Taxes (including interest and penalties) | \$ 2,514,287 | \$ - | \$ - | \$ - | \$ 1,014,846 | \$ - | \$ - | \$ 3,529,133 |
| Licenses and permits | 68,118 | - | - | - | - | - | - | 68,118 |
| Intergovernmental: | | | | | | | | |
| Federal | - | - | 31,369 | - | - | - | - | 31,369 |
| State | - | 16,302 | - | - | - | - | - | 16,302 |
| Grants and contributions | 649 | - | 1,000 | - | - | - | 3,787 | 5,436 |
| Charges for services | 33,733 | - | - | - | - | - | 56,326 | 90,059 |
| Fines and forfeits | 294,113 | - | - | - | - | - | - | 294,113 |
| Street paving fees | 128,910 | - | - | - | - | - | - | 128,910 |
| Franchise fees | 70,178 | - | - | - | - | - | - | 70,178 |
| Interest | 21,037 | 389 | 10,387 | 8,613 | 20,593 | 1,034 | 1,771 | 63,824 |
| Dividends | - | - | - | 6,885 | - | - | - | 6,885 |
| Gain (loss) on investments | - | - | - | 9,792 | - | - | - | 9,792 |
| Video lottery | 807,069 | - | - | - | - | - | - | 807,069 |
| Gaming income | 250,198 | - | - | - | - | - | - | 250,198 |
| Fees | 71,159 | - | - | - | - | - | - | 71,159 |
| Reimbursements | 78,413 | - | - | - | - | - | - | 78,413 |
| Confiscated property | - | - | - | - | - | - | 5,279 | 5,279 |
| Miscellaneous | 46,859 | - | - | - | - | - | 267 | 47,126 |
| Total revenues | 4,384,723 | 16,691 | 42,756 | 25,290 | 1,035,439 | 1,034 | 67,430 | 5,573,363 |
| EXPENDITURES | | | | | | | | |
| General government | 1,186,776 | - | 267,176 | 155,691 | 585,105 | - | - | 2,194,748 |
| Public safety | 1,888,668 | - | 253,873 | - | - | - | 402,652 | 2,545,193 |
| Streets and transportation | 711,264 | - | 32,686 | - | - | - | - | 743,950 |
| Culture and recreation | 98,462 | - | - | - | - | - | 149,315 | 247,777 |
| Total expenditures | 3,885,170 | - | 553,735 | 155,691 | 585,105 | - | 551,967 | 5,731,668 |
| Excess (deficiency) of revenues over expenditures | 499,553 | 16,691 | (510,979) | (130,401) | 450,334 | 1,034 | (484,537) | (158,305) |
| Other financing sources (uses): | | | | | | | | |
| Transfers from other funds | - | - | 977,749 | 10,100 | - | - | 111,667 | 1,099,516 |
| Transfers to other funds | (1,099,516) | - | - | - | - | - | - | (1,099,516) |
| Total other financing sources (uses) | (1,099,516) | - | 977,749 | 10,100 | - | - | 111,667 | - |
| Net change in fund balance | (599,963) | 16,691 | 466,770 | (120,301) | 450,334 | 1,034 | (372,870) | (158,305) |
| Fund balance at beginning of year | 2,146,053 | 35,956 | 1,694,124 | 1,415,900 | 1,928,261 | 468 | 529,505 | 7,750,267 |
| Fund balance at end of year | \$ 1,546,090 | \$ 52,647 | \$ 2,160,894 | \$ 1,295,599 | \$ 2,378,595 | \$ 1,502 | \$ 156,635 | \$ 7,591,962 |

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**
 For the year ended June 30, 2019

Net change in fund balance - total governmental funds \$ (158,305)

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 | \$ | 248,989 |
| Depreciation expense | | <u>(455,940)</u> |

Amount depreciation expense exceeded
capital outlays in the current period. (206,951)

Revenues in the statement of activities that do not provide
current financial resources are not reported as revenues in
governmental funds. Deferred revenues decreased by this
amount in the current period. (1,560)

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 | 265,200 |
| Amount of pension expenses recognized at government-wide level | <u>124,463</u> |

Amount contractual retirement payments exceeded pension
expense in the current period. 140,737

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 | 55,248 |
| Amount of other post employment benefit expense recognized at government -wide level | <u>6,072</u> |

Amount that other post employment benefit payments exceeded
other post employment benefit expense in the current period 49,176

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 decreased by this amount in current period. 7,906

Change in net position of governmental activities. \$ (168,997)

See accompanying notes.

Municipality of Charles Town, West Virginia
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

| | |
|-------------------------------------|--------------------------------------|
| | Policemen's Pension and Relief |
| | <u> </u> |
| ASSETS | |
| Cash | \$ 103,340 |
| Investments | <u>401,095</u> |
| Total assets | <u><u>\$ 504,435</u></u> |
| LIABILITIES AND NET POSITION | |
| Liabilities: | <u>\$ -</u> |
| Net position: | |
| Restricted for pension benefits | <u>504,435</u> |
| Total liabilities and net position | <u><u>\$ 504,435</u></u> |

See accompanying notes.

Municipality of Charles Town, West Virginia
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the year ended June 30, 2019

| | <u>Policemen's Pension and Relief</u> |
|---|---|
| ADDITIONS | |
| Contributions: | |
| Employer | \$ 74,724 |
| State of West Virginia | <u>10,109</u> |
| Total contributions | <u>84,833</u> |
| Investment income: | |
| Realized and unrealized gains (losses) | 6,648 |
| Interest and dividends | 12,366 |
| Investment expense | <u>(4,113)</u> |
| Net investment income | <u>14,901</u> |
| Other income: | |
| Accident reports | <u>5,505</u> |
| Total other income | <u>5,505</u> |
| Total additions | <u>105,239</u> |
| DEDUCTIONS | |
| Benefits | 90,457 |
| Administrative expense | <u>1,212</u> |
| Total deductions | <u>91,669</u> |
| Change in net position | 13,570 |
| Net position restricted for pension benefits: | |
| Beginning of year | <u>490,865</u> |
| End of year | <u><u>\$ 504,435</u></u> |

See accompanying notes.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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, 2019.

The Municipality of Charles Town Building Commission ("Building Commission") and the Charles Town Utility Board ("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 Building Commission and the Utility Board. The Municipality Council has the power to approve, disapprove, or modify budgets and financial operations of the Building Commission and the Utility Board. Separate financial information can be obtained from the Building Commission and the Utility Board.

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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, 2019

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, 2019 include deposits of \$12,437,594 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. | \$ 74,159 |
| Developer bonds held in accordance with Municipality requirements to assure development project completion. | <u>108,251</u> |
| Total | \$ <u>182,410</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. | \$ 2,391,034 |
| 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. | 807,461 |
| 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. | 2,165,057 |
| 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. | <u>545,454</u> |
| Total | \$ <u>5,909,006</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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. | \$ <u>307,449</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, 2019.

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. The allowance amounted to \$13,000 at June 30, 2019. At June 30, 2019, accounts receivable amounted to \$439,403 net of allowance of doubtful accounts. Revenue accrued but not billed amounted to \$909,651 at June 30, 2019.

Building Commission

The Building Commission's management considers all accounts receivable to be collectible. Amounts due from the primary government amounted to \$576,943 at June 30, 2019.

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 are valued at cost and approximate fair market value at June 30, 2019.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

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

Utility Board Customer Rates and Charges

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

GASB 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, 2019

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.

The Municipality is the government's highest level of decision-making authority. The Municipality may take formal action to establish, modify or rescind a fund balance commitment or to assign fund balance amounts to a specific purpose. The Municipality has adopted a revenue spending policy that provides guidance for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be made from restricted resources first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Municipality has the authority to deviate from this policy if it is in the best interest of the government.

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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS

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

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

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

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

The 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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 3: PROPERTY TAXES (continued)

The rates levied by the Municipality per \$100 of

| Class of Property | Assessed Valuations For Tax Purposes | Current Expense |
|----------------------|---|--------------------|
| Class I | \$ - | 12.02¢ |
| Class II | \$ 217,021,040 | 24.04¢ |
| Class IV | \$ 145,503,929 | 48.08¢ |

NOTE 4: CASH

Unrestricted cash and cash equivalents at June 30, 2019 were as follows:

| | Primary Government | Utility Board | Building Commission |
|---------------------------------------|-----------------------|--------------------|------------------------|
| Cash in checking and savings accounts | \$ 6,450,154 | \$1,768,115 | \$ 100,374 |
| Cash on hand | 1,350 | 300 | - |
| Total cash and cash equivalents | <u>\$ 6,451,504</u> | <u>\$1,768,415</u> | <u>\$ 100,374</u> |

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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

Policemen's Pension and Relief Fund

The Plan's investments are as follows at June 30, 2019:

| | <u>Fair Value</u> | <u>Cost</u> | <u>Appreciation (Depreciation)</u> | <u>Hierarchy</u> |
|------------------|-----------------------|------------------|--|------------------|
| Stocks and bonds | <u>\$401,095</u> | <u>\$346,195</u> | <u>\$ 54,900</u> | Level 1 |

The components of investment income for the year ended June 30, 2019 are as follows:

| | |
|-------------------------------------|------------------|
| Interest and dividends | \$ 12,366 |
| Realized and unrealized gain (loss) | 6,648 |
| Investment expense | <u>(4,113)</u> |
| Net investment income | <u>\$ 14,901</u> |

Residual Fund

The Plan's investments are as follows at June 30, 2019:

| | <u>Fair Value</u> | <u>Cost</u> | <u>Appreciation (Depreciation)</u> | <u>Hierarchy</u> |
|-----------------------------|-----------------------|------------------|--|------------------|
| Stocks, bonds, core account | <u>\$563,532</u> | <u>\$483,804</u> | <u>\$ 79,728</u> | Level 1 |

The components of investment income for the year ended June 30, 2019 are as follows:

| | |
|-------------------------------------|------------------|
| Interest and dividends | \$ 15,498 |
| Realized and unrealized gain (loss) | 9,792 |
| Investment expenses | <u>(5,691)</u> |
| Net investment income | <u>\$ 19,599</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 6: INTERNAL BALANCES AND INTERFUND TRANSFERS

The composition of internal balances as of June 30, 2019 is as follows:

Governmental funds/component units:

| Receivable Fund/CU | Payable Fund/CU | Amount | Nature |
|---------------------------|-------------------------|---------------------|---|
| Parks and Recreation Fund | General Fund | \$ 1,176 | Expense reimbursement (due to/from) |
| Residual Fund | Utility Board | 538,267 | Loan (loan to Utility Board) |
| Capital Reserve Fund | General Fund | 171,547 | Table gaming and video lottery revenue (due to/from) |
| Building Commission | General Fund | 42,761 | Lease revenues - repaving fees (accounts receivable) |
| Building Commission | General Fund | 13,400 | Charles Washington Hall rental income (due to/from) |
| Residual Fund | General Fund | 51,264 | Utility Board loan repayment (due to/from) |
| Residual Fund | General Fund | 10,000 | Annual contribution to residual fund (due to/from) |
| Bond Escrow Fund | General Fund | 408 | Expense reimbursement (due to/from) |
| Capital Reserve Fund | Building Commission | 53,965 | Municipal Annex construction cost reimbursement. (due to/from) |
| Building Commission | Capital Reserve Fund | 100,000 | Contribution for Municipal Annex construction (due to/from) |
| Building Commission | Residual Fund | 150,000 | Contribution for Municipal Annex construction (due to/from) |
| Capital Reserve Fund | Parks & Recreation Fund | 706 | Expense reimbursement (due to/from) |
| Building Commission | Sales Tax Fund | 20,782 | Lease revenue bond debt service - Municipal Annex (due to/from) |
| Building Commission | Sales Tax Fund | 250,000 | Contribution for Municipal Annex construction (due to/from) |
| | | <u>\$ 1,404,276</u> | |

These balances represent timing differences due to routine transfers and capital contributions. Internal receivables and payables are expected to be paid by year end except for the 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, 2019, \$12,816 has been repaid.

Interfund transfers and transactions for the year ended June 30, 2019, consisted of the following:

| Transfer to (Fund) | Transfer from (Fund) | Amount | Nature |
|---------------------------|----------------------|---------------------|--|
| Residual Fund | General Fund | \$ 10,100 | Annual contribution |
| Capital Reserve Fund | General Fund | 977,749 | Lottery and table gaming revenue transfers |
| Parks and Recreation Fund | General Fund | 111,667 | Hotel and motel tax contribution |
| | | <u>\$ 1,099,516</u> | |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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, 2018 | Additions | Reductions | Balance at June 30, 2019 |
|---|-----------------------------|---------------------|------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 727,062 | \$ 600 | \$ - | \$ 727,662 |
| Construction in progress | 24,112 | - | 24,112 | - |
| Total capital assets not being depreciated | 751,174 | 600 | 24,112 | 727,662 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 2,223,108 | - | - | 2,223,108 |
| Leasehold improvements | 85,263 | 24,112 | - | 109,375 |
| Land improvements | 4,462,032 | - | - | 4,462,032 |
| Equipment | 1,246,385 | 114,929 | - | 1,361,314 |
| Vehicles | 1,092,752 | 133,460 | - | 1,226,212 |
| Total | 9,109,540 | 272,501 | - | 9,382,041 |
| Less accumulated depreciation | (5,299,251) | (455,940) | - | (5,755,191) |
| Total capital assets being depreciated, net | 3,810,289 | (183,439) | - | 3,626,850 |
| Governmental activities capital assets, net | <u>\$ 4,561,463</u> | <u>\$ (182,839)</u> | <u>\$ 24,112</u> | <u>\$ 4,354,512</u> |

Depreciation was charged to functions as follows:

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 52,537 |
| Public safety | 129,556 |
| Highways and streets | 252,943 |
| Culture and recreation | 20,904 |
| Total government activities depreciation expense | <u>\$ 455,940</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 7: CHANGES IN CAPITAL ASSETS (continued)

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

| | | Ranson Sewer | Jefferson County PSD | Other | | |
|--------------------------------------|-----------------------------|--------------------------|----------------------------|-----------------------|---------------------|-----------------------------|
| | Balance at June 30, 2018 | Net Asset Acquisition | Net Asset Acquisition | Additions | Reductions | Balance at June 30, 2019 |
| Capital Assets Not Depreciated | | | | | | |
| Land and land rights | \$ 531,952 | \$ 2,202 | \$ 1,157,567 | \$ - | \$ - | \$ 1,691,721 |
| Construction in progress | 240,029 | 45,671 | - | 227,749 | (200,465) | 312,984 |
| Total Capital Assets Not Depreciated | 771,981 | 47,873 | 1,157,567 | 227,749 | (200,465) | 2,004,705 |
| Capital Assets Depreciated | | | | | | |
| Utility plant in service | 79,438,100 | 2,670,441 | 20,436,953 | 494,787 | (30,329) | 103,009,952 |
| Less accumulated depreciation | (24,535,497) | (1,435,431) | (7,809,862) | (2,411,749) | 30,329 | (36,162,210) |
| Net Capital Assets Depreciated | 54,902,603 | 1,235,010 | 12,627,091 | (1,916,962) | - | 66,847,742 |
| Total Capital Assets | <u>\$ 55,674,584</u> | <u>\$ 1,282,883</u> | <u>\$ 13,784,658</u> | <u>\$ (1,689,213)</u> | <u>\$ (200,465)</u> | <u>\$ 68,852,447</u> |
| Depreciation Expense | <u>\$ 2,411,749</u> | | | | | |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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, 2018 | Additions | Reductions | Balance at June 30, 2019 |
|---|-----------------------------|---------------------|---------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 215,595 | \$ 1,555,471 | \$ - | \$ 1,771,066 |
| Construction in progress | 1,669,160 | - | 1,669,160 | - |
| Total capital assets not being depreciated | 1,884,755 | 1,555,471 | 1,669,160 | 1,771,066 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 3,729,358 | 1,393,619 | - | 5,122,977 |
| Roads and improvements | 979,119 | - | - | 979,119 |
| Land improvements | 22,457 | 70,595 | - | 93,052 |
| Equipment and furnishings | 2,175 | 282,317 | - | 284,492 |
| Total capital assets being depreciated | 4,733,109 | 1,746,531 | - | 6,479,640 |
| Less accumulated depreciation | (1,433,058) | (186,396) | - | (1,619,454) |
| Total capital assets being depreciated, net | 3,300,051 | 1,560,135 | - | 4,860,186 |
| Building Commission capital assets, net | <u>\$ 5,184,806</u> | <u>\$ 3,115,606</u> | <u>\$ 1,669,160</u> | <u>\$ 6,631,252</u> |
| Depreciation expense | <u>\$ 186,396</u> | | | |

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, 2019

NOTE 9: LONG-TERM LIABILITIES

Primary Government - Governmental Activities

Governmental Activities Changes in Long-Term Liabilities

| | Balance June 30, 2018 | Additions | Reductions | Balance June 30, 2019 |
|---|--------------------------|-------------------|-------------------|--------------------------|
| Accrued compensated absences | \$ 123,687 | \$ - | \$ 7,906 | \$ 115,781 |
| Collective net pension liability | 1,375,182 | 146,656 | 434,315 | 1,087,523 |
| Net other post employment benefit liability | 592,054 | 67,636 | 113,350 | 546,340 |
| | <u>\$ 2,090,923</u> | <u>\$ 214,292</u> | <u>\$ 555,571</u> | <u>\$ 1,749,644</u> |

Building Commission (Component Unit)

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. The term of the bonds is for 36 years at 3.75% interest per annum. The 2015 Series A Lease Revenue Bonds were issued for \$2,999,950 and had an outstanding balance of \$2,719,911 at June 30, 2019. The 2015 Series B Lease Revenue Bonds were issued for \$894,000 and had an outstanding balance of \$844,747 at June 30, 2019. 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.

| Year | Principal | Interest | Total |
|-----------|---------------------|---------------------|---------------------|
| 2020 | \$ 67,482 | \$ 132,522 | \$ 200,004 |
| 2021 | 70,056 | 129,948 | 200,004 |
| 2022 | 72,729 | 127,275 | 200,004 |
| 2023 | 75,503 | 124,501 | 200,004 |
| 2024 | 78,384 | 121,620 | 200,004 |
| 2025-2029 | 439,124 | 560,896 | 1,000,020 |
| 2030-2034 | 529,529 | 470,491 | 1,000,020 |
| 2035-2039 | 638,548 | 361,472 | 1,000,020 |
| 2040-2044 | 770,010 | 230,010 | 1,000,020 |
| 2045-2049 | 766,755 | 74,343 | 841,098 |
| 2050-2051 | 56,538 | 1,438 | 57,976 |
| | <u>\$ 3,564,658</u> | <u>\$ 2,334,516</u> | <u>\$ 5,899,174</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 9: LONG-TERM LIABILITIES (continued)

Building Commission (Component Unit) (continued)

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. The term of the bonds is for 25 years at 3.16% interest per annum. Monthly interest and principal payments of \$10,391 are required to bond maturity. The outstanding balance of the bonds was \$2,027,502 at June 30, 2019. 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, 2019 are as follows:

| Year | Principal | Interest | Total |
|-----------|---------------------|-------------------|---------------------|
| 2020 | \$ 61,508 | \$ 63,184 | \$ 124,692 |
| 2021 | 63,481 | 61,211 | 124,692 |
| 2022 | 65,516 | 59,176 | 124,692 |
| 2023 | 67,616 | 57,076 | 124,692 |
| 2024 | 69,784 | 54,908 | 124,692 |
| 2025-2029 | 383,952 | 239,507 | 623,459 |
| 2030-2034 | 449,578 | 173,881 | 623,459 |
| 2035-2039 | 526,422 | 97,037 | 623,459 |
| 2040-2042 | 339,645 | 15,982 | 355,627 |
| | <u>\$ 2,027,502</u> | <u>\$ 821,962</u> | <u>\$ 2,849,464</u> |

Changes in Long-Term Liabilities

Building Commission changes in long-term debt for the year ended June 30, 2019 are as follows:

| | Balance June 30, 2018 | Additions | Payments | Balance June 30, 2019 | Due Within One Year |
|------------|--------------------------|-------------|-------------------|--------------------------|------------------------|
| 1999 Bond | \$ 95,328 | \$ - | \$ 95,328 | \$ - | \$ - |
| 2015A Bond | 2,776,920 | - | 57,009 | 2,719,911 | 52,988 |
| 2015B Bond | 858,707 | - | 13,960 | 844,747 | 14,494 |
| 2017A Bond | 2,086,542 | - | 59,040 | 2,027,502 | 61,508 |
| Total | <u>\$ 5,817,497</u> | <u>\$ -</u> | <u>\$ 225,337</u> | <u>\$ 5,592,160</u> | <u>\$ 128,990</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 9: LONG-TERM LIABILITIES (continued)

Utility Board (Component Unit)

Bonds Payable - Water Fund

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

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

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 9: LONG-TERM LIABILITIES (continued)

Utility Board (Component Unit) (continued)

Bonds Payable - Sewer Fund

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

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

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 9: LONG-TERM LIABILITIES (continued)

Utility Board (Component Unit) (continued)

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

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

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

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

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

Sewer Fund Note Payable

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

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

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------|------------------|-----------------|-----------------|
| 2020 | \$ 1,997 | \$ 20 | \$ 2,017 |
| | <u>\$ 1,997</u> | <u>\$ 20</u> | <u>\$ 2,017</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 9: LONG-TERM LIABILITIES (continued)

Utility Board (Component Unit) (continued)

Water and Sewer Fund Capital Leases

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

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

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

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

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 9: LONG-TERM LIABILITIES (continued)

Utility Board (Component Unit) (continued)

Utility Board Changes in Long-Term Liabilities other than Bonds

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

NOTE 10: OPERATING LEASE AGREEMENTS

Operating Leases

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

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.

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 completed during the year ended June 30, 2019). 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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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.

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: | 10.00% for fiscal year 2019 |
| Period required to vest: | 5 years for Tier 1 and 10 years for Tier 2 |
| Benefits and eligibility for distribution: | <u>Tier 1</u> A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 15) times the years of service times 2% equals the annual retirement benefit. <u>Tier 2</u> Qualification for normal retirement is age 62 with 10 years of service or at least age 55 plus service years equal to 80 or greater. The final average salary is the average of the five consecutive highest annual earnings years out of the last fifteen years. The final average salary times the years of service times 2% equals the annual retirement benefit. |
| Deferred retirement portion: | No |
| Provisions for: | |
| Cost of living | No |
| Death benefits | Yes |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

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

Trend Information

| <u>Fiscal Year</u> | <u>Annual Pension Cost</u> | <u>Percentage Contributed</u> |
|--------------------|------------------------------------|-----------------------------------|
| 2019 | \$190,476 | 100% |
| 2018 | \$212,851 | 100% |
| 2017 | \$200,531 | 100% |

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

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

At June 30, 2019, the Municipality reported the following liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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.

At June 30, 2019, the Municipality reported the following proportion:

| | |
|---|-----------|
| Amount for proportionate share of net pension liability | \$319,464 |
| Percentage for proportionate share of net pension liability | .123702% |
| Increase/(decrease) % from prior proportion measured | .011336% |

For the year ended June 30, 2019, the Municipality recognized \$47,374 of pension expense.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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)

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 | \$ - | \$ 187,990 |
| Difference between expected and actual experience | 15,848 | 790 |
| Changes in proportion and differences between Municipality contributions and proportionate share of contributions | 24,871 | 44,037 |
| Municipality contributions subsequent to the measurement date | 190,476 | - |
| | <u>\$ 231,195</u> | <u>\$ 232,817</u> |

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year ended June 30

| | |
|-------|---------------------|
| 2020 | \$ (58,382) |
| 2021 | 10,244 |
| 2022 | (30,174) |
| 2023 | (93,082) |
| 2024 | (20,704) |
| | <u>(192,098)</u> |
| Total | <u>\$ (192,098)</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017, and rolled forward to June 30, 2018, which is the measurement date, using the following actuarial assumptions, applied to all periods included in the measurement.

| | |
|--|--|
| Actuarial Cost Method | Individual entry age normal cost with level percentage of payroll |
| Asset Valuation Method | Fair value |
| Amortization Method | Level dollar, fixed period |
| Amortization Period | Through fiscal year 2035 |
| Actuarial Assumptions: | |
| Investment Rate of Return | 7.50% |
| Projected Salary Increases: | |
| PERS: | |
| State | 3.0-4.6%% |
| Nonstate | 3.35-6.0%% |
| Inflation Rate | 3.00% |
| Discount Rate | 7.50% |
| Mortality Rates | Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of 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 | 2.00-35.88%% |
| 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, 2019

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

Actuarial Assumptions (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Rates summarized in the following table as of June 30, 2018, include the inflation component and were used for the defined benefit plan:

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

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 | \$ (1,286,546) | \$ (319,464) | \$ 498,674 |

Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

Utility Board (Component Unit)

Information regarding the 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, 2018, and projected to the measurement date of June 30, 2019.

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:

| <u>Group</u> | <u>Participants</u> |
|-------------------------------|---------------------|
| Active Employees | 0 |
| Inactive, Non-Retired Members | 0 |
| Retirees and Beneficiaries | |
| Currently Receiving Benefits | 4 |
| Total | <u><u>4</u></u> |

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.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 11: EMPLOYEES' RETIREMENT SYSTEM (continued)

Policemen's Pension and Relief Fund (continued)

Post-Retirement Benefit
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
Death Benefits

Yes
Yes

Actuarial Assumptions and Rate of Return

The total pension liability was determined by an actuarial valuation as of July 1, 2018, and projected to the measurement date of June 30, 2019, 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, 2019, the annual money-weighted rate of return on pension plan investments (excluding cash equivalents), net of pension plan investment expense was 4.8%. 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, 2019

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, 2019, are summarized in the following chart:

| Asset Class | Target Allocation | Expected Annualized Return |
|--------------------------------|----------------------|----------------------------------|
| U.S. Large Cap Growth | 10.00% | 4.90% |
| U.S. Large Cap Value | 10.00% | 5.90% |
| U.S. Small Cap Growth | 5.00% | 5.60% |
| U.S. Small Value | 3.00% | 6.70% |
| International Developed Equity | 4.00% | 4.50% |
| Emerging Markets Equity | 3.00% | 9.00% |
| Fixed Income | 65.00% | 1.90% |
| | 100.00% | |

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 | \$1,272,494 |
| Plan fiduciary net position | (504,435) |
| | \$ 768,059 |
| Plan fiduciary net position as a percentage of the total pension liability | 39.64% |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 11: EMPLOYEES' RETIREMENT SYSTEM (continued)

Policemen's Pension and Relief Fund (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2019, The Municipality reported deferred outflows of resources and deferred inflows of resources related to the pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| Net difference between projected and actual earnings on pension plan investments | \$ 17,207 | \$ - |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30

| | |
|-------|------------------|
| 2020 | \$ 8,145 |
| 2021 | 4,287 |
| 2022 | 2,854 |
| 2023 | 1,921 |
| Total | <u>\$ 17,207</u> |

Discount Rate

The discount rate used to measure the total pension liability was 5.00% and the municipal bond rate used was 3.13%. 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% |
|------------------------------|-------------------------|--------------------------------------|-------------------------|
| PPRF's net pension liability | <u>\$(899,273)</u> | <u>\$(768,059)</u> | <u>\$(656,722)</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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 64,000 covered lives at June 30, 2018. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE, Suite 2, Charleston WV 25304.

Benefits Provided

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

Contributions

Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately \$149 million for the fiscal year ended June 30, 2018. For the year ended June 30, 2019, contributions to the OPEB plan from the Municipality were \$55,248.

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

At June 30, 2019, the Municipality reported a liability of \$546,340 for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources, and OPEB expense were determined by an actuarial valuation date as of June 30, 2017, rolled forward to June 30, 2018, which is the measurement date. The 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, 2018, the Municipality's proportionate share was .025465208%, which was an increase of .001388091% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Municipality recognized OPEB expense of \$5,411.

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|-----------------------------------|----------------------------------|
| | <u> </u> | <u> </u> |
| Changes in proportion and differences between Municipality contributions and proportionate share of contributions | \$ 26,772 | \$ 94,427 |
| Net difference between projected and actual investment earnings on OPEB plan investments | - | 10,113 |
| Difference between expected and actual experience | - | 8,081 |
| Change in assumptions | - | 54,551 |
| Municipality contributions subsequent to the measurement date | 55,248 | - |
| | <u>\$ 82,020</u> | <u>\$ 167,172</u> |

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

| | |
|-------|---------------------|
| 2020 | \$ (47,949) |
| 2021 | (47,949) |
| 2022 | (37,836) |
| 2023 | <u>(6,666)</u> |
| Total | <u>\$ (140,400)</u> |

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

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

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

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

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, 2019

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, 2019

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% |
|----------------------|------------------------|----------------------|
| <u>\$ (642,114)</u> | <u>\$ (546,340)</u> | <u>\$ (466,502)</u> |

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 |
|---------------------|---------------------|---------------------|
| <u>\$ (452,067)</u> | <u>\$ (546,340)</u> | <u>\$ (661,209)</u> |

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report available at the West Virginia Public Employee Insurance Agency's website at peia.wv.gov. That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 57th Street, Suite 2, Charleston, WV 25304.

Utility Board (Component Unit)

Information regarding the 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, 2019

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 Traveler's Insurance Company 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 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 and state 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, 2019 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, 2019

NOTE 17: UTILITY BOARD ACQUISITION OF FORMER CITY OF RANSON SEWER DEPARTMENT NET ASSETS

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

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

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 18: UTILITY BOARD ACQUISITION OF FORMER JEFFERSON COUNTY PUBLIC SERVICE DISTRICT NET ASSETS

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

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

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

NOTE 19: UTILITY BOARD CONTRIBUTED CAPITAL

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

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

Municipality of Charles Town, West Virginia
NOTES TO THE FINANCIAL STATEMENTS (continued)
June 30, 2019

NOTE 20: 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: | | | | | | | |
| Prepaid lease payments | \$ - | \$ - | \$ - | \$ 10,391 | \$ - | \$ - | \$ - |
| Restricted for: | | | | | | | |
| Law enforcement | - | - | - | - | - | - | 74,159 |
| Committed for: | | | | | | | |
| Capital outlays/debt service on capital projects | - | - | 2,160,894 | 2,368,204 | 1,295,599 | - | - |
| Assigned for: | | | | | | | |
| Carryover in fiscal year June 30, 2020 budget | 1,546,090 | - | - | - | - | - | - |
| General government operations/ capital outlay | - | 52,647 | - | - | - | 1,502 | - |
| Community development | - | - | - | - | - | - | 62,215 |
| Law enforcement | - | - | - | - | - | - | 905 |
| Parks and Recreation | - | - | - | - | - | - | 19,356 |
| Total fund balance | <u>\$ 1,546,090</u> | <u>\$ 52,647</u> | <u>\$ 2,160,894</u> | <u>\$ 2,378,595</u> | <u>\$ 1,295,599</u> | <u>\$ 1,502</u> | <u>\$ 156,635</u> |

NOTE 21: SUBSEQUENT EVENTS

The United States and the State of West Virginia declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods for the Municipality. The Municipality's investment portfolio and the investments of the pension and other employee benefit plans in which the Municipality participates fluctuate with market conditions, and due to market volatility, the amount of gains or losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact of the Municipality's future operating costs, revenues, and the amount of any recovery from emergency funding, either federal or state, cannot be estimated.

REQUIRED SUPPLEMENTAL INFORMATION

Municipality of Charles Town, West Virginia
SCHEDULE OF THE MUNICIPALITY'S PROPORTIONATE SHARE OF THE COLLECTIVE NET PENSION LIABILITY
June 30, 2019

Public Employees Retirement System
Last 10 Fiscal Years

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Municipality's proportionate share of the net pension liability (%) | .123702% | .135038% | .130821% | .123718% | .120059% | .116021% |
| Municipality's proportionate share of the net pension liability (\$) | \$ 319,464 | \$ 582,885 | \$ 1,202,400 | \$ 690,846 | \$ 443,096 | \$ 1,057,685 |
| Municipality's covered-employee payroll | \$ 1,904,760 | \$ 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 | 16.77% | 30.12% | 64.86% | 40.48% | 26.17% | 65.84% |
| Plan fiduciary net position as a percentage of the total pension liability | 96.33% | 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, 2019

| | Public Employees Retirement System Last 10 Fiscal Years | | | | | | | | |
|---|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| Contractually required contribution | \$ 190,476 | \$ 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>(190,476)</u> | <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> | <u>\$ -</u> |
| Municipality's covered-employee payroll | <u>\$ 1,904,760</u> | <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>10.0%</u> | <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.

Municipality of Charles Town, West Virginia
POLICEMEN'S PENSION AND RELIEF FUND SUPPLEMENTARY INFORMATION
For the Fiscal Year Ended June 30, 2019

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | | |
| Service cost | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Interest on total pension liability | 61,897 | 63,310 | 72,157 | 73,313 | 74,674 | 76,052 |
| Difference between expected and actual experience | 17,892 | (150,063) | (8,200) | 9,315 | 6,054 | - |
| Assumption changes | | | - | 152,520 | - | - |
| Benefits payments | (90,457) | (92,708) | (105,358) | (109,553) | (107,918) | (106,408) |
| Net change in total pension liability | (10,668) | (179,461) | (41,401) | 125,595 | (27,190) | (30,356) |
| Total pension liability - beginning | 1,283,162 | 1,462,623 | 1,504,024 | 1,378,429 | 1,405,619 | 1,435,975 |
| Total pension liability - ending (a) | <u>\$ 1,272,494</u> | <u>\$ 1,283,162</u> | <u>\$ 1,462,623</u> | <u>\$ 1,504,024</u> | <u>\$ 1,378,429</u> | <u>\$ 1,405,619</u> |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | \$ 90,338 | \$ 98,960 | \$ 98,049 | \$ 85,871 | \$ 93,468 | \$ 111,388 |
| Contributions - members | - | - | - | - | - | - |
| Net investment income | 14,901 | 17,325 | 17,191 | 5,562 | 6,065 | 19,050 |
| Benefit payments | (90,457) | (92,708) | (105,358) | (109,553) | (107,918) | (106,408) |
| Administrative expenses | - | (920) | (4,793) | (2,478) | (4,056) | (3,145) |
| Other | (1,212) | 5,219 | 11,119 | 5,390 | - | 5,680 |
| Net change in plan fiduciary net position | 13,570 | 27,876 | 16,208 | (15,208) | (12,441) | 26,565 |
| Plan fiduciary net position - beginning, as adjusted | 490,865 | 462,989 | 490,535 | 462,469 | 474,910 | 448,345 |
| Plan fiduciary net position - ending (b) | <u>\$ 504,435</u> | <u>\$ 490,865</u> | <u>\$ 506,743</u> | <u>\$ 447,261</u> | <u>\$ 462,469</u> | <u>\$ 474,910</u> |
| Net pension liability - ending (a) - (b) | <u>\$ 768,059</u> | <u>\$ 792,297</u> | <u>\$ 955,880</u> | <u>\$ 1,056,763</u> | <u>\$ 915,960</u> | <u>\$ 930,709</u> |
| Plan fiduciary net position as a percentage of the total pension liability | <u>39.64%</u> | <u>38.25%</u> | <u>34.65%</u> | <u>29.74%</u> | <u>33.55%</u> | <u>33.79%</u> |
| Covered employee payroll | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net pension liability as a percentage of covered employee payroll | 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.

SCHEDULE OF INVESTMENT RETURNS

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Annual money-weighted rate of return, net of investment expense (excluding cash equivalents) | <u>4.80%</u> | <u>4.34%</u> | <u>5.05%</u> | <u>1.06%</u> | <u>1.50%</u> | <u>7.97%</u> |

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.

Municipality of Charles Town, West Virginia
POLICEMEN'S PENSION AND RELIEF FUND SUPPLEMENTARY INFORMATION (continued)
For the Fiscal Year Ended June 30, 2019

SCHEDULE OF CONTRIBUTIONS (MULTI-YEAR)

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-----------|-----------|----------|-----------|-----------|------------|------------|
| Actuarially determined contribution (a) | \$ 84,833 | \$ 98,960 | \$98,048 | \$ 85,057 | \$ 86,746 | \$ 112,230 | \$ 124,337 |
| Employer contribution (b) | 74,724 | 85,506 | 83,965 | 73,086 | 79,204 | 100,741 | 110,655 |
| State contribution (c) | 10,109 | 13,454 | 14,084 | 12,785 | 14,264 | 10,647 | 15,148 |
| Percentage contributed [(b)+(c)]/(a) | 100% | 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 | N/A |

Only seven 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, 2019 measurement date based on actuarial liabilities as of July 1, 2018 |
| 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, 2019 and 5.0% at June 30, 2018 |
| 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, 2019

Public Employees Insurance Agency

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------|--------------|--------------|
| Municipality's proportion of the net OPEB liability | 0.025465208% | 0.024077117% | 0.030681644% |
| Municipality's proportionate share of the net OPEB liability | \$ 546,340 | \$ 592,054 | \$ 761,925 |
| Municipality's covered-employee payroll | \$ 1,817,062 | \$ 1,806,825 | \$ 1,996,927 |
| Municipality's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll | 30.07% | 32.77% | 38.15% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 30.98% | 25.10% | 21.64% |

*Applicable information was available for three years for this schedule

Municipality of Charles Town, West Virginia
SCHEDULE OF THE MUNICIPALITY'S OPEB PLAN CONTRIBUTIONS
For the year ended June 30, 2019

Public Employees Insurance Agency

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 55,248 | \$ 52,038 | \$ 49,454 |
| Contributions in relation to the contractually required contribution | <u>(55,248)</u> | <u>(52,038)</u> | <u>(49,454)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Municipality's covered-employee payroll | \$ 1,817,062 | \$ 1,806,825 | \$ 1,996,927 |
| Contributions as a percentage of covered-employee payroll | 3.04% | 2.88% | 2.48% |

*Applicable information was available for three years for this schedule

Municipality of Charles Town, West Virginia
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

WEST VIRGINIA PUBLIC EMPLOYEES RETIREMENT SYSTEM - PENSION

There were no significant actuarial assumption changes for the pension during the year.

WEST VIRGINIA RETIREE HEALTH BENEFITS TRUST - OPEB

There were no significant actuarial assumption changes for OPEB during the year.

OTHER SUPPLEMENTAL INFORMATION

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, 2019

| | Original Budget | Final Budget | Actual | Variance with Final Budget - Favorable (Unfavorable) |
|--|--------------------|-----------------|--------------|---|
| REVENUES | | | | |
| Taxes (including interest and penalties): | | | | |
| General property tax | \$ 1,149,255 | \$ 1,149,255 | \$ 1,159,774 | \$ 10,519 |
| Business and occupation tax | 700,000 | 700,000 | 881,229 | 181,229 |
| Alcoholic beverages tax | 115,000 | 115,000 | 94,690 | (20,310) |
| Utility services tax | 200,000 | 200,000 | 244,321 | 44,321 |
| Hotel/motel tax | 65,000 | 65,000 | 120,010 | 55,010 |
| Other taxes | 6,400 | 6,400 | 14,263 | 7,863 |
| Total taxes | 2,235,655 | 2,235,655 | 2,514,287 | 278,632 |
| Licenses and permits | 115,000 | 115,000 | 68,118 | (46,882) |
| Intergovernmental: | | | | |
| Federal | 15,000 | 15,000 | - | (15,000) |
| State | 4,000 | 4,000 | - | (4,000) |
| Grants and contributions | - | - | 649 | 649 |
| Charges for services | 25,000 | 25,000 | 33,733 | 8,733 |
| Fines and forfeits | 344,000 | 344,000 | 294,113 | (49,887) |
| Street paving fees | 100,000 | 100,000 | 128,910 | 28,910 |
| Franchise fees | 50,000 | 50,000 | 70,178 | 20,178 |
| Interest | 500 | 500 | 21,037 | 20,537 |
| Video lottery | 620,000 | 620,000 | 807,069 | 187,069 |
| Gaming income | 240,000 | 240,000 | 250,198 | 10,198 |
| Fees | 25,200 | 25,200 | 71,159 | 45,959 |
| Reimbursements | 85,000 | 85,000 | 78,413 | (6,587) |
| Miscellaneous | 30,000 | 30,000 | 46,859 | 16,859 |
| Total revenues | 3,889,355 | 3,889,355 | 4,384,723 | 495,368 |
| EXPENDITURES | | | | |
| General government | 1,312,262 | 1,544,137 | 1,186,776 | 357,361 |
| Public safety | 1,869,490 | 1,929,490 | 1,888,668 | 40,822 |
| Streets and transportation | 804,503 | 804,503 | 711,264 | 93,239 |
| Culture and recreation | 84,500 | 84,500 | 98,462 | (13,962) |
| Total expenditures | 4,070,755 | 4,362,630 | 3,885,170 | 477,460 |
| Excess (deficiency) of revenues over expenditures | (181,400) | (473,275) | 499,553 | 972,828 |
| Other financing sources (uses): | | | | |
| Transfers from other funds | 591,400 | 591,400 | - | (591,400) |
| Transfers to other funds | (910,000) | (1,042,900) | (1,099,516) | (56,616) |
| Total other financing sources (uses) | (318,600) | (451,500) | (1,099,516) | (648,016) |
| Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses | (500,000) | (924,775) | (599,963) | 324,812 |
| Fund balance at beginning of year | 500,000 | 924,775 | 2,146,053 | 1,221,278 |
| Fund balance at end of year | \$ - | \$ - | \$ 1,546,090 | \$ 1,546,090 |

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, 2019

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance with Final Budget - Favorable (Unfavorable)</u> |
|---|----------------------------|-------------------------|-------------------------|---|
| REVENUES | | | | |
| Intergovernmental: | | | | |
| State | \$ 14,000 | \$ 14,000 | \$ 16,302 | \$ 2,302 |
| Interest | <u>-</u> | <u>-</u> | <u>389</u> | <u>389</u> |
| Total revenues | <u>14,000</u> | <u>14,000</u> | <u>16,691</u> | <u>2,691</u> |
| EXPENDITURES | | | | |
| Streets and Transportation | <u>29,000</u> | <u>31,640</u> | <u>-</u> | <u>31,640</u> |
| Total expenditures | <u>29,000</u> | <u>31,640</u> | <u>-</u> | <u>31,640</u> |
| Excess (deficiency) of revenues over expenditures | (15,000) | (17,640) | 16,691 | 34,331 |
| Fund balance at beginning of year | <u>15,000</u> | <u>17,640</u> | <u>35,956</u> | <u>18,316</u> |
| Fund balance at end of year | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 52,647</u></u> | <u><u>\$ 52,647</u></u> |

See accompanying notes.

Municipality of Charles Town, West Virginia
COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

| | Parks and Recreation Fund | Community Development Fund | Law Enforcement Fund | Totals |
|--------------------------------------|---------------------------------|----------------------------------|----------------------------|-------------------|
| ASSETS | | | | |
| Cash | \$ 53,848 | \$ 62,215 | \$ 905 | \$ 116,968 |
| Restricted cash | - | - | 74,159 | 74,159 |
| Due from other funds | 1,176 | - | - | 1,176 |
| | <u>1,176</u> | <u>-</u> | <u>-</u> | <u>1,176</u> |
| Total assets | <u>\$ 55,024</u> | <u>\$ 62,215</u> | <u>\$ 75,064</u> | <u>\$ 192,303</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 29,607 | \$ - | \$ - | \$ 29,607 |
| Other accrued expenses | 5,355 | - | - | 5,355 |
| Due from other funds | 706 | - | - | 706 |
| | <u>706</u> | <u>-</u> | <u>-</u> | <u>706</u> |
| Total liabilities | <u>35,668</u> | <u>-</u> | <u>-</u> | <u>35,668</u> |
| Fund balances: | | | | |
| Nonspendable | - | - | - | - |
| Restricted | - | - | 74,159 | 74,159 |
| Committed | - | - | - | - |
| Assigned | 19,356 | 62,215 | 905 | 82,476 |
| Unassigned | - | - | - | - |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | <u>19,356</u> | <u>62,215</u> | <u>75,064</u> | <u>156,635</u> |
| Total liabilities and fund balances | <u>\$ 55,024</u> | <u>\$ 62,215</u> | <u>\$ 75,064</u> | <u>\$ 192,303</u> |

See accompanying notes.

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, 2019

| | Parks and Recreation Fund | Community Development Fund | Law Enforcement Fund | Totals |
|---|---------------------------------|----------------------------------|----------------------------|-------------------|
| REVENUES | | | | |
| Charges for services | \$ 56,326 | \$ - | \$ - | \$ 56,326 |
| Interest | 256 | 39 | 1,476 | 1,771 |
| Grants and contributions | 3,762 | - | 25 | 3,787 |
| Confiscated property | - | - | 5,279 | 5,279 |
| Other | 267 | - | - | 267 |
| Total revenues | <u>60,611</u> | <u>39</u> | <u>6,780</u> | <u>67,430</u> |
| EXPENDITURES | | | | |
| General government | - | - | - | - |
| Public safety | - | - | 402,652 | 402,652 |
| Streets and transportation | - | - | - | - |
| Culture and recreation | 149,315 | - | - | 149,315 |
| Total expenditures | <u>149,315</u> | <u>-</u> | <u>402,652</u> | <u>551,967</u> |
| Excess (deficiency) of revenues over expenditures | <u>(88,704)</u> | <u>39</u> | <u>(395,872)</u> | <u>(484,537)</u> |
| Other financing sources (uses): | | | | |
| Transfers from other funds | 111,667 | - | - | 111,667 |
| Transfer to other funds | - | - | - | - |
| Total other financing sources (uses) | <u>111,667</u> | <u>-</u> | <u>-</u> | <u>111,667</u> |
| Net change in fund balance | 22,963 | 39 | (395,872) | (372,870) |
| Fund balance at beginning of year | <u>(3,607)</u> | <u>62,176</u> | <u>470,936</u> | <u>529,505</u> |
| Fund balance at end of year | <u>\$ 19,356</u> | <u>\$ 62,215</u> | <u>\$ 75,064</u> | <u>\$ 156,635</u> |

See accompanying notes.



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**

October 23, 2020

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, 2019, and the related notes to the financial statements, which collectively comprise the Municipality's basic financial statements and have issued our report thereon dated October 23, 2020, wherein we noted the ensuing emergency measures will impact subsequent periods of the Municipality.

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.

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

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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