



June 30, 2019 and 2018

CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION	3-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
FINANCIAL STATEMENTS	
Statements of net position	10-11
Statements of revenues, expenses and changes in net position	12
Statements of cash flows	13
Notes to financial statements	14-30
REQUIRED SUPPLEMENTAL INFORMATION	
Schedules of pension liability and contribution	32-33
Schedules of OPEB liability and contribution	34-35
Budgetary comparison schedules	36-37
SUPPLEMENTAL INFORMATION	
Schedules of operating expenses	39
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	40-41



INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

The Members of the Public Service Board
Berkeley County Public Service District
Martinsburg, West Virginia

We have audited the accompanying financial statements of the Berkeley County Public Service District ("District"), as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position, of the Berkeley County Public Service District as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of pension and OPEB liabilities and contributions and budgetary comparison information on pages 5-9 and 32-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Berkeley County Public Service District's basic financial statements. The supplemental information on page 39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental schedules of operating expenses are responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this supplemental information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 18, 2019, on our consideration of the Berkeley County Public Service District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and in considering the District's internal control over financial reporting and compliance.

Decker & Company PLLC

September 18, 2019

Berkeley County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ended June 30, 2019

This discussion and analysis of the Berkeley County Public Service District's ("District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Independent Auditor's Report on page 3 and 4 and the District's financial statements that begin on page 10.

USING THIS ANNUAL REPORT

This annual report consists of four parts: Management's Discussions and Analysis, Financial Statements, Required Supplemental Information, and Supplemental Information. The Financial Statements also include notes that explain in more detail some of the information in the financial statements.

Financial Statements

The Financial Statements of the District report information about the District using accounting methods similar to those used by private-sector companies. These statements offer short- and long-term financial information about its activities.

The **Statements of Net Position** includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to creditors (liabilities). It also provides basis for computing rate of return, evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

All of the current year's revenues and expenses are accounted for in the **Statements of Revenues, Expenses, and Changes in Net Position**. This statement measures the success of the District's operations over the past year and can be used to determine 1) whether the District has successfully recovered all its costs through its user fees and other charges, 2) profitability, and 3) credit worthiness.

The **Statements of Cash Flows** provides information about the District's cash receipts, cash payments, and net changes in cash resulting from operations, investing, and capital and noncapital financing activities. It also provides answers to such questions as "from where did cash come?", "for what was cash used?", and "what was the change in cash balance during the year?".

HIGHLIGHTS

Financial highlights

The District's net position increased by \$8.43 million, or 13.35%, as a result of this year's operations.

Operating revenues increased to \$15.0 million, or 9.34%, in FY2019 and operating expenses increased 10.40%.

The District's capital contributions increased by \$2.58 million to \$7.24 million, a 55.08% increase from last year.

Berkeley County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2019

District highlights

The District completed \$4.00 million of capital improvement projects, including various water main projects.

There were 5.94 miles of water mains added to the water distribution system during the year, of which 5.94 miles (estimated cost of \$4.82 million including hydrants and services) were installed by developers who transferred ownership to the District.

The number of metered customers served by the District increased from 23,893 to 26,053, an increase of 9.04%. Steady growth and the purchase of the water system in the development "The Woods" continues to create a need for additional resources to efficiently maintain the water system. The escalating use of water from Procter & Gamble has added to revenues while simultaneously requiring substantial investment in additional infrastructure to meet the demand.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One of the most important questions about the District's finances is, "Is the District, as a whole, better off or worse off as a result of the year's activities?" The Balance Sheet and the Statement of Revenues, Expenses and Change in Net Position report information about the District's activities in a way that will help answer this question. These two statements report the net position of the District and changes in it. You can think of the District's net position (the difference between assets and liabilities) as one way to measure financial health or financial position. Over time, increases and decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, you will need to also consider other non-financial factors such as changes in economic conditions, population growth, and new or changed legislation.

The District's total net position increased by \$8.43 million from last year. Our analysis below focuses on the District's net position (Table 1) and changes in net position (Table 2) during the year.

Table 1

	<u>2019</u>	<u>2018</u>
Capital assets (net)	\$ 127,256,553	\$ 117,310,533
Current and other assets	19,819,862	23,996,011
Deferred outflows of resources	<u>1,107,054</u>	<u>1,153,402</u>
Total assets	<u>\$ 148,183,469</u>	<u>\$ 142,459,946</u>
Long-term debt outstanding	\$ 71,592,643	\$ 74,103,744
Other liabilities	4,690,852	4,962,735
Deferred inflows of resources	<u>309,323</u>	<u>236,192</u>
Total liabilities	<u>\$ 76,592,818</u>	<u>\$ 79,302,671</u>
Net Position:		
Invested in capital assets, net of debt	\$ 55,267,589	\$ 43,371,305
Restricted	11,078,601	15,558,520
Unrestricted	<u>5,244,461</u>	<u>4,227,450</u>
Total net position	<u>\$ 71,590,651</u>	<u>\$ 63,157,275</u>

Changes in the District's net position can be determined by reviewing the following condensed Statement of Revenues, Expenses, and Changes in Net Position for the year.

Berkeley County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2019

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Table 2	2019	2018
Net operating revenues	\$ 14,985,004	\$ 13,705,495
Interest and other income	<u>305,282</u>	<u>142,360</u>
Total revenues	<u>15,290,286</u>	<u>13,847,855</u>
Operating expenses	7,848,364	7,109,265
Interest expense	2,382,257	2,291,263
Other (income) expenses	167,780	1,627,892
Depreciation	<u>3,707,322</u>	<u>3,465,298</u>
Total expenses	<u>14,105,723</u>	<u>14,493,718</u>
Excess of revenues over expenses	1,184,563	(645,863)
Capital contributions	<u>7,248,813</u>	<u>4,674,334</u>
Change in net position	8,433,376	4,028,471
Net position at beginning of year	<u>63,157,275</u>	<u>59,128,804</u>
Net position at end of year	<u>\$ 71,590,651</u>	<u>\$ 63,157,275</u>

Total Operating Revenues reflect a 9.34% increase in 2019 compared to 2018 due to the purchase of the water system at "The Woods," increased water use by Procter & Gamble, and continued growth in the number of customer connections.

Operating expenses increased by approximately 10.40% in 2019 compared to 2018 due primarily to increases in labor, maintenance, pumping and insurance costs.

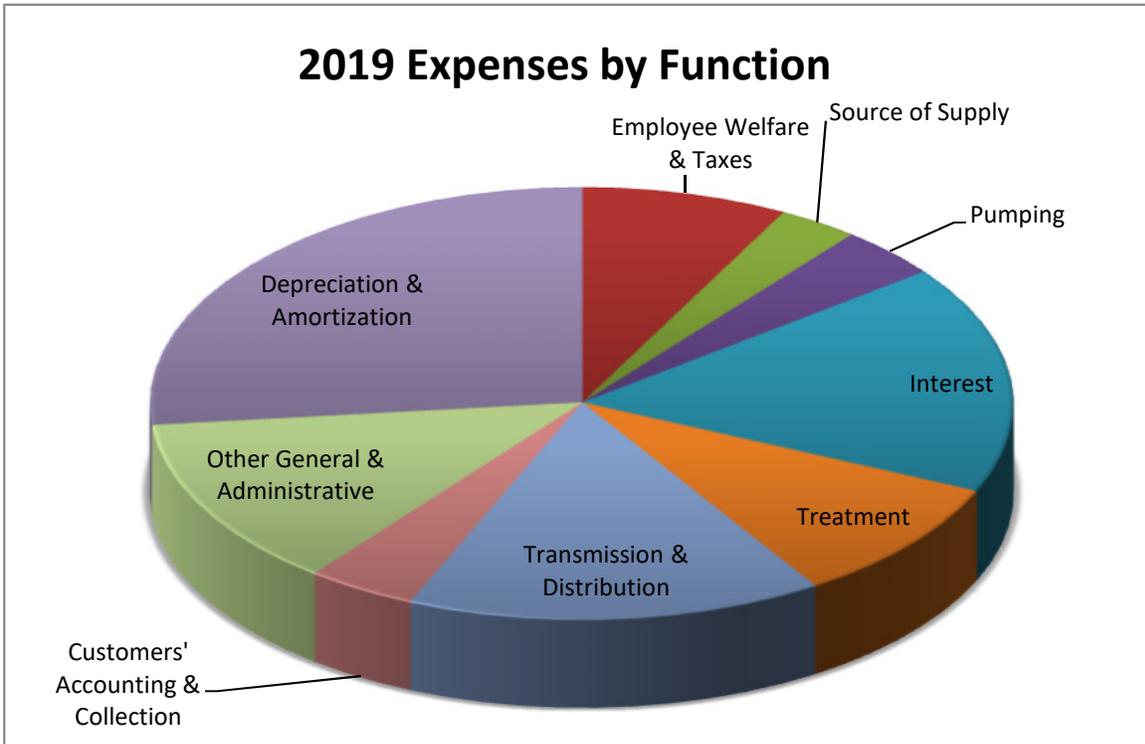
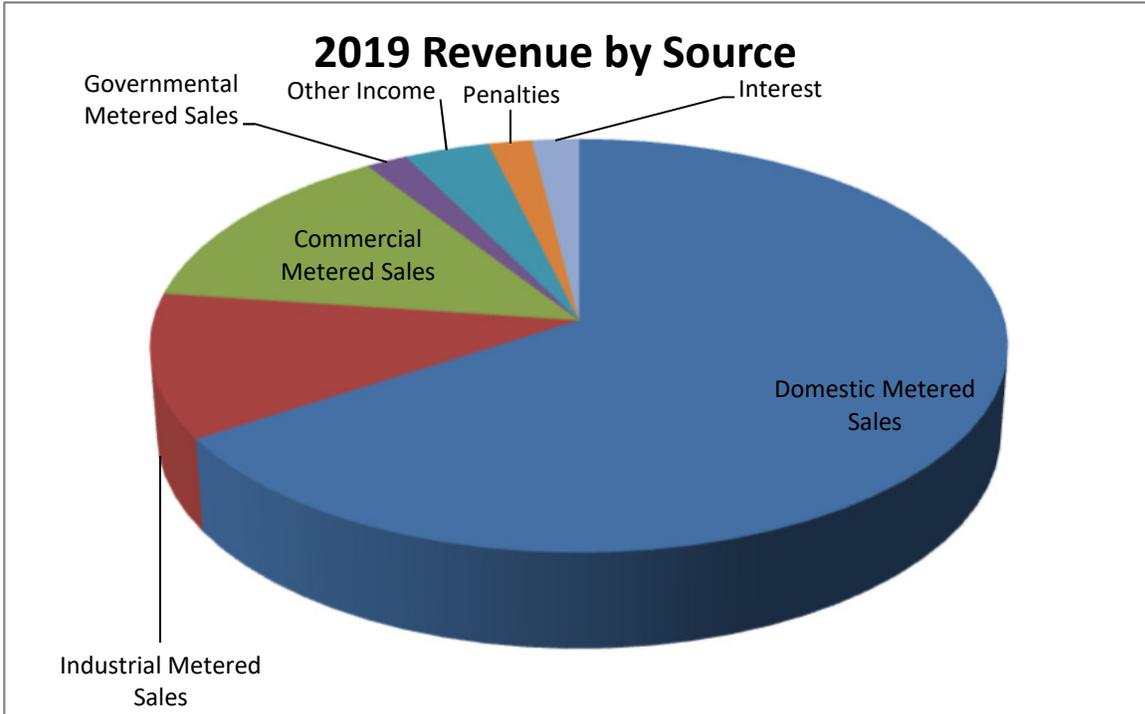
THE DISTRICT'S FUNDS

The District is operated as a proprietary or enterprise fund venture. As such the District operates seven primary cash fund types. The General Cash Fund has been established since the District's inception to report charges to water customers and for services provided to them. The Renewal and Replacement (R&R) Cash Fund is required by bond documents and is used to provide replacements of capital equipment and vehicles and for major repairs to water production and storage equipment. The Construction Cash Fund is used for the orderly disbursement of bond monies to complete approved projects. The Security Deposit Cash Fund is used strictly as an escrow depository for customer security deposits. The Tank Maintenance Cash Fund provides for the systematic completion of required maintenance of the District's water storage tanks. The Membrane Replacement Fund provides for the replacement of the membrane filtration units at the Potomac River Water Filtration Plant and the Main & Meter Fund provides for large capital purchases of meter equipment and main replacement projects.

Budgetary highlights

The District's Board of Directors adopted the Revised Operating Budget of \$14,314,300 for FY 2018/2019 on December 10, 2018. Major differences between budgeted and actual amounts per budgetary basis on the Budgetary Comparison Schedule on page 36 are as follows: Increased income from metered sales-industrial was due to the large volume of water being purchased by Procter & Gamble; maintenance and labor costs were higher due to acquiring older assets and water system at "The Woods."

Berkeley County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2019



Berkeley County Public Service District
MANAGEMENT'S DISCUSSION AND ANALYSIS
 Fiscal Year Ended June 30, 2019

CAPTIAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2019 Fiscal Year, the District had over \$127 million invested in a broad range of capital assets, including water treatment plants water transmission and distributions mains, water storage facilities, pump stations and pressure reducing stations. This amount represents a net increase (including additions and deductions) of \$9.95 million, or 8.48% from last year. These changes are presented in detail in the notes to the financial statements.

The following table summarizes the District's capital assets, net of accumulated depreciation, for the years ended June 30, 2019 and 2018.

<u>Table 3</u>	<u>2019</u>	<u>2018</u>
Land	\$ 1,398,631	\$ 1,368,631
Source of supply & pumping plant	5,927,250	5,927,981
Water treatment plant	18,016,393	18,482,358
Transmission and distribution plant	91,165,556	82,560,005
General plant and equipment	6,506,682	6,412,548
Construction work in progress	<u>4,242,041</u>	<u>2,559,010</u>
Net utility plant	<u>\$ 127,256,553</u>	<u>\$ 117,310,533</u>

This year's major additions included:

Source of supply and pumping plant	\$ 0.41 million
Transmission and distribution plant	\$ 11.14 million
General plant and equipment	\$ 0.39 million

The District awarded professional design contracts for the following projects:

FY 2018

-Engineering contracts were awarded to Dewberry for distribution system improvements.

FY 2019

-Engineering contracts were awarded to Dewberry for distribution system improvements as well as efforts to obtain additional water sources and to evaluate the replacement of the Bunker Hill Water Treatment Plant.

The District's 2020 capital budget plans for investing \$6.15 million in capital additions and equipment, including the following:

- Well to serve The Woods
- Computer software and hardware
- Water transmission lines
- New equipment at water plants
- Service connections and meters
- Main line extensions and fire hydrants
- Transportation equipment, tools, and office equipment
- Exploration for new water sources & design of an upgraded water plant

Debt

At year end, the District had a total of \$73,008,160 in outstanding revenue bonds versus \$74,979,170 last year.

Berkeley County Public Service District
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

ASSETS		<u>2019</u>	<u>2018</u>
CURRENT ASSETS			
Cash and temporary investments	\$	3,419,830	\$ 3,469,257
Accounts receivable - customers (net of allowance for doubtful accounts of \$53,002 and \$53,002 respectively)		2,716,627	2,403,634
Inventory		345,768	338,351
Other current assets		<u>112,427</u>	<u>107,651</u>
Total current assets		<u>6,594,652</u>	<u>6,318,893</u>
RESTRICTED ASSETS			
Debt service funds		2,384,331	2,250,150
Debt service reserve funds		2,135,352	2,122,210
Construction funds		5,793,684	10,437,391
Renewal and replacement funds		849,184	817,766
Customer deposits		<u>550,330</u>	<u>534,215</u>
Total restricted assets		<u>11,712,881</u>	<u>16,161,732</u>
Total current and restricted assets		<u>18,307,533</u>	<u>22,480,625</u>
UTILITY PLANT			
Utility plant in service		175,784,099	167,613,606
Construction in progress		4,242,041	2,559,010
Less accumulated depreciation		<u>(52,769,587)</u>	<u>(52,862,083)</u>
Net utility plant		<u>127,256,553</u>	<u>117,310,533</u>
OTHER ASSETS			
Utility plant not in service		1,468,503	1,468,503
Prepaid insurance - bond reserve		<u>43,826</u>	<u>46,883</u>
Total other assets		<u>1,512,329</u>	<u>1,515,386</u>
Total assets		<u>147,076,415</u>	<u>141,306,544</u>
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized debt issue expense - prepaid insurance		121,212	130,757
Deferred amount on refundings		501,418	566,120
Defined benefit pension plan contribution		318,312	297,903
Defined OPEB contribution		147	4,426
Deferred pension funding		<u>165,965</u>	<u>154,196</u>
Total deferred outflows of resources		<u>1,107,054</u>	<u>1,153,402</u>
Total assets and deferred outflows of resources	\$	<u>148,183,469</u>	\$ <u>142,459,946</u>

See accompanying notes and independent auditors' report.

Berkeley County Public Service District
STATEMENTS OF NET POSITION (Continued)
June 30, 2019 and 2018

LIABILITIES	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES (payable from current assets)		
Leases payable (due within one year)	\$ 49,927	\$ 35,583
Accounts payable	751,166	1,336,991
Accrued expenses	<u>231,489</u>	<u>205,577</u>
Total current liabilities (payable from current assets)	<u>1,032,582</u>	<u>1,578,151</u>
CURRENT LIABILITIES (payable from restricted assets)		
Revenue bonds payable (due within one year)	2,677,255	2,389,262
Advances for construction - developers	39,764	74,048
Accrued interest expense	306,971	318,062
Customer deposits	<u>634,280</u>	<u>603,212</u>
Total current liabilities (payable from restricted assets)	<u>3,658,270</u>	<u>3,384,584</u>
Total current liabilities	<u>4,690,852</u>	<u>4,962,735</u>
LONG-TERM LIABILITIES		
Advances for construction - developers	150,001	175,779
Leases payable	575,201	557,549
Net OPEB obligation	32,001	36,490
Net pension liability	504,535	744,018
Revenue bonds payable	<u>70,330,905</u>	<u>72,589,908</u>
Total long-term liabilities	<u>71,592,643</u>	<u>74,103,744</u>
Total liabilities	<u>76,283,495</u>	<u>79,066,479</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension funding	300,805	229,661
Deferred OPEB funding	<u>8,518</u>	<u>6,531</u>
Total deferred inflows of resources	<u>309,323</u>	<u>236,192</u>
Total liabilities and deferred inflows of resources	<u>76,592,818</u>	<u>79,302,671</u>
NET POSITION		
Invested in capital assets, net of related debt	55,267,589	43,371,305
Restricted for debt and construction	11,078,601	15,558,520
Unrestricted	<u>5,244,461</u>	<u>4,227,450</u>
Total net position	<u>71,590,651</u>	<u>63,157,275</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>148,183,469</u>	\$ <u>142,459,946</u>

See accompanying notes and independent auditors' report.

Berkeley County Public Service District
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Metered water sales		
Domestic	\$ 10,066,137	\$ 9,506,370
Commercial	2,085,246	2,047,386
Industrial	1,727,043	1,109,560
Governmental	269,585	285,797
Customers' forfeited discounts and penalties	281,737	271,624
Other operating income	<u>555,256</u>	<u>484,758</u>
Total operating revenues	<u>14,985,004</u>	<u>13,705,495</u>
OPERATING EXPENSES	<u>7,848,364</u>	<u>7,109,265</u>
Operating income before depreciation	<u>7,136,640</u>	<u>6,596,230</u>
DEPRECIATION	<u>3,707,322</u>	<u>3,465,298</u>
Operating income	<u>3,429,318</u>	<u>3,130,932</u>
NON-OPERATING INCOME (EXPENSES)		
Interest earned	305,282	142,360
Loss on disposal of utility plant	(155,178)	(1,407,704)
Interest expense	(2,382,257)	(2,291,263)
Miscellaneous nonutility expense - discontinued projects	-	(207,443)
Amortization	<u>(12,602)</u>	<u>(12,745)</u>
Total non-operating expense	<u>(2,244,755)</u>	<u>(3,776,795)</u>
Increase (decrease) in net position before capital contributions	<u>1,184,563</u>	<u>(645,863)</u>
CAPITAL CONTRIBUTIONS	<u>7,248,813</u>	<u>4,674,334</u>
Increase in net position	8,433,376	4,028,471
Net position at beginning of year	<u>63,157,275</u>	<u>59,128,804</u>
Net position at end of year	\$ <u>71,590,651</u>	\$ <u>63,157,275</u>

See accompanying notes and independent auditors' report.

Berkeley County Public Service District
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 14,703,079	\$ 13,459,152
Cash payments for goods and services	(4,219,475)	(3,561,248)
Cash payments for employee services	<u>(4,081,422)</u>	<u>(3,311,649)</u>
Net cash provided by operating activities	<u>6,402,182</u>	<u>6,586,255</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	305,282	142,360
Deferred outflows of resources - payments for pension contribution	(318,312)	302,329
Maturities, redemptions and (purchases) of certificates of deposit (net)	<u>18,829</u>	<u>293,414</u>
Net cash provided by investing activities	<u>5,799</u>	<u>738,103</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from revenue bond payable	418,252	2,235,559
Proceeds from BAN	-	10,000,000
Proceeds from disposal of capital assets	-	3,188
Proceeds from disposal of out of service assets	-	2,000
Proceeds from service connections	24,300	11,700
Proceeds from capital lease payable	68,644	-
Principal payments on revenue bonds payable	(2,389,262)	(2,171,517)
Principal payments on capital lease payable	(36,649)	(34,279)
Proceeds from (payments on) line of credit	-	(400,000)
Interest paid	(2,404,888)	(2,372,621)
Payments for advances for construction-developers	(60,062)	(103,546)
Acquisition and construction of capital assets	<u>(6,507,766)</u>	<u>(6,078,299)</u>
Net cash provided by (used in) capital and related financing activities	<u>(10,887,431)</u>	<u>1,092,185</u>
Net increase (decrease) in cash and cash equivalents	<u>(4,479,450)</u>	<u>8,416,543</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,738,037</u>	<u>10,321,494</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 14,258,587</u>	<u>\$ 18,738,037</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 3,429,318	\$ 3,130,932
Depreciation	3,707,322	3,465,298
Adjustments for changes in operating assets and liabilities:		
Receivables, net	(312,993)	(330,116)
Inventories	(7,417)	(75,477)
Other operating assets	(4,774)	(19,715)
Payables including trade and payroll	(576,133)	804,350
Pension liability	(239,483)	(682,926)
OPEB payable	(4,489)	(87,064)
Accrued expenses and other operating liabilities	47,288	125,374
Deferred inflows/outflows	<u>363,543</u>	<u>255,599</u>
Net cash provided by operating activities	<u>\$ 6,402,182</u>	<u>\$ 6,586,255</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Main line extensions contributed by developers	\$ <u>4,825,247</u>	\$ <u>4,662,634</u>
Other contributed utility plant	\$ <u>2,396,751</u>	\$ <u>-</u>

See accompanying notes and independent auditors' report

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019 and 2018

GENERAL

The Berkeley County Public Service District ("District") is a public corporation created under the law of the State of West Virginia on December 12, 1954, for the purpose of operating a water utility and providing water services to customers in its franchise area within Berkeley County. On July 1, 2001, the former Opequon Public Service District and the former Hedgesville Public Service District merged into the Berkeley County Public Service District pursuant to an order made by the Berkeley County Commission and approved by the Public Service Commission of West Virginia. The Berkeley County Public Service District conducts business under the name of the Berkeley County Public Service Water District and is governed by a board of directors who are appointed by the Berkeley County Council.

Reporting Entity

For financial reporting purposes, the District is considered an independent reporting entity. The basic criteria for defining the District as an independent reporting entity is the District's financial independence, accountability for fiscal matters, significant influence on operations and ability to designate management. There are no component units to include in the District's financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the presentation of the financial report of the District have been designated to conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental entities, in accordance with the Governmental Accounting Standards Board (GASB).

New Accounting Pronouncements

The Governmental Accounting Standards Board has issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018, to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Basis of Presentation

Accounts of the District are organized on the basis of fund accounting under one fund, an enterprise fund. Enterprise funds are proprietary funds used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe *which* transactions are recorded within the various financial statements. Basis of accounting refers to *when* transactions are recorded regardless of the measurement focus applied.

The proprietary funds utilize an "*economic resources*" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net position.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the District's enterprise funds are charged to customers for sales and service. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019 and 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position

For purposes of the statement of cash flows, the District considers all highly liquid investments, including restricted assets, with a maturity of three months or less when purchased to be cash equivalents.

The reserve method is used to provide for possible losses in the collection of customer's accounts receivable.

Inventory is stated at the lower of cost or market using the average cost method.

Utility plant is stated at cost at the date of acquisition. Donated assets, principally water lines, are recorded at an amount which approximates the donor's cost and are recorded as capital contributions. Depreciation is provided on a straight-line method at various rates calculated to allocate the cost of the respective items over their estimated useful lives ranging from 5 to 75 years and charged to operations. Interest paid on loans obtained for construction of plant facilities is capitalized when material. Capitalized interest for the years ended June 30, 2019 and 2018 was \$76,242 and \$156,251, respectively. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

Major classifications of utility plant of the District and their respective estimated useful lives at June 30, 2019 and 2018, are summarized below:

<u>Classification</u>	<u>Useful lives</u>
Utility plant and equipment	10-75 years
Water lines, meters and hydrants	10-75 years
Office equipment and furniture	5-25 years
Vehicle	5-10 years
Shop and garage equipment	5-25 years

Construction work in progress represents costs accumulated for the replacement of sections of the District's transmission and distribution systems, plant expansions and rehabilitation, and other projects that were not completed at year end.

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees may, depending on level and length of service, be paid for various amounts of their total accrued vacation leave upon termination or retirement. The District accrues liability for leave hours that meets the criteria for payment at the eligible employees' current rates of pay plus retirement benefits and employment taxes. The accrual for compensated absences was \$84,655 and \$76,473 at June 30, 2019 and 2018, respectively.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the District's statements of net position. Bond issuance costs consisting of prepaid insurance costs and deferred amount on refunding are reported as deferred outflows of resources and amortized over the term of the related debt. Other bond issuance costs are expensed as incurred.

Equity Classifications

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net position - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - all other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

Other Post Employment Benefits (OPEB)

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

Budget

In accordance with West Virginia Code, management shall prepare and submit to the Board a tentative budget. Such tentative budget shall be considered by the Board and, subject to any revisions or amendments that may be determined by the Board, shall be adopted as the budget for the ensuing fiscal year. No expenditures for operation and maintenance expenses in excess of the budget shall be made during such fiscal year unless unanimously authorized and directed by the Board.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments consists of the following accounts and amounts at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operation and maintenance - cash	\$ 22,858	\$ 16,600
Revenue fund - certificates of deposit	207,392	203,186
Revenue fund - cash	1,106,417	647,773
Tank paint fund - cash	570,289	1,316,624
Membrane fund - cash	774,909	633,750
Main and meter fund - cash	734,549	650,424
Capacity improvement fees - cash	2,515	-
Other cash	<u>900</u>	<u>900</u>
Total	<u>\$ 3,419,829</u>	<u>\$ 3,469,257</u>

The revenue fund is a restricted account under the control of a trustee in accordance with provisions of the revenue bond resolutions; however, these funds are generally available for the operations of the District.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

RESTRICTED ASSETS

The debt service represent funds on deposit with the West Virginia Municipal Bond Commission as trustee under the various bond resolutions. These funds are to be used to pay bond interest and principal.

The debt service reserve funds represent funds on deposit with the West Virginia Municipal Bond Commission. The District is required to maintain these accounts over the life of the outstanding bond issues.

The construction funds represents funds on deposit with a financial institution and the West Virginia Municipal Bond Commission (WVMBC). Construction funds include monies refunded by WVMBC in lieu of surety bonds for the 1993D, 1996A, 2001A and 2013A debt service reserve. These funds are to be used to pay the costs of the District's construction projects.

The renewal and replacement fund represents funds that are under the control and custody of the District as trustees in accordance with provisions of its various bond resolutions. These funds are for the purpose of meeting unforeseen emergencies or renewal and replacement work.

Customer deposits represent funds required by the Public Service Commission of West Virginia for the purpose of securing payment for services in the event customer accounts become delinquent.

It is the District's policy to first use restricted assets when available and then use general revenues to finance projects and expenses.

DEPOSITS AND INVESTMENTS

At June 30, 2019, the District's cash and investment balances were as follows:

<u>Investment Type</u>	<u>Maturities</u>	<u>Standard and Poor Credit Rating</u>	<u>Fair Value</u>
State Investment Pool	Average of 90 Days	AA-	\$ 10,376,306
Cash and Certificates of Deposit			<u>4,756,405</u>
Total Cash, Certificates of Deposit, and Investments			\$ <u>15,132,711</u>

Credit Risk

State statues authorize the government to invest in the State Investment Pool or the Municipal Bond Commission or to invest such funds in the following classes of securities: Obligations of the United States or any agency thereof, certificates of deposit (which mature in less than one year), general and direct obligations of the state of West Virginia; obligations of the federal mortgage association; indebtedness secured by first lien deeds of trust for property situated within this state if the payment is substantially insured or guaranteed by the federal government; pooled mortgage trusts (subject to limitations); indebtedness of any private corporation that is properly graded as in the top two or three highest rating grades; interest earning deposits which are fully insured or collateralized; and mutual funds registered with the S.E.C. which have fund assets over three hundred million dollars. The District has no investment policy that would further limit its investment choices nor limit its investments in any one issuer. The State Investment Pool issues an annual Summary of Receipts and Disbursements which is available at www.mbc.wv.gov.

Custodial Credit Risk-Deposits and Investments

Custodial credit risk is the risk that in the event of a bank or counter party failure, the District will not be able to recover the value of its deposits, investments or collateral securities that are in possession of an outside party. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2019, \$3,830,512 of the District's bank balance of \$5,038,104 was exposed to custodial credit risk. Of the bank balance, \$1,207,592 was covered by Federal Deposit Insurance (FDIC). The remaining balance of \$3,830,512 was collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value changes arising from changing interest rates.

CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2018</u>
Capital assets not being depreciated:				
Construction in progress	\$ 3,178,048	\$ 5,044,681	\$ 5,663,719	\$ 2,559,010
Land	<u>1,368,631</u>	<u>-</u>	<u>-</u>	<u>1,368,631</u>
Total not being depreciated	<u>4,546,679</u>	<u>5,044,681</u>	<u>5,663,719</u>	<u>3,927,641</u>
Other capital assets:				
Source of supply & pumping plant	14,271,510	-	640	14,270,870
Water treatment plant	23,912,247	605,545	-	24,517,792
Transmission and distribution plant	107,256,467	10,663,908	-	117,920,375
General plant and equipment	<u>9,580,446</u>	<u>39,327</u>	<u>83,835</u>	<u>9,535,938</u>
Total other capital assets	<u>155,020,670</u>	<u>11,308,780</u>	<u>84,475</u>	<u>166,244,975</u>
Less accumulated depreciation:				
Source of supply & pumping plant	8,071,285	272,244	640	8,342,889
Water treatment plant	5,429,510	605,924	-	6,035,434
Transmission and distribution plant	33,067,601	2,292,769	-	35,360,370
General plant and equipment	<u>2,912,864</u>	<u>294,361</u>	<u>83,835</u>	<u>3,123,390</u>
Total accumulated depreciation	<u>49,481,260</u>	<u>3,465,298</u>	<u>84,475</u>	<u>52,862,083</u>
Net capital assets	<u>\$ 110,086,089</u>	<u>\$ 12,888,163</u>	<u>\$ 5,663,719</u>	<u>\$ 117,310,533</u>

Capital assets activity for the year ended June 30, 2019 was as follows:

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance at June 30, 2019</u>
Capital assets not being depreciated:				
Construction in progress	\$ 2,559,010	\$ 5,684,409	\$ 4,001,378	\$ 4,242,041
Land	<u>1,368,631</u>	<u>30,000</u>	<u>-</u>	<u>1,398,631</u>
Total not being depreciated	<u>3,927,641</u>	<u>5,714,409</u>	<u>4,001,378</u>	<u>5,640,672</u>
Other capital assets:				
Source of supply & pumping plant	14,270,870	414,182.00	146,321	14,538,731
Water treatment plant	24,517,792	153,323	505,515	24,165,600
Transmission and distribution plant	117,920,375	11,139,217	2,858,378	126,201,214
General plant and equipment	<u>9,535,938</u>	<u>388,769</u>	<u>444,784</u>	<u>9,479,923</u>
Total other capital assets	<u>166,244,975</u>	<u>12,095,491</u>	<u>3,954,998</u>	<u>174,385,468</u>
Less accumulated depreciation:				
Source of supply & pumping plant	8,342,889	297,991	29,399	8,611,481
Water treatment plant	6,035,434	619,288	505,515	6,149,207
Transmission and distribution plant	35,360,370	2,503,295	2,828,007	35,035,658
General plant and equipment	<u>3,123,390</u>	<u>286,737</u>	<u>436,886</u>	<u>2,973,241</u>
Total accumulated depreciation	<u>52,862,083</u>	<u>3,707,311</u>	<u>3,799,807</u>	<u>52,769,587</u>
Net capital assets	<u>\$ 117,310,533</u>	<u>\$ 14,102,589</u>	<u>\$ 4,156,569</u>	<u>\$ 127,256,553</u>

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

CONSTRUCTION IN PROGRESS

At June 30, 2019, construction in progress consisted of various water upgrade projects and studies.

Project 116 relates to water system capital improvements, namely the easement acquisition, permit acquisition, and the design of a booster station. As of June 30, 2019, expenditures totaling \$3,597,596 had been incurred on this project, which is expected to cost approximately \$3,550,000 upon completion.

Project 119 relates to water system capital improvements, namely the easement acquisition, permit acquisition, and the design of a water line. As of June 30, 2019, expenditures totaling \$517,183 had been incurred on this project, which is expected to cost approximately \$550,000 upon completion.

Project 121 relates to engineering plans for a new water supply and treatment plant. As of June 30, 2019, expenditures totaling \$127,262 had been incurred on this project, which is expected to cost approximately \$500,000 upon completion.

REVENUE BONDS PAYABLE

The District is obligated under certain bond resolutions with respect to the following revenue bonds outstanding as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Series B 1993 water revenue bonds in the original amount of \$528,871, payable in annual installments, with increasing principal and interest beginning October 1, 1993 at \$2,359 and concluding October 1, 2031 at \$40,229 including 7.75% interest;	\$ 347,361	\$ 362,605
Series C 1993 water revenue bonds in the original amount of \$17,629, payable in annual installments, beginning October 1, 1993 and concluding October 1, 2031 at \$452 with no interest;	5,876	6,328
Series D 1993 water revenue bonds in the original amount of \$10,257,957, total annual installments of principal and interest at \$751,218; principal payable in annual installments beginning October 1, 1995 and concluding April 1, 2033 with interest payable in semi-annual installments at 6.75% interest;	6,951,388	7,215,556
Series 1996 water revenue bonds in the original amount of \$677,158, payable in annual installments, with increasing principal and interest beginning October 1, 1997 at \$4,392 and concluding October 1, 2035 at \$43,966 including 6.25% interest;	480,753	496,439
Series 2001 water revenue bonds in the original amount of \$2,010,000, payable in annual installments with varying principal and interest beginning October 1, 2002 at \$15,502 and concluding October 1, 2039 at \$124,841 including 5.8% interest;	1,580,303	1,618,511
Series C 2003 water revenue bonds in the original amount of \$2,430,000, payable in annual installments with varying principal and interest beginning October 2004 at \$73,490, and concluding October 2023 at \$185,704 including 5% interest;	844,201	989,705

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

REVENUE BONDS PAYABLE (Continued)	<u>2019</u>	<u>2018</u>
Series 2012A water revenue bonds in the original amount of \$7,425,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 2.07%; interest payments beginning June 2013 at 1.00% and principal payments beginning December 2013 and concluding December 2024 including 2.38% interest;	\$ 4,395,000	\$ 4,740,000
Series 2012B water revenue bonds in the original amount of \$7,800,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 3.12%; interest payments beginning June 2013 at 1.00% and principal payments beginning December 2013 and concluding December 2032 including 3.25% interest;	7,650,000	7,675,000
Series 2013A water revenue bonds in the original amount of \$9,900,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 3.95%; interest payments beginning June 2014 at 2.00% and principal payments beginning December 2014 and concluding December 2033 including 4.5% interest;	9,775,000	9,800,000
Series 2013B water revenue bonds in the original amount of \$2,875,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 3.04%; interest payments beginning June 2014 at 1.4% and principal payments beginning December 2014 and concluding December 2020 including 3.95% interest;	700,000	1,155,000
Series 2015A water revenue bonds in the original amount of \$9,575,000 principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 3.04%; interest payments beginning June 2015 at 2.00% and principal payments beginning December 2015 and concluding December 2036 including 3.25% interest;	9,210,000	9,255,000
Series 2015B water revenue bonds in the original amount of \$525,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 1.99%; interest payments beginning June 2015 at 2.0% and principal payments beginning December 2015 and concluding December 2018 including 2.0% interest;	-	135,000
Series 2015C water refunding bonds in the original amount of \$9,910,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 3.46%; interest payments beginning December 2015 at 0.60% and principal payments beginning December 2016 and concluding December 2037 including 3.625% interest;	9,755,000	9,805,000

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019 and 2018

REVENUE BONDS PAYABLE (Continued)

	<u>2019</u>	<u>2018</u>
Series 2015D water refunding bonds in the original amount of \$2,150,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 2.92%; interest payments beginning December 2015 at 2.00% and principal payments beginning December 2016 and concluding December 2025 including 3.0% interest;	\$ 1,990,000	\$ 2,065,000
Series 2015E water refunding bonds in the original amount of \$5,460,000, principal payable in annual installments at varying amounts and semi-annual interest at varying rates averaging 2.74%; interest payments beginning June 2016 at 2.0% and principal payments beginning December 2017 and concluding December 2028 including 3.0% interest;	4,110,000	4,865,000
Series 2016A water revenue bonds in the original amount of \$5,213,278, quarterly principal and interest payments beginning September 2019 and concluding June 2039, including 3.00% interest;	5,213,278	4,795,026
Series 2017 BAN in the original amount of \$10,000,000, semi-annual interest only payments at a rate of 1.78% beginning June 2018 and concluding December 2020; balance due at maturity.	<u>10,000,000</u>	<u>10,000,000</u>
	\$ <u>73,008,160</u>	\$ <u>74,979,170</u>

Maturities of revenue bonds payable and interest payments for each of the next five years and in subsequent five year increments succeeding June 30, 2019 are as follows:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,677,255	\$ 2,436,898	\$ 5,114,153
2021	13,038,484	2,277,102	15,315,586
2022	2,842,802	2,092,507	4,935,309
2023	2,939,395	1,998,336	4,937,731
2024	3,233,404	1,894,998	5,128,402
2025-2029	17,820,067	7,600,661	25,420,728
2030-2034	20,395,823	3,893,234	24,289,057
2035-2039	9,936,089	764,586	10,700,675
2040	<u>124,841</u>	<u>3,620</u>	<u>128,461</u>
Total	\$ <u>73,008,160</u>	\$ <u>22,961,942</u>	\$ <u>95,970,102</u>

The revenue bond issues are secured by a lien on the revenues derived from the system and a statutory mortgage lien on the system plant. The revenue bonds are at parity with one another except for the 2017 BAN which is not on parity with the other revenue bonds. The bonds contain a provision that in an event of default, any Registered Owner of the Bonds shall have the right by appropriate legal proceedings to obtain the appointment of a receiver for the District.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

REVENUE BONDS PAYABLE (Continued)

Changes in revenue bonds payable for the years ended June 30, 2018 and 2019 are as follows:

	<u>Balance at July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2018</u>
Water revenue bonds:				
Series B 1993	\$ 376,753	\$ -	\$ 14,148	\$ 362,605
Series C 1993	6,780	-	452	6,328
Series D 1993	7,463,020	-	247,464	7,215,556
Series 1996	511,203	-	14,764	496,439
Series 2001	1,654,625	-	36,114	1,618,511
Series C 2003	1,128,281	-	138,576	989,705
Series 2012 A	5,075,000	-	335,000	4,740,000
Series 2012 B	7,700,000	-	25,000	7,675,000
Series 2013 A	9,825,000	-	25,000	9,800,000
Series 2013 B	1,600,000	-	445,000	1,155,000
Series 2015 A	9,300,000	-	45,000	9,255,000
Series 2015 B	265,000	-	130,000	135,000
Series 2015 C	9,860,000	-	55,000	9,805,000
Series 2015 D	2,130,000	-	65,000	2,065,000
Series 2015 E	5,460,000	-	595,000	4,865,000
Series 2016 A	2,559,467	2,235,559	-	4,795,026
Series 2017 BAN	<u>-</u>	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>
Total water revenue bonds payable	\$ <u>64,915,129</u>	\$ <u>12,235,559</u>	\$ <u>2,171,518</u>	\$ 74,979,170
Less: Current portion due in upcoming year:				<u>2,389,262</u>
Long-term water revenue bonds payable at June 30, 2018 (net of current portion)			\$	<u><u>72,589,908</u></u>

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

REVENUE BONDS PAYABLE (Continued)

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at June 30, 2019</u>
Water revenue bonds:				
Series B 1993	\$ 362,605	\$ -	\$ 15,244	\$ 347,361
Series C 1993	6,328	-	452	5,876
Series D 1993	7,215,556	-	264,168	6,951,388
Series 1996	496,439	-	15,686	480,753
Series 2001	1,618,511	-	38,208	1,580,303
Series C 2003	989,705	-	145,504	844,201
Series 2012 A	4,740,000	-	345,000	4,395,000
Series 2012 B	7,675,000	-	25,000	7,650,000
Series 2013 A	9,800,000	-	25,000	9,775,000
Series 2013 B	1,155,000	-	455,000	700,000
Series 2015 A	9,255,000	-	45,000	9,210,000
Series 2015 B	135,000	-	135,000	-
Series 2015 C	9,805,000	-	50,000	9,755,000
Series 2015 D	2,065,000	-	75,000	1,990,000
Series 2015 E	4,865,000	-	755,000	4,110,000
Series 2016 A	4,795,026	418,252	-	5,213,278
Series 2017 BAN	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>
 Total water revenue bonds payable	 \$ <u>74,979,170</u>	 \$ <u>418,252</u>	 \$ <u>2,389,262</u>	 \$ 73,008,160
 Less: Current portion due in upcoming year:				 <u>2,677,255</u>
 Long-term water revenue bonds payable at June 30, 2019 (net of current portion)				 \$ <u>70,330,905</u>

The significant covenants contained in the bond issues are as follows:

	<u>2019</u>	<u>2018</u>
Actual debt service coverage ratio	142%	137%
Required debt service coverage ratio	120%	120%
Required annual additions to renewal and replacement fund	\$ 373,487	\$ 336,856
Required future debt service reserve	\$ 2,007,786	\$ 2,117,786

Pursuant to a bond counsel opinion dated October 22, 2011, debt service reserve fund amounts have been applied towards their respective issues' final payment of principal and interest in the calculation of coverage and consistent with the Districts' offering documents. As of June 30, 2019 the District is in compliance with its revenue bonds required debt service coverage ratio, required annual additions to its renewal and replacement fund, and its required future debt service reserve. In addition West Virginia Senate Bill No. 234 requires public water utilities to maintain a working capital reserve in an amount of no less than one-eighth of actual operation and maintenance expense. The District is in compliance with its working capital reserve requirement of \$1,005,891 for the year ended June 30, 2019.

LINE OF CREDIT PAYABLE

The District had a \$1,000,000 unsecured line of credit, used to finance short term cash requirements. The District pays interest only on a monthly basis and the principal is due on demand. The interest rate to be applied to the unpaid principal balance varies based on the Prime Rate as published in the Wall Street Journal. On October 27, 2016, the District entered into new \$2,250,000 line of credit agreement to replace the original line of credit. The District pays interest on a monthly basis and principal is due in full at maturity on October 27, 2019. The interest rate to be applied to the unpaid principal balance varies based on the Prime Rate as published in the Wall Street Journal, with a minimum rate of 3.5%. The balance outstanding at June 30, 2019 and 2018 was \$0 and \$0, respectively.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

CAPITAL LEASES PAYABLE

The former Hedgesville Public Service District entered into an agreement to lease a water distribution main from the City of Martinsburg, West Virginia ("City"). Under the agreement, the District pays the City monthly lease payments beginning in 2001 over a thirty-year term. At the end of the lease, ownership of the leased property is transferred to the District.

In May 2019, the District entered into an agreement to lease equipment from a bank. Under the agreement, the District pays monthly payments starting in June 2019 over a five-year term. At the end of the lease, a bargain purchase option exists to purchase the leased property.

Minimum future lease payments under capital leases as of June 30, 2019, for each of the next five years in the aggregate, are:

<u>Year Ending June 30:</u>	
2020	\$ 71,907
2021	71,907
2022	71,907
2023	71,907
2024	70,678
2025-2029	285,803
2030-2032	<u>123,086</u>
Total minimum lease payments	767,195
Less: amount representing interest	<u>142,068</u>
Present value of net minimum lease payments	\$ <u>625,127</u>

In addition to leasing the water distribution main, the District committed to purchase a minimum of 25,000 gallons of water per day from the City. Based on the City's tariff, the minimum purchase amount was \$34,584 for the year ended June 30, 2019.

CAPITAL COMMITMENTS MADE WITH OTHER UTILITY PROVIDERS

On May 17, 2000, the former Berkeley County Public Service District entered into an agreement with the City of Martinsburg, West Virginia ("City"), for the sale and purchase of water. The District has committed to purchase a minimum of 200,000 gallons of water per day from a City owned treatment plant. The District also agreed to pay a monthly fee to the City for allocated capacity, cost of funding required reserves, and renewal and replacements. This monthly fee will be based on an approximate \$850,000 capital base at an estimate 5.8% interest rate in effect over the term of this agreement (40 years). Based on the City's tariff, the minimum purchase amount was \$276,670 for the year ended June 30, 2019.

OPERATING LEASE

The District has entered into operating lease agreements with four telecommunications providers which allows the attachment of cell phone towers/antenna to the District's water tanks. These agreements are for various term lengths with the longest extending through October 2040, if all renewal periods are elected. Monthly rents related to these agreements range from \$600 - \$2,460. Non-operating rental income for the years ended June 30, 2019 and 2018 was \$107,780 and \$104,321 respectively.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

ADVANCES FOR CONSTRUCTION - DEVELOPERS

The District is obligated to reimburse the developers based on the revenue derived from customers connected to the lines. The reimbursements are payable for up to a ten year period from the date of completion of the lines and are based on service connections made during a year. In no case is the reimbursement to the developers to exceed the total cost of the line additions. Also included in this account are advanced payments received by the District as of June 30, 2019 and 2018 of \$189,765 and \$249,827, respectively. These are payment for lines to be installed in developments.

LOSS ON DISPOSAL

During the fiscal year ended June 30, 2018, the District entered into an agreement to sell a portion of its out of service assets at a loss. The agreement resulted in a \$1,412,891 reduction in out of service assets, net of accumulated depreciation, and a loss on disposal of utility plant in the amount of \$1,410,891. The value of the out of service assets is based on management's estimate of the original cost of each individual asset sold.

CAPITAL CONTRIBUTIONS

Included in the accompanying statements of revenues, expenses, and changes in net position are capital contributions, which includes management's estimate of the value of mainline extensions contributions to the District by developers. Mainline extensions constructed by developers are titled to the District upon their completion. In addition, the District entered into an Asset Purchase Agreement at a cost of \$10 to purchase the water system from The Woods Homeowners Association in January 2019, with all associated assets considered contributions to the District at their estimated fair market value. The estimated costs and offsetting capital contributions are recorded in the District's books and totaled \$7,248,813 and \$4,662,634 for the years ended June 30, 2019 and 2018, respectively. Total capital contributions in the income statement consist of the following:

	<u>2019</u>	<u>2018</u>
Mainline extensions, hydrants, and services	\$ 4,825,247	\$ 4,662,634
The Woods Homeowners Association water system	2,396,751	-
Service connection fees	24,300	11,700
Capacity improvement fee (refunded)/collected	<u>2,515</u>	<u>-</u>
Total capital contributions	<u>\$ 7,248,813</u>	<u>\$ 4,674,334</u>

RETIREMENT PLAN

All full-time employees of the District are covered by the West Virginia Public Employees Retirement System ("PERS"), which is a defined benefit, cost-sharing multi-employer pension plan. The PERS is included as part of the West Virginia Consolidated Public Retirement Board. The retirement plan is reported as a pension trust fund of West Virginia. The Consolidated Public Retirement Board issues a separate financial report for pension plans. This report is available at www.wvretirement.com.

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64.

Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

RETIREMENT PLAN (Continued)

Contributions - Per Chapter 5, Article 10, members contribute 4.5% of annual earnings. All members hired after July 1, 2015 will contribute 6% of annual earnings. State and non-state governmental employers' contribution rates were 11.0% and 11.0% of covered employees' annual earnings for fiscal years ended June 30, 2019 and 2018, respectively. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the Board. Employer contributions for the fiscal years ended June 30, 2019 and 2018, were \$318,332, and \$297,903, respectively.

Trend Information

Fiscal Year Ended June 30:	Annual Pension <u>Cost</u>	Percentage <u>Contributed</u>
2019	\$ 318,332	100%
2018	297,903	100%
2017	282,287	100%
2016	288,564	100%
2015	291,723	100%
2014	294,322	100%

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

At June 30, 2019, the District reported a liability of \$504,535 for its proportionate share of the net pension liability. The net pension liability, deferred inflows of resources, deferred outflows of resources, and pension expense were determined by actuarial valuations as of July 1, 2018 and 2017 rolled forward to June 30, 2019 and 2018, respectively, which are the measurement dates. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The District's proportion in June 30, 2019 and June 30, 2018 was 0.195366% and 0.172368%, respectively, which is a 0.022998% increase over the prior year.

For the years ended June 30, 2019 and 2018, the District recognized pension expense of \$117,795 and \$169,800, respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 296,897
Differences between expected and actual experience	25,028	1,248
Changes in proportion and difference between District contributions and proportionate share contributions	140,937	2,660
District contributions subsequent to the measurement date	<u>318,312</u>	<u>-</u>
Total	\$ <u><u>484,277</u></u>	\$ <u><u>300,805</u></u>

\$318,312 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The net difference between projected and actual investment earnings on pension plan investments is amortized over a five year period. All other deferred outflows of resources and deferred inflows of resources relating to pension amounts reported in these schedules are amortized and included in pension expense over the average remaining service life of 3.92 years.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

PENSION LIABILITIES, PENSION EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS (Continued)

The June 30, 2018 actuarial assumptions used in the actuarial valuations are as follows:

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 FY 2035
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases:	
PERS:	
State	3.0% - 4.6%
Non-state	3.35% - 6.0%
Inflation rate	3.0%
Discount rate	7.5%
Mortality rates	
	Active - 100% of RP-2000 Non-Annuitant, Scale AA
	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA
	Healthy females - 101% of RP-2000 Non Annuitant, Scale AA
	Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA
	Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA
Withdrawal rates	
State	1.75 - 35.1%
Non-state	2 - 35.88%
Disability rates	0.007 - 0.675%
Retirement rates	12% - 100%
Date range in most recent experience study	
	2009 - 2014

Discount rate - The discount rate used to measure the total pension liability was 7.5% for all defined benefit plans. The projections of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position of each 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 liabilities of each plan.

The following presents the net pension liability, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current discount rate:

<u>Sensitivity of Discount Rate</u>	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the net pension asset (liability)	\$ (2,031,870)	\$ (504,537)	\$ 787,567

OTHER POST EMPLOYMENT BENEFITS

The West Virginia Other Postemployment Benefit Plan (Plan) is a cost-sharing, multiple employer, defined benefit other post-employment benefit plan and covers eligible retirees as set forth in the West Virginia Code Section 5-16D-2. 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. For additional financial information, please refer to the audited financial statements of the RHBT. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

OTHER POST EMPLOYMENT BENEFITS (Continued)

The Plan provides eligible retirees with medical and prescription drug insurance as well as life insurance benefits. The District is deemed a non-participating entity with eligible retirees, which means that the District does not currently participate in a group medical or prescription drug coverage plan through PEIA; however, the District has qualifying retirees who are eligible to participate in a retiree plan due to prior service. As a result of being a non-participating entity, the District does not have covered payroll associated with its liability.

Contributions - Employer contributions represent what the employer was billed during the year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The District's monthly paygo rate for the year ended June 30, 2019 was \$177 which totaled \$2,124 for the year.

A special funding situation under GASB 75 occurs when a nonemployer entity (often another government) is legally responsible for providing financial support for OPEB of the employees of another entity by making contributions directly to the OPEB Plan on behalf of a government. Based on GASB 75 guidelines, the State of West Virginia is a nonemployer contributing entity to the Plan that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code section 11-21-96. This funding is to the advantage of all RHBT contributing employers and is to be used to lower retiree premiums, help reduce benefit cuts, reduce premium increases or any combination thereof.

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

OPEB amounts have been allocated to each contributing employer based on their proportionate share of employer contributions to the RHBT for the fiscal year ended June 30, 2018. Employer contributions are recognized when due. The net OPEB liability, deferred inflows/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. At June 30, 2019, the District reported a liability of \$32,001 for its proportionate share of the net OPEB liability. The District's contribution proportion in June 30, 2018 was 0.001491563%.

For the years ended June 30, 2019 and 2018, the District recognized OPEB expense of \$1,777 and \$(84,959), respectively. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 592
Differences between expected and actual experience	-	473
Deferred difference in assumptions	-	3,195
Changes in proportion and difference between District contributions and proportionate share contributions	147	4,258
District contributions subsequent to the measurement date	-	-
Total	\$ 147	\$ 8,518

The net difference between projected and actual investment earnings on OPEB plan investments is amortized over a five year period. All other deferred outflows of resources and deferred inflows of resources relating to OPEB amounts reported in these schedules are amortized and included in OPEB expense over the average remaining service life of 4.6370 years.

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Continued)

The June 30, 2018 actuarial assumptions used in the actuarial valuations are as follows:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017
Actuarial assumptions:	
Inflation	2.75%
Investment rate of return	7.15%, net of OPEB plan investment expenses, including inflation
Projected salary increases	Dependent upon pension system ranging from 3% to 6.5%, including inflation
Healthcare cost trend rate	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.0% and 10.0% for pre and post-Medicare, respectively, and gradually decreases to an ultimate 4.5%.

Discount rate - The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rates assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. will continue to follow the current funding 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.

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.15%) or 1-percentage point higher (8.15%) than the current discount rate:

<u>Sensitivity of Discount Rate</u>	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
District's proportionate share of the net OPEB liability	\$ 37,610	\$ 32,001	\$ 27,324

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using healthcare cost trend rates that is 1-percentage point lower or 1-percentage point higher than the current rate:

<u>Healthcare Cost Trend Rate</u>	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 26,479	\$ 32,001	\$ 38,729

Berkeley County Public Service District
NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2019 and 2018

OPEB LIABILITIES, OPEB EXPENSE, DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB (Continued)

Trend Information

Fiscal Year Ended June 30:	Annual OPEB <u>Cost</u>	Percentage <u>Contributed</u>
2019	\$ -	0%
2018	4,426	100%
2017	3,048	100%
2016	3,048	100%
2015	3,048	100%
2014	3,048	100%

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash and cash equivalents consist of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Operation and maintenance	\$ 22,858	\$ 16,600
Capacity improvement fees	2,515	-
Revenue fund	1,106,217	647,623
Main and meter fund	734,549	650,424
Tank paint fund - excluding certificates of deposit	570,289	1,316,624
Membrane fund	774,909	633,750
Other cash	1,100	1,050
Debt service funds	2,384,331	2,250,150
Debt service reserve funds	2,135,352	2,122,210
Construction fund	5,793,684	10,437,391
Renewal and replacement fund - excluding certificates of deposit	628,442	600,944
Security deposit funds - excluding certificates of deposit	<u>104,341</u>	<u>61,271</u>
 Total	 \$ <u>14,258,587</u>	 \$ <u>18,738,037</u>

COMMITMENTS

In September 2017, the District entered into an agreement with the Village at Spring Mills, LLC (Village) to reimburse the Village for water infrastructure installed on its development site in the amount of \$113,688 within six months after completion. In addition, the District agrees to waive tap fees for the installation and will provide individual meters for each customer on the Village's development site free of charge. As of June 30, 2019, the water infrastructure has not been completed by the developer.

SUBSEQUENT EVENTS

In preparing these financial statements, The District has evaluated events and transactions for potential recognition or disclosure through September 18, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTAL INFORMATION

Berkeley County Public Service District
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 June 30, 2019

Public Employees Retirement System - Last 10 Fiscal Years Ended June 30 (A)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset) (percentage)	0.157072%	0.172368%	0.155251%	0.156806%	0.151028%
District's proportionate share of the net pension liability (asset)	\$ 504,535	\$ 744,018	\$ 1,426,944	\$ 875,611	\$ 557,392
District's covered-employee payroll	\$ 2,893,927	\$ 2,708,209	\$ 2,352,392	\$ 2,137,511	\$ 2,083,736
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	17.43%	27.47%	60.66%	40.96%	26.75%
Plan fiduciary net position as a percentage of the total pension liability	96.33%	93.67%	86.11%	91.29%	94.23%
	<u>2014</u>				
District's proportion of the net pension liability (asset) (percentage)	0.157072%				
District's proportionate share of the net pension liability (asset)	\$ 1,431,915				
District's covered-employee payroll	\$ 1,684,979				
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	84.98%				
Plan fiduciary net position as a percentage of the total pension liability	93.98%				

(A) - This information is not readily available for fiscal years ended prior to June 30, 2014 and is not presented

See independent auditors' report.

Berkeley County Public Service District
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
 June 30, 2019

Public Employees Retirement System - Last 10 Fiscal Years Ended June 30 (A)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 318,332	\$ 297,903	\$ 282,287	\$ 288,564	\$ 291,723
Contributions in relation to the contractually required contribution	<u>(318,332)</u>	<u>(297,903)</u>	<u>(282,287)</u>	<u>(288,564)</u>	<u>(291,723)</u>
Contribution deficiency (excess)	\$ <u> -</u>				
District's covered-employee payroll	\$ 2,893,927	\$ 2,708,209	\$ 2,352,392	\$ 2,137,511	\$ 2,083,736
Contributions as a percentage of covered employee payroll	11.00%	11.00%	12.00%	13.50%	14.00%
	<u>2014</u>				
Contractually required contribution	\$ 244,322				
Contributions in relation to the contractually required contribution	<u>(244,322)</u>				
Contribution deficiency (excess)	\$ <u> -</u>				
District's covered-employee payroll	\$ 1,684,979				
Contributions as a percentage of covered employee payroll	14.50%				

(A) - This information is not readily available for fiscal years ended prior to June 30, 2014 and is not presented

See independent auditors' report.

Berkeley County Public Service District
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 June 30, 2019

Public Employees Retirement System - Last 10 Fiscal Years Ended June 30 (A)

Proportionate Share of the Net OPEB Liability	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset) (percentage)	0.001492%	0.001484%
District's proportionate share of the net OPEB liability (asset)	\$ 32,001	\$ 36,490
District's covered-employee payroll	\$ N/A	\$ N/A
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	N/A	N/A
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%

(A) - This information is not readily available for fiscal years ended prior to June 30, 2018 and is not presented

See independent auditors' report.

Berkeley County Public Service District
SCHEDULES OF THE DISTRICT'S OPEB CONTRIBUTIONS
 June 30, 2019

Public Employees Retirement System - Last 10 Fiscal Years Ended June 30 (A)

OPEB Contributions	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 4,489	\$ 4,426	\$ 3,048	\$ 3,048	\$ 3,048
Contributions in relation to the statutorily required contribution	<u>(4,489)</u>	<u>(4,426)</u>	<u>(3,048)</u>	<u>(3,048)</u>	<u>(3,048)</u>
Contribution deficiency (excess)	\$ <u> -</u>				
District's covered-employee payroll	\$ N/A				
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A

OPEB Contributions	<u>2014</u>
Statutorily required contribution	\$ 3,048
Contributions in relation to the statutorily required contribution	<u>(3,048)</u>
Contribution deficiency (excess)	\$ <u> -</u>
District's covered-employee payroll	\$ N/A
Contributions as a percentage of covered employee payroll	N/A

(A) - This information is not readily available for fiscal years ended prior to June 30, 2014 and is not presented

See independent auditors' report.

Berkeley County Public Service District
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2019

	<u>Budgeted Amounts (Original)</u>	<u>Budgeted Amounts (Final)</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Budget to GAAP Differences Over (under)</u>	<u>Actual Amounts GAAP Basis</u>
OPERATING REVENUES					
Metered water sales - domestic	\$ 9,600,000	\$ 9,759,500	\$ 10,066,137	-	\$ 10,066,137
- commercial	2,070,000	2,077,500	2,085,246	-	2,085,246
- industrial	1,150,000	1,150,000	1,727,043	-	1,727,043
- governmental	295,400	295,400	269,585	-	269,585
Customers' forfeited discounts and penalties	279,600	279,600	281,737	-	281,737
Other operating income	<u>459,600</u>	<u>523,600</u>	<u>555,256</u>	-	<u>555,256</u>
Total operating revenues	13,854,600	14,085,600	14,985,004	-	14,985,004
OPERATING EXPENSES					
	<u>7,902,900</u>	<u>8,278,565</u>	<u>7,848,364</u>	-	<u>7,848,364</u>
Operating income before depreciation	5,951,700	5,807,035	7,136,640	-	7,136,640
DEPRECIATION					
	-	(A) -	-	<u>3,707,322</u>	<u>3,707,322</u>
Operating income	5,951,700	5,807,035	7,136,640	(3,707,322)	3,429,318
NON-OPERATING INCOME (EXPENSES)					
Interest income	177,700	213,700	305,282	-	305,282
Loss on disposal of utility plant	-	(A) -	-	(155,178)	(155,178)
Interest expense	-	(B) -	-	(2,382,257)	(2,382,257)
Amortization	-	(A) -	-	(12,602)	(12,602)
Total non-operating income (expenses)	<u>177,700</u>	<u>213,700</u>	<u>305,282</u>	<u>(2,550,037)</u>	<u>(2,244,755)</u>
Increase in net position before capital contributions	<u>6,129,400</u>	<u>6,020,735</u>	<u>7,441,922</u>	<u>(6,257,359)</u>	<u>1,184,563</u>
CAPITAL CONTRIBUTIONS					
	<u>15,000</u>	<u>15,000</u>	<u>24,300</u>	(A) <u>7,224,513</u>	<u>7,248,813</u>
OTHER FINANCING SOURCES (USES)					
Renewal and replacement funds	(350,808) (C)	(350,808)	(402,819) (E)	402,819	-
Tank maintenance funds	(238,800) (C)	(238,800)	(238,800) (E)	238,800	-
Membrane filter/main & meter	(206,000) (C)	(206,000)	(225,285) (E)	225,285	-
Capacity improvement fees	-	-	2,515 (E)	(2,515)	-
Refunds due to developers	(74,100) (C)	(60,100)	60,062 (E)	(60,062)	-
Debt service	(4,968,800) (D)	(4,957,300)	(5,686,072) (E)	5,686,072	-
Renewal and replacement funds-capital improvements	519,000 (C)	600,900	370,759 (E)	(370,759)	-
M&O funds-capital improvements	546,500 (C)	606,500	512,780 (E)	(512,780)	-
Tank maintenance funds-capital improvements	1,150,000 (C)	1,075,000	731,963 (E)	(731,963)	-
WVDO loan fund-capital improvements	-	-	117,216 (E)	(117,216)	-
BAN issue-capital improvements	7,019,000 (C)	5,219,000	4,664,079 (E)	(4,664,079)	-
Capital improvements	<u>(9,234,500)</u>	<u>(7,501,400)</u>	<u>(6,396,797)</u>	<u>6,396,797</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,838,508)</u>	<u>(5,813,008)</u>	<u>(6,490,399)</u>	<u>6,490,399</u>	<u>-</u>
Increase in net position	305,892	222,727	951,523	7,481,853	8,433,376
Net position at beginning of year	<u>63,157,275</u>	<u>63,157,275</u>	<u>63,157,275</u>	-	<u>63,157,275</u>
Net position at end of year	<u>\$ 63,463,167</u>	<u>\$ 63,380,002</u>	<u>\$ 64,108,798</u>	<u>\$ 7,481,853</u>	<u>\$ 71,590,651</u>

Notes:

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in Debt Service for budgetary purposes.
- (C) Funding of and use of certain restricted and designated accounts included for budgetary purposes.
- (D) Budget includes principal and interest for revenue bonds and other long term debt payments.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.

See independent auditors' report.

Berkeley County Public Service District
BUDGETARY COMPARISON SCHEDULE
For the year ended June 30, 2018

	Budgeted Amounts (Original)	Budgeted Amounts (Final)	Actual Amounts Budgetary Basis	Budget to GAAP Differences Over (under)	Actual Amounts GAAP Basis
OPERATING REVENUES					
Metered water sales - domestic	\$ 8,715,000	\$ 9,440,000	\$ 9,506,370	\$ -	\$ 9,506,370
- commercial	1,870,000	1,990,000	2,047,386	-	2,047,386
- industrial	826,000	1,000,000	1,109,560	-	1,109,560
- governmental	305,000	353,000	285,797	-	285,797
Customers' forfeited discounts and penalties	274,300	284,000	271,624	-	271,624
Other operating income	<u>490,000</u>	<u>488,900</u>	<u>484,758</u>	<u>-</u>	<u>484,758</u>
Total operating revenues	12,480,300	13,555,900	13,705,495	-	13,705,495
OPERATING EXPENSES					
Operating income before depreciation	<u>7,121,100</u>	<u>7,256,400</u>	<u>7,109,265</u>	<u>-</u>	<u>7,109,265</u>
Operating income before depreciation	5,359,200	6,299,500	6,596,230	-	6,596,230
DEPRECIATION					
Operating income	<u>- (A)</u>	<u>-</u>	<u>-</u>	<u>3,465,298</u>	<u>3,465,298</u>
Operating income	5,359,200	6,299,500	6,596,230	(3,465,298)	3,130,932
NON-OPERATING INCOME (EXPENSES)					
Interest income	43,200	76,200	142,360	-	142,360
Loss on disposal of utility plant	- (A)	-	-	(1,407,704)	(1,407,704)
Interest expense	- (B)	-	-	(2,291,263)	(2,291,263)
Miscellaneous nonutility expense	- (A)	-	-	(207,443)	(207,443)
Amortization	<u>- (A)</u>	<u>-</u>	<u>-</u>	<u>(12,745)</u>	<u>(12,745)</u>
Total non-operating income (expenses)	<u>43,200</u>	<u>76,200</u>	<u>142,360</u>	<u>(3,919,155)</u>	<u>(3,776,795)</u>
Increase (decrease) in net position before capital contributions	<u>5,402,400</u>	<u>6,375,700</u>	<u>6,738,590</u>	<u>(7,384,453)</u>	<u>(645,863)</u>
CAPITAL CONTRIBUTIONS					
	<u>15,800</u>	<u>15,800</u>	<u>11,700</u>	<u>(A) 4,662,634</u>	<u>4,674,334</u>
OTHER FINANCING SOURCES (USES)					
Renewal and replacement funds	743,600 (C)	509,601	493,716 (E)	(493,716)	-
M&O Funds	110,900 (C)	870,183	737,765 (E)	(737,765)	-
Tank Maintenance funds	1,700,000 (C)	1,700,000	706,460 (E)	(706,460)	-
Construction fund	45,000 (C)	45,050	45,478 (E)	(45,478)	-
WVDO Loan fund	2,073,700 (C)	2,101,407	2,161,327 (E)	(2,161,327)	-
Debt Service Reserve Monies Fund	1,680,000 (C)	1,610,690	1,646,831 (E)	(1,646,831)	-
BAN Issue	8,492,000 (C)	7,331,730	414,011 (E)	(414,011)	-
Debt Service	(5,489,300) (D)	(5,489,300)	(5,965,159) (E)	5,965,159	-
Capital improvements	<u>(14,845,200)</u>	<u>(14,168,660)</u>	<u>(6,205,587)</u>	<u>6,205,587</u>	<u>-</u>
Total other financing sources (uses)	<u>(5,489,300)</u>	<u>(5,489,299)</u>	<u>(5,965,158)</u>	<u>5,965,158</u>	<u>-</u>
Increase (decrease) in net position	(71,100)	902,201	773,432	3,255,039	4,028,471
Net position at beginning of year	<u>59,128,804</u>	<u>59,128,804</u>	<u>59,128,804</u>	<u>-</u>	<u>59,128,804</u>
Net position at end of year	<u>\$ 59,057,704</u>	<u>\$ 60,031,005</u>	<u>\$ 59,902,236</u>	<u>\$ 3,255,039</u>	<u>\$ 63,157,275</u>

Notes:

- (A) Non-cash items are not included for budgetary purposes.
- (B) Interest expense is included in Debt Service for budgetary purposes.
- (C) Tank, renewal and replacement, M&O, construction fund, WVDO Loan, Debt service reserve monies, and BAN issue funds are also included for budgetary purposes.
- (D) Includes principal, interest, and funding of debt service and reserve funds. Also includes other debt payments, renewal and replacement funding, tank maintenance funding, maintenance and meter replacement funding, and developer refunds.
- (E) Balance sheet transactions are excluded from revenues and expenses under GAAP.

See independent auditors' report.

SUPPLEMENTAL INFORMATION

Berkeley County Public Service District
SCHEDULE OF OPERATING EXPENSES
For the years ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Source of supply expenses		
Maintenance of sources of supply	\$ 23,573	\$ 1,742
Water purchased	325,576	310,866
Miscellaneous expenses	69,703	69,597
Rents	1,560	1,560
Total	<u>420,412</u>	<u>383,765</u>
Pumping system expenses		
Power purchased	491,319	500,974
Maintenance of treatment system	46,185	57,694
Total	<u>537,504</u>	<u>558,668</u>
Treatment expenses		
Operation supervision and labor	652,419	577,246
Chemical treatment	363,055	395,072
Miscellaneous expenses	131,518	148,630
Maintenance of treatment system	148,273	139,308
Total	<u>1,295,265</u>	<u>1,260,256</u>
Transmission and distribution expenses		
Operation supervision and labor	1,268,514	1,117,828
Miscellaneous expenses	151,997	114,717
Maintenance of distribution mains	686,352	550,129
Power purchased	50,303	42,708
Rent - railroad right of way	6,950	7,825
Total	<u>2,164,116</u>	<u>1,833,207</u>
Customers' accounting and collection expenses		
Meter reading	18,174	13,314
Accounting and collection	552,851	485,378
Total	<u>571,025</u>	<u>498,692</u>
General and administrative expenses		
Salaries and wages	930,474	750,023
Office and general supplies	86,866	70,194
Outside services	132,514	125,672
Employee welfare	1,082,010	933,041
Regulatory commission expense	34,868	33,729
Insurance	238,146	225,113
Miscellaneous expenses	87,222	215,531
Maintenance of equipment	3,858	3,694
Payroll taxes	264,084	217,680
Total	<u>2,860,042</u>	<u>2,574,677</u>
Total operating expenses	\$ <u>7,848,364</u>	\$ <u>7,109,265</u>

See independent auditors' report.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Members of the Public Service Board
Berkeley County Public Service District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business- type activities of Berkeley County Public Service District ("District") as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Decker & Company PLLC

September 18, 2019