Raleigh County

RFP# 22-152

Beckley Sanitary Board

A Component Unit of the Municipality of Beckley, West Virginia

Financial Statements and Independent Auditor's Report

For the Fiscal Year Ended June 30, 2023

Ferrari & Associates, PLLC
616 Schubert Place | Morgantown, WV 26505

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF FUNDS INCLUDED IN REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

PROPRIETARY FUND TYPE

MAJOR FUNDS

Sewer Fund
Stormwater Utility Fund

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
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Introductory Section

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
BOARD OFFICIALS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

OFFICE	NAME	TERM ENDS
	Elected	
Chairman:	Robert Rappold	June 30, 2024
Recorder/Treasurer:	Billie Trump	June 30, 2024
Board Members:	John Sadowski	June 30, 2024
	Ann Worley	June 30, 2024
	Appointed	
General Manager:	Jeremiah Johnson	

Financial Section

Ferrari & Associates, PLLC
616 Schubert Place | Morgantown, WV 26505

Independent Auditor's Report

Beckley Sanitary Board
301 S. Heber Street
Beckley, West Virginia 25801

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Beckley Sanitary Board (the Board), a component unit of the Municipality of the City of Beckley, West Virginia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Board as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the Board's Proportionate Share of the Net Pension Liability, the Schedule of Contributions – Retirement Systems, the Schedule of the Board's Proportionate Share of the Net OPEB Liability, the Schedule of Contributions - OPEB, and the Schedule of Changes in the Total OPEB Liability and Related Ratios 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The Schedules of Rate Covenant Compliance are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional 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, the Schedules of Rate Covenant Compliance are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 20, 2024, on our consideration of the Board'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Ferrari & Associates, PLLC

Morgantown, West Virginia
February 20, 2024

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
STATEMENT OF NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business Type Activities- Enterprise Funds		
	Sewerage	Stormwater Utility	Totals
ASSETS			
Current:			
Cash and cash equivalents	$ 1,597,267	$ 865,711	$ 2,462,978
Receivables:			
Accounts, net	1,256,431	546,305	1,802,736
Taxes	3,377	-	3,377
Prepaid expenses	103,338	12,190	115,528
Due from other funds	3,632	-	3,632
Inventory, at cost	210,006	-	210,006
Total current assets	3,174,051	1,424,206	4,598,257
Noncurrent assets:			
Restricted:			
Regular account	574,698	11,558	586,256
Reserve account	3,318,854	-	3,318,854
Customer deposits	168,590	-	168,590
Renewal and replacement	550,298	121,725	672,023
Total restricted assets	4,612,440	133,283	4,745,723
Capital assets:			
Nondepreciable:			
Land	869,388	-	869,388
Construction in progress	2,060,392	306,151	2,366,543
Depreciable:			
Buildings	36,684,039	-	36,684,039
Structures and improvements	34,199,205	5,838,442	40,037,647
Machinery, software and equipment	3,082,849	112,128	3,194,977
Leased assets	580,602	101,583	682,185
Less: accumulated depreciation and amortization	(36,295,072)	(1,638,523)	(37,933,595)
Total capital assets (net of accumulated depreciation)	41,181,403	4,719,781	45,901,184
Total noncurrent assets	45,793,843	4,853,064	50,646,907
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow - OPEB multi employer plan	183,407	-	183,407
Deferred outflow - OPEB single employer plan	102,492	35,628	138,120
Deferred outflow - PERS	407,121	103,218	510,339
Total deferred outflows	693,020	138,846	831,866
Total assets and deferred outflows	**$ 49,660,914**	**$ 6,416,116**	**$ 56,077,030**
LIABILITIES			
Current liabilities payable from current assets:			
Accounts payable	$ 350,098	$ 20,162	$ 370,260
Payroll liabilities payable	32,182	5,832	38,014
Other accrued expenses	68,921	-	68,921
Benefits payable	5,381	971	6,352
Compensated absences payable	25,118	3,630	28,748
Due to other funds	26,864	3,903	30,767
Customer deposits	166,804	1,201	168,005
Total current liabilities payable from current assets	675,368	35,699	711,067
Noncurrent liabilities due within one year:			
Bonds payable	1,697,356	116,186	1,813,542
Leases payable	69,177	12,448	81,625
Total noncurrent liabilities due within one year	1,766,533	128,634	1,895,167
Noncurrent liabilities due within more than one year:			
Bonds payable	15,371,751	825,259	16,197,010
Leases payable	153,128	12,997	166,125
Compensated absences payable	267,843	29,726	297,569
Net pension liability	144,071	38,747	182,818
OPEB liability - multi employer plan	44,560	-	44,560
OPEB liability - single employer plan	932,778	324,249	1,257,027
Total noncurrent liabilities due within more than one year	16,914,131	1,230,978	18,145,109
Total liabilities	19,356,032	1,395,311	20,751,343
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow - PERS	1,271	342	1,613
Deferred inflow - OPEB multi employer plan	170,585	-	170,585
Deferred inflow - OPEB single employer plan	343,233	119,313	462,546
Total deferred inflows	515,089	119,655	634,744
NET POSITION			
Net investment in capital assets	23,889,992	3,732,892	27,622,884
Restricted for debt service	1,872,394	11,558	1,883,952
Restricted for renewal and replacement	672,023	121,725	793,748
Restricted for customer deposits	168,590	-	168,590
Unrestricted (deficit)	3,186,794	1,034,975	4,221,769
Total net position	29,789,793	4,901,150	34,690,943
Total liabilities, deferred inflows, and net position	**$ 49,660,914**	**$ 6,416,116**	**$ 56,077,030**

See accompanying notes and independent auditor's report.

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business Type Activities-Enterprise Funds		
	Sewerage	Stormwater Utility	Totals
OPERATING REVENUES			
Sales and services to customers	$ 9,851,911	$ 2,368,167	$ 12,220,078
Discount and penalties	182,090	25,524	207,614
Intergovernmental	5,000	-	5,000
Miscellaneous	19,818	1,059	20,877
Total revenues	10,058,819	2,394,750	12,453,569
OPERATING EXPENSES			
Personnel services	2,441,407	720,127	3,161,534
Contractual services	491,697	30,705	522,402
Administrative and general	112,799	16,287	129,086
Rents	26,922	2,237	29,159
Miscellaneous	84,880	21,964	106,844
Fuel and oil	51,812	6,257	58,069
Insurance	249,318	45,993	295,311
Materials and supplies	336,489	83,168	419,657
Utilities	424,723	15,659	440,382
Depreciation	1,900,337	155,126	2,055,463
Maintenance	353,515	12,614	366,129
Bad debt	48,257	62,036	110,293
Total operating expenses	6,522,156	1,172,173	7,694,329
Operating income	3,536,663	1,222,577	4,759,240
NONOPERATING REVENUES (EXPENSES)			
Interest revenues	158,942	6,269	165,211
Interest and fiscal charges	(504,029)	(24,232)	(528,261)
Sale of capital assets	80,140	-	80,140
Total nonoperating revenues (expenses)	(264,947)	(17,963)	(282,910)
Income (loss) before operating transfers	3,271,716	1,204,614	4,476,330
Transfers in	415,433	-	415,433
Change in net position	3,687,149	1,204,614	4,891,763
Net position-beginning of the year	26,102,644	3,696,536	29,799,180
Net position-end of year	$ 29,789,793	$ 4,901,150	$ 34,690,943

See accompanying notes and independent auditor's report.

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

	Business Type Activities-Enterprise Funds		
	Sewerage	Stormwater Utility	Totals
Increase/(decrease) in cash and cash equivalents			
Cash flows from operating activities:			
Cash received from customers	$ 9,848,685	$ 2,214,863	$ 12,063,548
Cash payments for employee services and benefits	(2,678,724)	(711,094)	(3,389,818)
Cash payments to suppliers for goods and services	(2,355,903)	(270,413)	(2,626,316)
Other operating revenues	24,817	1,058	25,875
Net cash provided/(used) by operating activities	4,838,875	1,234,414	6,073,289
Cash flows from non-capital financing activities:			
Transfers In	415,433	-	415,433
Net cash provided/(used) for non-capital financing activities	415,433	-	415,433
Cash flows from capital and related financing activities:			
(Acquisition) disposal of capital assets	(1,157,976)	(352,447)	(1,510,423)
Proceeds from sale of capital assets	80,140	-	80,140
Principal paid on bonds	(1,650,728)	(113,960)	(1,764,688)
Principal paid on financed leases	44,986	(14,998)	29,988
Interest paid on debt	(504,029)	(24,232)	(528,261)
Net cash provided/(used) for capital and related financing activities	(3,187,607)	(505,637)	(3,693,244)
Cash flows from investing activities:			
Investment earnings	158,942	6,269	165,211
Net cash provided/(used) for investing activities	158,942	6,269	165,211
Net increase/(decrease) in cash and cash equivalents	2,225,643	735,046	2,960,689
Cash and cash equivalents beginning of year - includes $3,369,565 in restricted cash	3,984,064	263,948	4,248,012
Cash and cash equivalents end of year - includes $4,745,723 in restricted cash	$ 6,209,707	$ 998,994	$ 7,208,701
Reconciliation of operating income to net cash provided by operating activities:			
Operating Income	$ 3,536,663	$ 1,222,577	$ 4,759,240
Adjustments:			
Depreciation and amortization	1,900,337	155,126	2,055,463
(Increase)/decrease in assets:			
Accounts receivable	13,184	(115,491)	(102,307)
Taxes receivable	(1,339)	-	(1,339)
Due from other funds	(3,632)	4,350	718
Inventory	(151,301)	-	(151,301)
Prepaid items	(33,756)	(7,429)	(41,185)
Deferred outflows	(115,718)	(241)	(115,959)
Pension asset	813,643	207,026	1,020,669
OPEB asset	5,311	-	5,311
Increase/(decrease) in liabilities:			
Accounts payable	(117,604)	(8,646)	(126,250)
Payroll payable	(62,722)	(15,330)	(78,052)
Other accrued expenses	(7,133)	-	(7,133)
Benefits payable	(10,650)	(2,746)	(13,396)
Compensated absences payable	51,095	6,643	57,738
Due to other funds	(68,758)	(23,804)	(92,562)
Customer deposits	2,398	(1,302)	1,096
Pension	(908,168)	(228,969)	(1,137,137)
OPEB	(2,975)	42,650	39,675
Net cash provided/(used) by operating activities	$ 4,838,875	$ 1,234,414	$ 6,073,289

See accompanying notes and independent auditor's report.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Beckley Sanitary Board (the Board), conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of significant accounting policies:

A. Reporting Entity

The Board, a component unit of the Municipality of Beckley, West Virginia is governed by a three-member board with the mayor as the chairman. Board members are approved by the Municipality of Beckley Council. The Board is a legally separate organization for which elected officials of the primary government are financially accountable. The Board is a discretely presented component unit of the primary government based upon the criteria stipulated by the Governmental Accounting Standards Board (GASB).

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Board reports the following major proprietary funds:

The *Sewerage* fund consists of facilities that provide sewerage service to the public. The sewerage fund serves the citizens by providing sewerage services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorization are approved by the Board.

The *Stormwater Utility* fund consists of facilities that provide storm water services to the public. The stormwater fund serves the citizens by providing stormwater services to the community. This fund accounts for the receipts and expenses of operating this facility. The rates for user charges and bond issuance authorizations are approved by the Board.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the sewerage and stormwater utility (enterprise funds) are charges to customers for services. Operating expenses for the enterprise funds include the cost of service, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

C. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Deposits and Investments

The Board's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of less than three months from the date of acquisition. For purpose of Statement of Cash Flows, restricted assets may be considered cash equivalents based on liquidity.

In accordance with GASB Statement No 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, the Board reports its investments at fair value, except for non-participating investment contracts (certificates of deposit and repurchase agreements), which are reported at cost, which approximates fair value. All investment income, including changes in fair value of investments, are recognized as revenue in the operating statement. Fair value is determined by quoted market prices.

State statutes authorize the government to invest in the State Investment Pool for 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 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 trust (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 S.E.C. which have fund assets over three hundred million dollars.

2. Receivables and Payables

Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “Interfund receivables or payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of the interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Trade Receivables

All trade receivables are shown at their gross value and, where appropriate, are reduced by the estimated portion that is the expected to be uncollectible. The government analyzes delinquent accounts and determines if the provision for total uncollectible accounts is inadequate. Accounts in excess of the provision for uncollectibles are written off.

3. Inventories

The cost of inventories is recorded as expenses when consumed rather than when purchased and consist of expendable supplies.

4. Restricted Assets

Certain proceeds of the sewerage and stormwater utility enterprise fund revenue bonds, as well as certain proceeds set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

- The “regular” account is used to segregate resources accumulated for debt service payments over the next twelve months.
- The “reserve” account is used to report resources set aside to make up potential future deficiencies in the regular account.
- The “renewal and replacement” account is used to report resources set aside to meet unexpected contingencies or fund asset renewals and replacements.
- The “customer deposit” account is used to report the segregation of returnable cash deposits from customers of the utility upon initial receipt of the service.

5. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the financial statements. Capital assets are defined by the government as assets with an initial, individual cost of $5,000 or more and estimated to have a useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized in proprietary funds as projects are constructed. Interest incurred during the construction phase of the proprietary fund capital assets are reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds during the same period.

The Board's capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-50
Structures and improvements	30-50
Machinery and equipment	05-10

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until that time.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

7. Compensated Absences

The Board's policy permits employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay are accrued when incurred in the financial statements in accordance with GASB Statement No. 16, *Accounting for Compensated Absences*.

8. Long-Term Obligations

In the financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs, whether or not withheld from the actual debt proceeds received are recorded as expenses during the period in which the bonds were issued.

9. Postemployment Benefits Other Than Pensions (OPEB)

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

10. Pensions

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

11. Net Position

Net position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors or laws or regulation of other governments. The Board applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

12. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE II – DEPOSITS AND INVESTMENTS

At year end, the Board had the following investments:

		Credit Risk Rating		
	Fair Value	Standard & Poor's and Fitch	Moody's Service	Investment
Municipal Bond Commission	$ 1,872,394	Not Rated	Not Rated	
Investments in Bank Accounts	$ 2,925,689	Not Rated	Not Rated	

Custodial Credit Risk

For deposits, the Board could be exposed to risk in the event of a bank failure where the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk. At year end, the Board's cash bank balances were $2,409,416 which were fully collateralized with securities held by the pledging financial institution's trust department or agent but not in the government's name.

For investments, the Board could be exposed to risk in the event of the failure of the counter party where the Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Board's investments were $4,798,083 of which $1,872,394 were held at the Municipal Bond Commission and fully collateralized by the State of West Virginia and securities held by the pledging financial institution's trust department or agent but not in the government's name.

A reconciliation of cash and investments as shown on the Statement of Net Position is as follows:

Cash and cash equivalents	$ 2,410,618
Investments – collateralized and secured	4,798,083
Total	$ 7,208,701

Cash and cash equivalents	$ 2,410,618
Investments – unrestricted	52,360
Investments - restricted	4,745,723
Total	$ 7,208,701

NOTE III – RECEIVABLES

Receivables at year end for the Board's individual major funds, including applicable allowances for uncollectible accounts, are as follows:

	Sewerage	Stormwater Utility	Total
Receivables:			
Accounts	$ 1,289,431	$ 844,305	$ 2,133,736
Taxes	3,377	-	3,377
Gross receivables	1,292,808	844,305	2,137,113
Less: Allowance for Uncollectible	(33,000)	(298,000)	(331,000)
Net Total Receivables	$ 1,259,808	$ 546,305	$ 1,806,113

NOTE IV – CAPITAL ASSETS

Capital asset activity for the fiscal year end June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 869,388	$ -	$ -	$ 869,388
Construction in progress	1,784,363	1,273,762	(691,582)	2,366,543
Total capital assets not being depreciated	2,653,751	1,273,762	(691,582)	3,235,931
Capital assets being depreciated:				
Buildings	36,684,039	-	-	36,684,039
Structures and improvements	39,476,969	560,678	-	40,037,647
Machinery and equipment	3,253,806	225,893	(364,020)	3,115,679
Software	59,298	20,000	-	79,298
Leased assets	517,760	164,425	-	682,185
Total accumulated depreciation	(36,199,399)	(2,055,463)	321,267	(37,933,595)
Total capital assets being depreciated, net	43,792,473	(1,084,467)	(42,753)	42,665,253
Governmental activities capital assets, net	$ 46,446,224	$ 189,295	$ (734,335)	$ 45,901,184

Depreciation expense was charged to the funds of the Board as follows:

Sewerage	$ 1,900,337
Stormwater Utility	155,126
Total Depreciation	$ 2,055,463

Construction in Progress

The Board has active construction projects as of June 30, 2023. The projects include system upgrades, line expansions, and stormwater projects. At year end, the amounts spent-to-date are as follows:

Sewer Projects	Spent-to-date	Stormwater Projects	Spent-to-date
City Avenue	$ 1,462,374	Morgan Hills	$ 56,797
Hartley Avenue	14,390	S Fayette Street	153,020
S Fayette Street	447,028	Deepwood Ave	11,604
New River Drive	17,746	Evans Street	3,072
Phillips Street	4,038	Beckley Little League	25,837
Church St/Minnesota	114,816	Harper Park	3,000
Total Sewer Projects	$ 2,060,392	Pinewood Drive	2,310
		Meadowbrook	50,511
		Total Stormwater Projects	$ 306,151
		Total Sewer and Stormwater Projects	$ 2,366,543

NOTE V – LONG-TERM DEBT

Revenue Bonds

The Board issues bonds where the government pledges income derived from acquired or constructed assets to pay debt service.

Series	Issued	Retired	Balance June 30, 2023
2004-A Sanitary	$ 9,039,000	$(7,442,954)	$ 1,596,046
2009-A Sanitary	679,316	(419,183)	260,133
2009-C Sanitary	1,035,783	(334,149)	701,634
2015-A Sanitary	3,614,914	(628,620)	2,986,294
2017 Sanitary	15,450,000	(3,925,000)	11,525,000
2020 Stormwater	1,212,000	(270,555)	941,445
Total revenue bonds	$ 31,031,013	$(13,020,461)	$ 18,010,552

Revenue bond debt service requirement to maturity are as follows:

	Stormwater Utility		Sanitary Board	
Year Ending June 30,	Principal	Interest	Principal	Interest & Fees
2024	116,186	17,613	1,697,356	433,746
2025	118,551	15,248	1,744,213	388,726
2026	120,917	12,882	1,786,296	342,304
2027	123,329	10,470	1,280,016	298,777
2028	125,768	8,030	1,321,419	260,860
2029-2033	336,694	8,956	7,075,494	693,574
2034-2038	-	-	785,744	35,539
2039-2043	-	-	802,243	17,819
2044-2048	-	-	542,893	3,332
2049-2053	-	-	33,433	-
Total	941,445	73,199	17,069,107	2,474,677

Additional Debt Disclosure

Outstanding Bonds, Maturity Dates, and Interest Rates

Description and Purpose	Issue Date	Maturity Date	Interest Rate(s)	Original Issue
Sanitary Board (Series 2004-A)	9/29/2004	6/1/2026	2.00%	9,039,000
Sanitary Board (Series 2009-A WV CWSRF Program)	9/18/2009	3/1/2030	2.00%	679,316
Sanitary Board (Series 2009-C WV CWSRF Program)	9/18/2009	9/1/2049	0.00%	1,035,783
Sanitary Board (Series 2015-A)	10/22/2015	6/1/2046	0.50%	3,614,914
Sanitary Board (Series 2017)	6/22/2017	6/1/2020	2.75%	620,000
Sanitary Board (Series 2017)	6/22/2017	6/1/2033	3.35%	14,830,000
Stormwater Utility (Series 2020)	12/15/2020	1/1/2031	1.95%	1,212,000
Total				$31,031,013

Utility Pledge Revenue

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay $9,039,000 in water system revenue bonds issued in September 2004. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through June 2026. Annual principal and interest payments on the bonds are expected to require less than 25 percent of net revenues. The total principal remaining to be paid on the bonds is $1,596,046. Principal and interest paid for the current year and the total customer net revenues were $549,464 and $5,437,000, respectively.

The Board has pledged future sewer revenues, net of specified operating expenses, to repay $679,316 in sewerage system revenue bonds issued September 2009. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through March 2030. Annual principal and interest payments on the bonds are expected to require less than 2 percent of net revenues. The total principal remaining to be paid on the bonds is $260,133. Principal and interest paid for the current year and the total customer net revenues were $41,294 and $5,437,000, respectively.

The Board has pledged future sewer revenues, net of specified operating expenses, to repay $1,035,783 in sewerage system revenue bonds issued September 2009. Proceeds from the bonds provided financing for the construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues and are payable through September 2049. Annual principal and interest payments on the bonds are expected to require less than 1 percent of net revenues. The total principal remaining to be paid on the bonds is $701,634. Principal and interest paid for the current year and total customer net revenues were $26,728 and $5,437,000, respectively.

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay $3,614,914 in sewer system revenue bonds issued in October 2015. Proceeds from the bonds provide funding for construction of certain extensions, additions, betterments, and improvements to the existing sewer system. The bonds are payable solely from sewerage customer net revenues and are payable through June 2046. Annual principal and interest payments on the bonds are expected to require less than 6 percent of net revenues. The total principal remaining to be paid on the bonds is $2,986,294. Principal and interest paid for the current year and total customer net revenues were $137,528 and $5,437,000, respectively.

The Board has pledged future sewer customer revenues, net of specified operating expenses, to repay $15,450,000 in sewer system revenue bonds issued in June 2017. Proceeds from the bonds provide funding for construction and maintenance of the wastewater treatment facility. The bonds are payable solely from sewerage customer net revenues are payable through June 2033. The total principal remaining to be paid on the bonds is $12,525,000. Principal and interest paid for the current year and total customer net revenues were $1,376,088 and $5,437,000, respectively.

The Board has pledged future stormwater utility customer revenues, net of specified operating expenses, to repay $1,212,000 in stormwater utility revenue bonds issued December 2020. Proceeds from the bonds provided refinancing for the December 2010 bond issuance. The bonds are payable solely from storm water customer net revenues and are payable through January 2031. Annual principal and interest payments on the bonds are expected to require less than 29 percent of net revenues. The total principal remaining to be paid on the bonds is $941,445. Principal and interest paid for the current year and total customer net revenues were $133,799 and $1,377,703, respectively.

Changes in Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2023:

Description and Purpose	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023	Due Within One Year
Revenue Bonds:					
Sanitary Board	$ 18,719,837	$ -	$ (1,650,730)	$ 17,069,107	$ 1,697,356
Stormwater Utility	1,055,405	-	(113,960)	941,445	116,186
Total Revenue Bonds	19,775,242	-	(1,764,690)	18,010,552	1,813,542
Lease Obligations Payable	217,762	127,285	(97,297)	247,750	81,625
Compensated Absences	268,579	239,305	(181,567)	326,317	28,748
Net Pension Liability	-	182,818	-	182,818	-
OPEB Liability – multi	-	44,560	-	44,560	-
OPEB Liability – single	1,189,653	67,374	-	1,257,027	-
Total Long-Term Debt	$ 21,451,236	$ 661,342	$ (2,043,554)	$ 20,069,024	$ 1,923,915

NOTE VI – LEASE COMMITMENTS

A. Financed Leases

The future minimum lease obligation and net present value based on various market interest rates at the time of lease signing ranging from 2% – 5% as of June 30, 2023, were as follows:

	Principal	Interest
2024	$ 81,625	$ 9,858
2025	78,715	6,552
2026	42,168	3,717
2027	32,832	1,757
2028	12,410	240
Totals	$ 247,750	$ 22,124

NOTE VII – RESTRICTED ASSETS

The balances of the restricted assets accounts for the Board are as follows:

Revenue bond debt service accounts	$	1,872,394
Renovation and working capital reserve accounts		2,032,716
Revenue bonds renewal and replacement account		672,023
Customer deposits		168,590
Total restricted assets	$	4,745,723

NOTE VIII – OTHER INFORMATION

A. Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries insurance with Traveler's Insurance and Cincinnati Insurance for umbrella (general liability) insurance for these various risks. The Board uses Traveler's Insurance for workers compensation insurance.

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

B. Federal and State Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of applicable funds.

The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

C. Litigation

The Board is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the Board's counsel that resolution of these matters will not have a material effect on the financial condition of the Board.

D. Deferred Compensation Plan

The Board offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time government employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held for the exclusive benefit of the participants and their beneficiaries.

NOTE IX – EMPLOYEE RETIREMENT SYSTEMS AND PLANS

Public Employees Retirement System (PERS)

The Board's personnel are employees of the Municipality of Beckley, West Virginia (the "Municipality"), which participates in a state-wide, cost-sharing, multiple-employer defined benefit plan on behalf of general Municipality employees. The system is administered by agencies of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

All of the Municipality's cost-sharing multiple-employer plans are administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com.

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

Public Employees Retirement System (PERS)	
Eligibility to participate	All Municipality full-time employees, except those covered by other pension plans.
Authority establishing contribution obligations and benefits provisions	State Statute
Tier 1 members' contribution rate	4.5% (Employees hired before July 1, 2015)
Tier 2 members' contribution rate	6.0% (Employees hired after July 1, 2015)
Municipality's contribution rate	9.00%
Period require to vest	Tier 1 - Five Years; Tier 2 – Ten Years
Benefits and eligibility for distribution	Tier 1 – A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 and the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary is the three highest consecutive years in the last 15 times the years of service times 2% equals the annual retirement benefit. Tier 2- Qualification for normal retirement age is 62 with 10 years of services or at least 55 and the sum of his/her age plus years of credited service is equal to or greater than 80. The average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings times the years of service times 2% equals the retirement benefit.
Deferred retirement portion	No
Provisions for:	
Cost of Living	No
Death Benefits	Yes

Public Employees Retirement System (PERS) – Trend Information

Fiscal Year	Annual Pension Cost	Percentage Contributed
2023	196,611	100%
2022	189,048	100%
2021	178,910	100%
2020	179,090	100%
2019	166,114	100%
2018	174,037	100%
2017	190,929	100%
2016	218,710	100%
2015	164,310	100%
2014	172,472	100%

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2023, the Board reported the following liability for its proportionate share of the net pension. The Board's proportion of the net pension liability was based on a projection of the long-term share of contributions to the pension plans relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2023, the Board reported the following proportions and increases/decreases from its proportion measure as of June 30, 2022.

	PERS
Amount for proportionate share of net pension liability	$ 182,818
Percentage for proportionate share of net pension liability – prior year	0.116258%
Percentage for proportionate share of net pension liability – current year	0.127809%
Increase/(Decrease) % from prior proportion measured	0.011551%

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

Pension expense	$ 99,510

The Board 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
Change in proportionate share percentage	$ 669	$ 1,613
Difference between expected and actual experience	73,018	-
Contributions made after measurement date	196,611	-
Net difference between projected and actual investment earnings	114,769	-
Difference in assumptions	125,272	-
Total	$ 510,339	$ 1,613

The amount reported as deferred outflows related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year-ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:		
2024	$	123,381
2025		9,158
2026		(120,839)
2027		300,415
Total	$	312,115

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2021, rolled forward to June 30, 2022, which is the measurement date, using the following actuarial assumptions:

Actuarial cost method	Individual entry age normal cost with level percentage of payroll
Asset value method	Fair Value
Amortization method	Level dollar, fixed period
Amortization period	Through Fiscal Year 2035
Actuarial assumptions:	
Investment rate of return	7.25%, net of investment expense
Projected salary increases:	
State	2.75-5.55%
Nonstate	3.60-6.75%
Inflation rate	2.75%
Discount rate	7.25%
Mortality rates	Active – 100% of Pub-2010 General Employees table, below median, headcount weighted, projected with scale MP-2018 Retired healthy males – 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females – 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 Disabled males – 118% of Pub-2010 General/Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled females – 117% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018 Beneficiary males – 112% of Pub-2010 Contingent Survivor Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Beneficiary females – 115% of Pub-2010 Contingent Survivor Female table, below median, headcount weighted, projected generationally with scale MP-2018
Withdrawal rates	
State	2.28-45.63%
Non-state	2.50-35.88%
Disability rates	0.005-0.540%
Retirement rates	12.0-100%
Date range in most recent experience study:	2015-2020 – Economic assumptions; 2013-2018 – All other assumptions.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate rates of expected future real rates of returns (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class included are summarized in the following chart:

Asset Class	Target Allocation	Long-term Expected ROR
Domestic Equity	27.50%	5.3%
International Equity	27.50%	6.1%
Fixed Income	15.00%	2.2%
Private Equity	10.00%	9.5%
Hedge Funds	10.00%	3.8%
Real Estate	10.00%	6.5%
Total	100.00%	

Discount rate

The discount rate used to measure the total pension asset was 7.25 percent for the defined benefit plan. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that the government contributions to all plans will be made at contractually required rates, actuarially determined. Based on those assumptions, the 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 pension plan investments were applied to all periods of projected benefit payments to determine the total pension asset (liability) of the plan.

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

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
The Board's proportionate share of PER's net pension (liability) asset	$ (1,346,756)	$ (182,818)	$ 799,399

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

NOTE X – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

West Virginia Retiree Health Benefit Trust Fund:

Plan description

The Board contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan and covers the retirees of State agencies, colleges and universities, county boards of education and other government entities as set forth in the West Virginia Code Section 5-16D-2(the Code). The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. The four remaining members represent the public at large.

The Plan had approximately 43,000 policyholders and 64,000 covered lives at June 30, 2022.

Active employees who retire are eligible for the PEIA health and life benefits, provided they meet the minimum eligibility requirements of the applicable State retirement system and if their last employer immediately prior to retirement: is a participating employer under the Consolidated Public Retirement Board (CPRB) and, as of July 1, 2008 forward, is a participating employer with PEIA. Active employees who, as of July 1, 2008, have ten years or more of credited service in the CPRB and whose employer at the time of the retirement does participate with CPRB, but does not participate with the PEIA will be eligible for PEIA retiree coverage provided: they otherwise meet all criteria under this heading and their employer agrees, in writing, upon a form prescribed by the PEIA, that the employer will pay to the PEIA the non-participating retiree premium on behalf of the retiree or retirees, or that the retiree agrees to pay the entire unsubsidized premium themselves. Active employees who are members of the Teacher's Defined Contribution Retirement plan must be either: 55 years of age and have 12 or more years of credited service; or be at least 60 years of age with five years of service; and their last employer immediately prior to retirement must be a participating employer under that, or the CPRB system to quality to continue PEIA insurance benefits upon retirement. Employees who participate in non-state retirement systems but are CPRB system affiliated, contracted, or approved (such as TIAA-CREF and similar plans), or are approved, in writing, by the PEIA Director must, in the case of education employees, meet the minimum eligibility requirements of the State Teacher's Retirement System and in all other cases meet the minimum eligibility requirements of the Public Employees Retirement System to be eligible for PEIA benefits as a retiree.

For additional financial information, which may be used for disclosure by participating employers, 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. If you have any questions about this report or need additional information, contact the RHBT Controller, Jennifer Priddy at, 304-352-0298, ext. 20298. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE, Suite 2, Charleston, WV 25304.

Benefits provided

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

Contributions

Employer contributions were from the RHBT billing system, called Web Contribution System, for fiscal year ended June 30, 2022. The employer contributions which were the basis of the related schedules represent what the employer was billed during the respective 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.

Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately $75 million for fiscal year ended June 30, 2022. The PAYGO rates were $116 from July 1, 2021 to January 31 2022 and $48 from February 1, 2022 to June 30, 2022. For the year ended June 30, 2023, contributions to the OPEB plan from the Board were $38,076.

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

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

At June 30, 2023, the Board reported a liability of $44,560 for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of June 30, 2021, rolled forward to June 30, 2022, which is the measurement date. The Board's proportion of the net OPEB liability was based on a projection of the Board's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2022, the Board's proportion was 0.040036184%, which was an increase of 0.0222% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Board recognized OPEB expense of $(143,297).

At June 30, 2023, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual earnings on investments	$ 6,916	$ -
Difference between expected and actual – non-investment	-	56,841
Changes in Assumptions	28,575	113,212
Changes in Proportion and differences between employer contributions and proportionate share of contributions	109,840	430
Board contributions subsequent to the measurement date	38,076	-
Reallocation of Opt-Out Employer Change in Proportionate Share	-	102
	$ 183,407	$ 170,585

The amount reported as deferred outflows of resources related to OPEB resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2024	$ (93,122)
2025	31,559
2026	15,061
2027	21,248
Total	$ (25,254)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation rate	2.25%
Wage inflation	2.75%
Investment Rate of Return	6.65%, net of OPEB plan investment expense, including inflation
Asset valuation method	Market value
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level percentage of payroll over 20-year closed period beginning June 30, 2017
Salary increases	Dependent upon pension system, ranging from 2.75% to 5.18%, including inflation
Retirement age	Rates based on 2015-2020 OPEB experience study and vary by pension plan participation and age/service at retirement. Rates first applied to the 2020 valuation
Aging factors	Based on 2013 SOA Study “Health Care Costs – From Birth to Death”

Mortality	Postretirement: Pub-2010 General Healthy Retiree Mortality Tables (100% males, 108% females) projected with MP-2021 for TRS. Pub-2010 General Below Median Healthy Retiree Tables (106% males, 113% females) projected with MP-2021 for PERS. Pub-2010 Public Safety Healthy Retiree Mortality Tables (100% males, 100% females) projected with Scale MP-2021 for Troopers A and B. Pre-Retirement: Pub-2010 General Employee Mortality Tables (100% males, 100% females) projected with Scale MP-2021 for TRS. Pub-2010 Below-Median Income General Employee Mortality Tables projected with Scale MP-2021 for PERS. Pub- 2010 Public Safety Employee Mortality Tables projected with Scale MP-2021 for Troopers A & B
Healthcare Cost Trend Rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2023, decreasing by 0.50% for two years then by 0.25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2032. Trend rate for Medicare per capita costs of 8.83% for plan year end 2023, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reach in plan year ended 2032.
Expenses	Health administrative expenses are included in the development of the per capita claims cost. Operating expenses are included as a component of the annual expense.

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

The long-term expected rate of return of 6.65% was determined by a combination of expected long-term rate of return of 7.00% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 2.50% for assets invested with the West Virginia Board of Treasury Investments.

Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions (“CMA”), and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan’s investment advisors, including the West Virginia Investment Management Board (“WV-IMB”). The projected nominal return for the Money Market Pool held with the West Virginia Board of Treasury Investments (“WV-BTI”) was estimated based on WV-IMB assumed inflation of 2.0% plus a 25-basis point spread.

The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

Asset Class	Current Policy Asset Allocation	Geometric Return
Global Equity	55.0%	4.8%
Core Plus Fixed Income	15.0%	2.1%
Core Real Estate	10.0%	4.1%
Private Equity	10.0%	6.8%
Hedge Funds	10.0%	2.4%
Total	100.0%	

Discount Rate

A single discount rate of 6.65% was used to measure the total OPEB liability. This single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investment was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate.

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

	1% Decrease (5.65%)	Current Discount Rate Assumption (6.65%)	1% Increase (7.65%)
Net OPEB Asset (Liability)	$ (114,529)	$ (44,560)	$ 15,471

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates.

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

	1% Decrease	Current Trend Rate Assumption	1% Increase
Net OPEB Asset (Liability)	$ 25,332	$ (44,560)	$ (127,254)

Municipality of Beckley Retiree Healthcare Plan:

Plan description

The Municipality of Beckley provides healthcare benefits to employees and retirees and their dependents. The Municipality of Beckley Retiree Healthcare Plan (Municipality Plan) is a single employer defined benefit OPEB plan administered by the Municipality. The Municipality Plan's levels of benefits, employee contributions, and employer contributions were authorized by the Municipality Council and any amendments to the Municipality Plan must be approved and authorized by Council. The Municipality Plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the Municipality Plan. The Municipality Plan does not issue a separate report. The activity of the Municipality plan is reported in the General Fund, Parking Revenue Fund, Parks and Recreation Fund, and the Beckley Sanitary Board component unit.

Benefits provided

The Municipality Plan provides medical and prescription drug insurance and dental and vision insurance. The Municipality also contributes up to $4,000/$5,000(single/family) per year towards the deductible for each retiree. Therefore, the Municipality's liability equals the value of the implicit subsidy, the (up to) $4,000 payment, and the monthly payments. The insurance premiums are required to be reimbursed to the Municipality and paid fully by the retiree. All full-time active employees who retire or qualify for retirement directly from the Board, and meet the eligibility criteria, may participate. The Municipality plan had approximately 261 participants with 245 being active employees and 16 being retirees and their beneficiaries of which the Board is a member of.

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

At fiscal year-end, the Board reported a liability of $1,257,027 for its share of net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of July 1, 2022, the measurement date was June 30, 2023.

For this fiscal year, the Board recognized OPEB expense of $42,777. The Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	-	(287,695)
Changes in actuarial assumptions	138,120	(174,851)
	$ 138,120	$ (462,546)

The amount reported as deferred inflows of resources related to OPEB resulting from government contributions subsequent to the measurement date will be recognized as an increase in the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:

2024		(46,213)
2025		(46,213)
2026		(46,212)
2027		(45,373)
2028		(53,815)
2029-2031		(86,600)
Total	$	(324,426)

Actuarial assumptions

The total OPEB liability was determined by an actuarial valuation as of June 20, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	2.75%
Salary Increases	3.50%
Healthcare Trend	6.50% initially, grading down to 4.25% ultimate
Discount Rate	3.87%
Mortality Rates – Police and Firefighters	Pre/Post-retirement: PUB 2010S Headcount tables for Male and Female projected with SSA22 generational scale Post-retirement /disabled retirees: PUB 2010S Disabled Headcount tables for Male and Female projected with SSA22 generational scale.
Mortality Rates – Others	Pre/Post-retirement: PUB 2010G Headcount tables for Male and Female projected with SSA22 generational scale Post-retirement – disabled retirees: PUB 2010G Disabled Headcount tables for Male and Female projected with SSA22 generational scale

In the June 30, 2023, actuarial valuation, the assumptions used represent a reasonable long-term expectation of future OPEB outcomes. As national economic and employer experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

Changes in actuarial assumptions

The discount rate changed from 3.69% in the prior year to 3.87% in the current year.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.87%. There is no prefunding of benefits in an OPEB trust for this plan; therefore, the discount rate is equal to the yield on a 20-year municipal bond Aa index as of June 30, 2023.

Actuarial Methods for Determining Employer Contributions

The same economic and demographic assumptions are used for both funding and financial reporting purposes under GASB 74/75.

The Entry Age method is used for accounting/GASB purposes; therefore, all of the actuarial figures within the report are based on it. Although there is no prefunding of benefits at this time, an actuarially determined contribution is computed based on a 30-year amortization, level % of pay approach, of the unfunded actuarial liability.

Sensitivity of the Board's net OPEB liability to changes in the discount rate.

The following presents the Board's net OPEB liability of the plan, calculated using the discount rate of 3.87%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease 2.87%	Current Discount Rate Assumption 3.87%	1% Increase 4.87%
Net OPEB Liability	$ 1,393,555	$ 1,257,027	$ 1,136,087

Sensitivity of the Board's net OPEB liability to changes in the healthcare trend rate. The following presents the net OPEB liability of the plan, calculated using the healthcare trend rate of 6.50% to an ultimate rate of 4.25%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rates:

	1% Decrease 3.25%	Current Healthcare Cost Trend Rate 4.25%	1% Increase 5.25%
Net OPEB Liability	$ 1,111,259	$ 1,257,027	$ 1,428,548

Changes in the total OPEB liability

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a-b)
Balances as of June 30, 2022	$ 1,189,653	$ -	$ 1,189,653
Service costs	60,749	-	60,749
Interest on total OPEB liability	45,843	-	45,843
Difference between expected and actual experience	-	-	-
Changes in assumptions	(23,088)	-	(23,088)
Employer contributions	-	16,130	16,130
Employee contributions	-	(16,130)	(16,130)
Benefit payments, including subsidies	(16,130)	-	(16,130)
Balances as of June 30, 2023	$ 1,257,027	$ -	$ 1,257,027

NOTE XI – SUBSEQUENT EVENTS

The Board's management has evaluated the effect that subsequent events would have on the Board's financial statements through February 20, 2024, which is the date the financial statements were available to be released.

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Required Supplementary Information

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Public Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Board's proportionate share of the net pension liability (asset) (%)	0.127809%	-0.116258%	0.115053%	0.084853%	0.086424%	0.095927%	0.102662%	0.090231%	0.088825%	0.066027%
Board's proportionate share of the net pension liability (asset)	$ 182,818	$ (1,020,669)	$ 608,252	$ 182,446	$ 223,192	$ 414,062	$ 943,582	$ 503,854	$ 327,822	$ 601,922
Board's covered payroll	$ 2,184,567	$ 1,890,480	$ 1,789,100	$ 1,790,900	$ 1,661,140	$ 1,582,155	$ 1,591,075	$ 1,620,074	$ 1,173,643	$ 1,189,462
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	8.37%	-53.99%	34.00%	10.19%	13.44%	26.17%	59.30%	31.10%	27.93%	50.60%
Plan fiduciary net position as a percentage of the total pension liability	98.17%	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%	79.70%

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF CONTRIBUTIONS - RETIREMENT SYSTEMS
FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Public Employees' Retirement System

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 196,611	$ 189,048	$ 178,910	$ 179,090	$ 166,114	$ 174,037	$ 190,929	$ 218,710	$ 164,310	$ 172,472
Contributions in relation to the contractually required contribution	$ (196,611)	$ (189,048)	$ (178,910)	$ (179,090)	$ (166,114)	$ (174,037)	$ (190,929)	$ (218,710)	$ (164,310)	$ (172,472)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ 2,184,567	$ 1,890,480	$ 1,789,100	$ 1,790,900	$ 1,661,140	$ 1,582,155	$ 1,591,075	$ 1,620,074	$ 1,173,643	$ 1,189,462
Contributions as a percentage of covered payroll	9.00%	10.00%	10.00%	10.00%	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF THE BOARD'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
For the Fiscal Year Ended June 30, 2023

West Virginia Retiree Health Benefit Trust
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Board's proportionate share of the net OPEB liability (%)	0.040036184%	-0.017857540%	0.015678270%	0.015296147%	0.015187938%	0.016604778%
Board's proportionate share of the net OPEB liability (asset)	$ 44,560	$ (5,311)	$ 69,249	$ 253,783	$ 325,848	$ 408,310
Board's covered payroll	$ -	$ -	$ -	$ -	$ -	$ -
Board's proportionate share of the net OPEB liability as a percentage of its covered payroll	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**
Plan fiduciary net position as a percentage of the total OPEB liability	93.59%	101.81%	73.49%	39.69%	30.98%	25.10%

The amounts presented for each fiscal year were determined as of June 30th.

* GASB Statement #75 requires the presentation of 10 years of information. However, until a full 10-year trend is completed, only the available information is presented. The above schedule is for 6 years.

** All participants were retired at yearend.

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF CONTRIBUTIONS - OPEB
For the Fiscal Year Ended June 30, 2023

West Virginia Retiree Health Benefit Trust
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Contractually required contribution	$ 38,076	$ 30,586	$ 30,235	$ 30,304	$ 30,943	$ 31,609
Contributions in relation to the contractually required contribution	38,076	30,586	30,235	30,304	30,943	31,609
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Board's covered payroll	$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	N/A**	N/A**	N/A**	N/A**	N/A**	N/A**

The amounts presented for each fiscal year were determined as of June 30th.

* GASB Statement #75 requires the presentation of 10 years of information. However, until a full 10-year trend is completed, only the available information is presented. The above schedule is for 6 years.

** All participants were retired at yearend.

BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
For the Fiscal Year Ended June 30, 2023

Municipality of Beckley Retiree Healthcare Plan
Last 10 Fiscal Years*

Fiscal year end June 30	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	$ 59,275	$ 71,619	$ 68,115	$ 66,766	$ 68,059	$ 62,326
Interest on the total OPEB liability	45,843	30,097	33,929	51,203	55,680	49,024
Benefit changes	(16,130)	(30,106)	(198,289)	-	-	-
Difference between expected and actual experience	-	(198,416)	-	(267,840)	-	-
Assumption changes	(21,614)	(170,515)	76,477	234,718	8,513	(8,441)
Net change in total OPEB liability	67,374	(297,321)	(19,768)	84,847	132,252	102,909
Total Pension OPEB - beginning	1,189,653	1,486,974	1,506,742	1,421,895	1,289,643	1,186,734
Total OPEB Liability - ending	$ 1,257,027	$ 1,189,653	$ 1,486,974	$ 1,506,742	$ 1,421,895	$ 1,289,643
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	1,954,302	1,680,255	1,109,060	1,467,756	1,707,748	1,511,115
Net OPEB liability as a percentage of covered employee payroll	64.32%	70.80%	134.08%	102.66%	83.26%	85.34%

There were no changes to benefit terms from the prior year.
There were no changes in healthcare cost trend rates from the prior year.

Changes of assumptions. The discount rate changed from 3.69% to 3.87% in the current year from the prior year.

The amounts presented for each fiscal year were determined as of June 30th.

* GASB Statement #75 requires the presentation of 10 years of information. However, until a full 10-year trend is completed, only the available information is presented. The above schedule is for 6 years.

Supplementary Information

Sewerage

The Beckley Sanitary Board is subject to rate covenant compliance associated with the issuance of the Sewerage Series 2017 Bonds. Specifically, the Board must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond documents as follows:

"…the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to meet the coverage requirements set forth in the Prior Ordinance so long as the Prior Bonds are Outstanding and thereafter, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2017 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2017 Bonds including the Prior Bonds; provided, that in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2017 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2017 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2017 Bonds."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2023:

Rate Covenant

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
$5,437,000	$2,132,939	255%	110%

As of June 30, 2023, the Board was in compliance with the provisions of the 2017 revenue bond covenant which requires net gross revenue to be at least 110% of the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2017 revenue bond covenant require that assets be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year. As of June 30, 2023, the Board was in compliance with the provisions of this requirement.

Stormwater Utility Fund

The Stormwater Utility is subject to rate covenant compliance associated with the issuance of the Series 2020 Bonds. Specifically, the Utility must meet gross revenue targeted percentage and reserve debt requirements as shown in the bond document as follows:

"…the Issuer hereby covenants and agrees that the schedule or schedules of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System, to meet the coverage requirements set forth in the Prior Ordinance so long as the Prior Bonds are Outstanding and thereafter, (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 115% of the maximum amount required in any year for payment of principal of and interest on the Series 2020 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2020 Bonds including the Prior Bonds; provided, that in the event that, an amount equal to or in excess of the Reserve Requirement is on deposit in the Reserve Accounts and any reserve accounts for obligations on a parity with the Series 2020 Bonds are funded at least at the requirement therefor, such sum need only equal 110% of the maximum amount required in any year for payment of principal of and interest on the Series 2020 Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with, or subordinate to, the Series 2020 Bonds."

The following schedule summarizes the provisions for the fiscal year ended June 30, 2023:

Rate Covenant

Net Gross Revenues	Maximum Amount Annual Debt Service	Percentage	Percentage Required
$1,377,703	$133,799	1,030%	110%

As of June 30, 2023, the Board was in compliance with the provisions of the 2020 revenue bond covenant which requires net gross revenue to be at least 110% of the amount of the highest principal payment plus interest due in any given year.

The provisions of the 2020 revenue bond covenant require that assets be accumulated in restricted accounts for the payment of future debt service. The covenant requires, at a minimum, that an amount equivalent to one-third of the current year's debt service payment be maintained in a revenue account. A reserve account must also be funded with one-tenth of one-twelfth of the highest debt service payment in any given year. As of June 30, 2023, the Board was in compliance with the provisions of this requirement.

Ferrari & Associates, PLLC
616 Schubert Place | Morgantown, WV 26505

Independent Auditor's 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*

Beckley Sanitary Board
301 S. Herber Street
Beckley, West Virginia 25801

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 and each major fund of the Beckley Sanitary Board, a component unit of the Municipality of Beckley, West Virginia, (Board) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements and have issued our report thereon dated February 20, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be material weaknesses.

Report on Compliance and Other Matters

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

Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Board's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Board's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 result 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.

Ferrari & Associates, PLLC

Morgantown, West Virginia
February 20, 2024

2023-001 Information Security

Condition – It was noted after year end that there was a breach in the cybersecurity of the Municipality of Beckley, which also affected the financial data of the Beckley Sanitary Board.

Criteria – Proper internal control dictates responsibility for cybersecurity to be implemented for the security of financial information of the Municipality. Breach of the firewalls could have negative effects on the financial information of the Municipality and that of customers.

Cause – The Municipality did not have sufficient firewalls to secure its data.

Effect – Internal control structure elements do not reduce to a relatively low level that risk breaches in the firewall could enable errors and irregularities, in amounts that would be material in relation to the financial statements, to occur and not be detected in a timely manner.

Recommendation – To update cybersecurity policy and firewalls to better protect financial information and data.

Municipality's Response – Municipality officials stated that it intends to revise/upgrade the cybersecurity policy and firewalls to protect its information and the information of customers.

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BECKLEY SANITARY BOARD
A COMPONENT UNIT OF THE MUNICIPALITY OF BECKLEY, WEST VIRGINIA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

There were no audit findings for the year ended June 30, 2022.