

bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

1

September 22, 2023

To the Mayor and Members of Council
Corporation of Shepherdstown
Jefferson County, West Virginia

We have audited the financial statements of the governmental activities, business-type activities, and each major fund of the Corporation of Shepherdstown for the year ended June 30, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 13, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Corporation of Shepherdstown are described in Note I to the financial statements. We noted no transactions entered into by the Corporation during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was:

Management's estimate of the depreciation of assets is based on Generally Accepted Government Accounting Standards. We evaluated the key factors and assumptions used to develop the depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. All journal entries relating to misstatements or reclassifications were identified during the course of the audit.

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
PO Box 875 • 129 Pinckney Street • Circleville, OH 43113 • (740) 474-5210 • FAX (740) 474-7319
PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639
PO Box 325 • Huntington, WV 25708 • (304) 521-2648 • FAX (888) 900-1264

www.bhmcpagroup.com

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 22, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Corporation's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Corporation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Information in Documents Containing Audited Financial Statements

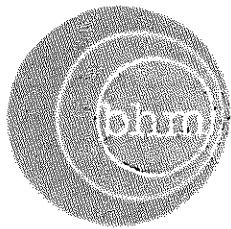
With respect to the supplementary and accompanying information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary and accompanying information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor, Members of Council and management of the Corporation of Shepherdstown and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

BHM CPA Group

BHM CPA Group Inc.
Huntington, West Virginia



RFP #21-179
Jefferson County

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CERTIFIED PUBLIC ACCOUNTANTS

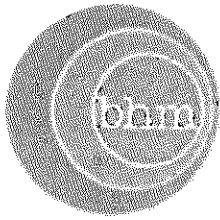
AUDIT REPORT OF
CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
REGULAR AUDIT

For the Year Ended June 30, 2021
Fiscal Year Audited Under GAGAS: 2021

One East Campus View Blvd. Suite 300 • Columbus, OH 43235 • (614) 389-5775 • FAX (614) 467-3920
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PO Box 687 • 528 S. West Street • Piketon, OH 45661 • (740) 289-4131 • FAX (740) 289-3639
PO Box 325 • 107 Sixth Street • Huntington, WV 25708 • (304) 521-2648 • FAX (740) 289-3639

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

Corporation of Shepherdstown
Jefferson County, West Virginia
104 North King Street
Shepherdstown, West Virginia 25443

To the Mayor and Members of Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, and each major fund of the Corporation of Shepherdstown, Jefferson County, West Virginia (the Corporation), as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Corporation of Shepherdstown, Jefferson County, West Virginia, as of June 30, 2022, and the respective changes in financial position, and where applicable, cash flows, thereof and the respective budgetary comparisons for the General Fund and Coal Severance Tax Fund, for the year then ended in accordance with the 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 and schedules of other post-employment benefit liabilities and contributions 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 accounting standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2023, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group, Inc.
Huntington, West Virginia
September 22, 2023

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021
(Unaudited)

The discussion and analysis of the Corporation of Shepherdstown's financial performance provides an overview of the Corporation's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Corporation's financial statements.

FINANCIAL HIGHLIGHTS

The Corporation's net position increased by \$0.8 million as a result of this year's operations. Net position of the business-type activities increased by \$0.3 million compared to the previous year or 2 percent, net position of the governmental activities increased by \$0.5 million or 5 percent.

During the year, the Corporation had expenses for governmental programs that were \$1.0 million more than the \$0.6 million generated by governmental program revenues, which includes fees for services and intergovernmental aid. The remaining cost of governmental activities was financed with general revenues, which totaled \$1.5 million for the year. The business-type programs had program revenues, which include fees for services and capital contributions in excess of program expenses of \$0.2 million.

The Corporation's governmental activities revenues increased by \$0.2 million or 10 percent and governmental activities expenses increased by \$0.1 million or 7 percent. Business-type activities revenues increased \$0.1 million or 3 percent. Business-type expenses increased by \$0.1 million or 3 percent.

The Corporation had water and sewer projects in progress at June 30, 2021 with an estimated cost of \$6.5 million. Cost incurred through June 30, 2021 amounted to \$3.5 million. The projects are being funded with bond proceeds and internal funds.

The general fund ended the year with a fund balance of \$5.0 million, a \$0.7 million increase from 2020 or 16 percent.

The COVID-19 pandemic had a direct effect on consumer based taxes and other consumer based revenues during 2021. Charges for services, alcoholic beverages taxes, and video lottery/table gaming revenues were impacted. Additionally, the pandemic had required increased public safety and administrative workloads. The Corporation received \$240, 119 of Coronavirus Relief Funds through the West Virginia Governor's office during 2021.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net position and the Statement of Activities provide information about the activities of the Corporation as a whole and present a longer-term view of the Corporation's finances. Fund financial statements present a shorter term view, and tell how governmental services were financed in the near term as well as funds remaining for future spending. Fund financial statements also report the Corporation's operations in more detail than the government-wide statements by providing information about the Corporation's most significant funds.

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

**CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

(Unaudited)

USING THIS ANNUAL REPORT (CONTINUED)

These two statements report the Corporation's net position and changes in it. You can think of the Corporation's net position-the difference between assets and liabilities-as one way to measure whether the Corporation's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Corporation's property tax base and the condition of the Corporation's infrastructure, to assess the overall health of the Corporation.

In the Statement of Net position and the Statement of Activities, the Corporation is divided into two kinds of activities:

Governmental activities-Most of the Corporation's basic services are reported here, including the police, streets, sanitation, culture and recreation, and general administration. Property taxes, business and occupation taxes, and general revenues finance most of these activities.

Business-type activities-The Corporation charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Corporation's water and sewer system is reported here.

Reporting the Corporation's Most Significant Funds

The fund financial statements provide detailed information about the most significant funds-not the Corporation as a whole. Some funds are required to be established by State law. However, the Corporation Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The Corporation's two kinds of funds-governmental and proprietary-use different accounting approaches.

Governmental funds-Most of the Corporation's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Corporation's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Corporation's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in the reconciliations following each of the fund financial statements.

Proprietary funds-When the Corporation charges customers for the services it provides-whether to outside customers or to other units of the Corporation-these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net position and the Statement of Activities. In fact, these funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

**CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

(Unaudited)

THE CORPORATION AS A WHOLE

The Corporation's combined net position increased \$0.8 million from a year ago-increasing from \$26.2 million to \$27.0 million. Reviewing the net position of governmental and business-type activities separately provides more detail about these changes. The analysis below focuses on the net position (Table 1) and changes in net position (Table 2) of the Corporation's governmental and business-type activities.

Table 1
Net position (in Millions)

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 5.2	\$ 4.4	\$ 8.3	\$ 8.2	\$ 13.5	\$ 12.6
Capital assets	5.2	5.5	19.6	20.0	24.8	25.5
Total assets	<u>10.4</u>	<u>9.9</u>	<u>27.9</u>	<u>28.2</u>	<u>38.3</u>	<u>38.1</u>
Deferred outflows of resources	0.1	-	0.1	-	0.2	-
Total assets and deferred outflows of resources	<u>10.5</u>	<u>9.9</u>	<u>28.0</u>	<u>28.2</u>	<u>38.5</u>	<u>38.1</u>
Long-term debt outstanding	-	-	10.6	11.1	10.6	11.1
Other liabilities	0.3	0.3	0.3	0.4	0.6	0.7
Total liabilities	<u>0.3</u>	<u>0.3</u>	<u>10.9</u>	<u>11.5</u>	<u>11.2</u>	<u>11.8</u>
Deferred inflows of resources	0.1	-	0.2	0.1	0.3	0.1
Net position:						
Net investment in capital assets	5.2	5.5	9.0	8.9	14.2	14.4
Restricted	-	-	4.5	4.2	4.5	4.2
unrestricted	<u>4.9</u>	<u>4.1</u>	<u>3.4</u>	<u>3.5</u>	<u>8.3</u>	<u>7.6</u>
Total net position	<u>10.1</u>	<u>9.6</u>	<u>16.9</u>	<u>16.6</u>	<u>27.0</u>	<u>26.2</u>
Total liabilities, deferred inflows of resource and net position	<u>\$ 10.5</u>	<u>\$ 9.9</u>	<u>\$ 28.0</u>	<u>\$ 28.2</u>	<u>\$ 38.5</u>	<u>\$ 38.1</u>

Net position of the Corporation's governmental activities increased by 5 percent (\$0.5 million). Unrestricted net position-the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements-increased from \$4.1 million at June 30, 2020, to \$4.9 million at the end of this year.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2021
 (Unaudited)

THE CORPORATION AS A WHOLE (CONTINUED)

The net position of business-type activities increased by \$0.3 million compared to the previous year or 2 percent. Unrestricted net position increased by \$0.1 million compared to the previous year or 3 percent. The Corporation generally can use unrestricted net position to finance the continuing operations of the water and sewer funds.

Table 2
 Changes in Net position (in Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	\$ 0.4	\$ 0.4	\$ 2.8	\$ 2.9	\$ 3.2	\$ 3.3
Operating grants and contributions	0.2	-	-	-	0.2	-
Capital grants and contributions	-	-	0.2	0.1	0.2	0.1
General revenues:						
Property taxes	0.2	0.2	-	-	0.2	0.2
Sales tax	0.4	0.4	-	-	0.4	0.4
Business and occupation tax	0.1	0.1	-	-	0.1	0.1
Alcoholic beverage tax	0.2	0.1	-	-	0.2	0.1
Utility service tax	0.1	0.1	-	-	0.1	0.1
Hotel/motel tax	0.1	0.1	-	-	0.1	0.1
Video lottery/table gaming	0.3	0.3	-	-	0.3	0.3
Other general revenues	0.1	0.2	0.1	0.2	0.2	0.4
Total revenues	2.1	1.9	3.1	3.2	5.2	5.1
Expenses						
General government	0.5	0.4	-	-	0.5	0.4
Public safety	0.6	0.6	-	-	0.6	0.6
Streets and transportation	0.2	0.2	-	-	0.2	0.2
Health and sanitation	0.2	0.2	-	-	0.2	0.2
Culture and recreation	0.1	0.1	-	-	0.1	0.1
Water	-	-	1.4	1.5	1.4	1.5
Sewer	-	-	1.4	1.4	1.4	1.4
Total expenses	1.6	1.5	2.8	2.9	4.4	4.4
Change in net position	\$ 0.5	\$ 0.4	\$ 0.3	\$ 0.3	\$ 0.8	\$ 0.7

**CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

(Unaudited)

THE CORPORATION AS A WHOLE (CONTINUED)

The Corporation's total revenues increased by \$0.1 million during the year or 2 percent, primarily because of the COVID-19 pandemic financial assistance received. The total cost of all programs and services remained constant at 4.4 million. The analysis separately considers the operations of governmental and business-type activities.

Governmental Activities

Revenues for the Corporation's governmental activities increased \$0.2 million to \$2.1 million, and total expenses increased \$0.1 million to \$1.6 million.

The cost of all governmental activities was \$1.6 million for 2021 and \$1.5 million for 2020. However, as shown in the Statement of Activities, the 2021 amount that taxpayers ultimately financed for these activities through Corporation general revenues was \$1.0 million (\$1.1 million for 2020) because some of the cost was paid by those who directly benefitted from the programs (\$0.6 million for 2021 and \$0.5 million for 2020). The Corporation paid for the remaining "public benefit" portion of governmental activities with \$1.5 million in taxes (some of which could only be used for certain programs) and general revenues, such as video lottery/table gaming revenues (\$1.4 million for 2020).

Business-Type Activities

Revenues of the Corporation's business-type activities (see Table 2) decreased \$0.1 million or 3 percent and expenses decreased \$0.1 million or 3 percent.

THE CORPORATION'S FUNDS

As the Corporation completed the year, the governmental funds reported a combined fund balance of \$5.0 million, which is an increase of 16 percent (\$0.7 million).

General Fund Budgetary Highlights

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

Even with the above mentioned amendments, the Corporation's actual revenues exceeded budgeted revenues by \$0.2 million and actual expenditures were \$4.5 million less than reflected budgeted expenditures. Actual ending general fund balance exceeded budgeted ending general fund balance by \$5.0 million.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2021, the Corporation had \$24.8 million invested in a broad range of capital assets, including land, structures, infrastructure, equipment and vehicles, and water and sewer utility plant. (See Table 3 below). This amount represents a net increase (including accumulated depreciation) of \$0.7 million, or 3 percent from the previous year.

**CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

June 30, 2021

(Unaudited)

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

Construction in progress consists primarily of upgrades to the Corporation's water utility plant.

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

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 0.9	\$ 0.9	\$ 0.1	\$ 0.1	\$ 1.0	\$ 1.0
Structures and improvements	3.3	3.3	-	-	3.3	3.3
Equipment, vehicles, and software	1.4	1.4	-	-	1.4	1.4
Infrastructure	3.4	3.4	-	-	3.4	3.4
Utility plant	-	-	26.4	26.3	26.4	26.3
Construction in progress	-	-	3.5	3.4	3.5	3.4
Total	<u>9.0</u>	<u>9.0</u>	<u>30.0</u>	<u>29.8</u>	<u>39.0</u>	<u>38.8</u>
Accumulated depreciation	(3.8)	(3.5)	(10.4)	(9.8)	(14.2)	(13.3)
Capital assets, net of accumulated depreciation	<u>\$ 5.2</u>	<u>\$ 5.5</u>	<u>\$ 19.6</u>	<u>\$ 20.0</u>	<u>\$ 24.8</u>	<u>\$ 25.5</u>

This year's major additions included (in millions)

Governmental Activities

none \$ -

Business-Type Activities

Sewer projects under construction \$ 0.1

Sewer Pumping equipment 0.1

Total \$ 0.2

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
 June 30, 2021
 (Unaudited)

Debt and Long-term Liabilities

At year-end, the Corporation had \$10.6 million of outstanding fixed debt, and decrease of \$0.5 million over the prior year. No fixed debt was issued in 2021 or 2020.

Table 4
 Outstanding Long-Term Liabilities at Year-End (in Millions)

	Governmental Activities		Business-Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Accrued compensated absences	\$ -	\$ -	\$ 0.1	\$ 0.1	\$ 0.1	\$ 0.1
Net OPEB liability	0.1	0.2	0.1	0.3	0.2	0.5
Total	0.1	0.2	0.2	0.4	0.3	0.6
	Governmental Activities		Business-Type Activities		Totals	
Bonds payable	-	-	10.6	11.1	10.6	11.1
Total	\$ -	\$ -	\$ 10.6	\$ 11.1	\$ 10.6	\$ 11.1

ECONOMIC FACTORS

The Corporation's elected and appointed officials considered many factors when setting the fiscal year 2022 budget, tax rates, and fees. One of those factors was the COVID-19 pandemic. Other factors are the general economy and County's increasing population.

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

CONTACTING THE CORPORATION'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the Corporation's finances and to show the Corporation's accountability for the money its receives. If you have questions about this report or need additional financial information, contact the Corporation of Shepherdstown at P.O. Box 248, Shepherdstown, West Virginia, 25443.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
STATEMENT OF NET POSITION
As of June 30, 2021

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
ASSETS:			
Current Assets:			
Cash	\$ 4,844,550	\$ 3,444,736	\$ 8,289,286
Restricted cash	25,241	4,685,238	4,710,479
Receivables, net of allowances:			
Taxes	180,869	-	180,869
Accounts	35,516	258,276	293,792
Beneficial interest in assets held by others	50,031	-	50,031
Internal balances	62,399	(62,399)	-
Total current assets	5,198,606	8,325,851	13,524,457
Capital Assets:			
Land	894,254	-	894,254
Construction in progress	-	3,471,588	3,471,588
Depreciable:			
Structures and improvements	3,259,579	-	3,259,579
Equipment	1,350,011	-	1,350,011
Infrastructure	3,462,485	-	3,462,485
Utility plant in service	-	26,501,754	26,501,754
Less: accumulated depreciation	(3,749,468)	(10,366,833)	(14,116,301)
Total Assets	10,415,467	27,932,360	38,347,827
DEFERRED OUTFLOWS			
Deferred outflows related to post employment benefit plan	43,587	51,375	94,962
Total Assets and Deferred Outflows	\$ 10,459,054	\$ 27,983,735	\$ 38,442,789
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 98,129	\$ -	\$ 98,129
Payroll liabilities	28,244	11,778	40,022
Accrued interest	-	33,472	33,472
Customer deposits	22,510	145,402	167,912
Engineering review fees	-	34,517	34,517
Bonds payable (current portion)	-	457,767	457,767
Total current liabilities	148,883	682,936	831,819
Long-term liabilities (net of current portion):			
Bonds payable	-	10,184,708	10,184,708
Accrued compensated absences	32,013	65,983	97,996
Net OPEB liability	52,256	70,211	122,467
Total long-term liabilities	84,269	10,320,902	10,405,171
Total Liabilities	233,152	11,003,838	11,236,990
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to post employment benefit plan	160,639	215,839	376,478
Total Deferred Inflows of Resources	160,639	215,839	376,478
NET POSITION:			
Net investment in capital assets	5,216,861	8,964,034	14,180,895
Restricted	2,731	4,471,847	4,474,578
Unrestricted	4,845,671	3,328,177	8,173,848
Total net position	10,065,263	16,764,058	26,829,321
Total liabilities and net position	\$ 10,298,415	\$ 27,767,896	\$ 38,066,311

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2021

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities	Total
Primary Government						
Governmental Activities						
General Government	\$ 462,173	\$ 93,447	\$ 268,759	\$ -	\$ (99,967)	\$ (99,967)
Public Safety	621,561	73,807	291	-	(547,463)	(547,463)
Streets and Transportation	202,631	-	-	-	(202,631)	(202,631)
Health and sanitation	228,747	187,101	-	-	(41,646)	(41,646)
Culture and Recreation	58,813	-	-	-	(58,813)	(58,813)
Total Governmental activities	<u>1,573,925</u>	<u>354,355</u>	<u>269,050</u>	<u>(950,520)</u>	<u>-</u>	<u>(950,520)</u>
Business-type Activities						
Water	1,356,751	1,595,688	-	88,652	-	327,589
Sewer	1,448,554	1,183,256	-	96,416	-	(169,682)
Total Business-type activities	<u>2,805,305</u>	<u>2,778,944</u>	<u>-</u>	<u>185,068</u>	<u>157,907</u>	<u>157,907</u>
Total Primary Government	<u>\$ 4,380,030</u>	<u>\$ 3,133,299</u>	<u>\$ 269,050</u>	<u>\$ 185,068</u>	<u>(950,520)</u>	<u>(792,613)</u>
General Revenues						
Taxes						
Property taxes, levied for general purposes				209,019	-	209,019
Sales tax				415,582	-	415,582
Business and occupancy tax				67,751	-	67,751
Alcoholic beverage tax				161,435	-	161,435
Utility services tax				72,186	-	72,186
Hotel/motel tax				90,550	-	90,550
Coal severance tax				3,266	-	3,266
Other taxes				2,960	-	2,960
Franchise fees				3,117	-	3,117
IRP fees				4,754	-	4,754
Investment income				74,038	111,088	185,126
Rent				43,201	960	44,161
Video lottery and table gaming				326,712	-	326,712
Reimbursements				3,091	-	3,091
Purchases rebates				7,363	-	7,363
Miscellaneous				392	-	392
Total General Revenues				<u>1,485,417</u>	<u>112,048</u>	<u>1,597,465</u>
Change in Net Position				<u>534,897</u>	<u>269,955</u>	<u>804,852</u>
Net Position Beginning of Year				<u>9,530,366</u>	<u>16,494,103</u>	<u>26,024,469</u>
Net Position End of Year				<u>\$ 10,065,263</u>	<u>\$ 16,764,058</u>	<u>\$ 26,829,321</u>

The notes to the basic financial statements are an integral part of this statement

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
Balance Sheet - Governmental Funds
June 30, 2021

	General	Coal Severance Tax	Housing Authority	Total Governmental Funds
ASSETS:				
Cash	\$ 4,831,883	\$ 11,149	\$ 1,518	\$ 4,844,550
Restricted cash	25,242	-	-	25,242
Receivables, net of allowances:				
Taxes	179,882	987	-	180,869
Accounts	35,516	-	-	35,516
Beneficial Interest In Assets Held by Others	-	-	50,031	50,031
Due to/from other funds	62,399	-	-	62,399
<i>Total Assets</i>	<u>\$ 5,134,922</u>	<u>\$ 12,136</u>	<u>\$ 51,549</u>	<u>\$ 5,198,607</u>
LIABILITIES:				
Accounts payable	\$ 98,128	\$ -	\$ -	\$ 98,128
Payroll liabilities	28,244	-	-	28,244
Customer deposits	22,510	-	-	22,510
<i>Total Liabilities</i>	<u>148,882</u>	<u>-</u>	<u>-</u>	<u>148,882</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue - property taxes	9,410	-	-	9,410
<i>Total Deferred inflows of resources</i>	<u>9,410</u>	<u>-</u>	<u>-</u>	<u>9,410</u>
FUND BALANCES:				
Restricted	2,731	-	-	2,731
Committed	-	-	50,031	50,031
Assigned	4,973,899	12,136	1,518	4,987,553
<i>Total Fund Balances</i>	<u>4,976,630</u>	<u>12,136</u>	<u>51,549</u>	<u>5,040,315</u>
<i>Total Liabilities, deferred inflows of resources and Fund Balance</i>	<u>\$ 5,134,922</u>	<u>\$ 12,136</u>	<u>\$ 51,549</u>	<u>\$ 5,198,607</u>

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
 Reconciliation of the Balance Sheet - Governmental Funds to
 the Statement of Net Position
 June 30, 2021

Total Governmental Fund Balances	\$	5,040,315
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,216,861
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		9,410
Deferred inflows and outflows of resources related to other post employment benefits are not required to be reported in the funds but are required to be reported at the government-wide level.		(117,052)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		<u>(84,271)</u>
Net Position of Governmental Activities	\$	<u>10,065,263</u>

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2021

	<u>General</u>	<u>Coal Severance Tax</u>	<u>Housing Authority</u>	<u>Total Governmental Funds</u>
REVENUES:				
Taxes:				
Taxes (including interest and penalties)	\$ 1,023,425	\$ -	\$ -	\$ 1,023,425
Licenses, permits and miscellaneous fees	23,269	-	-	23,269
Intergovernmental:				
Federal	240,410	-	-	240,410
State	20,119	3,266	-	23,385
Other grants and donations	8,522	-	-	8,522
Charges for services	257,280	-	-	257,280
Fines and forfeitures	73,417	-	-	73,417
Franchise Fees	3,117	-	-	3,117
IRP fees	4,754	-	-	4,754
Interest	68,266	173	5,598	74,037
Rent	43,201	-	-	43,201
Video lottery and table gaming	326,712	-	-	326,712
Reimbursements	3,091	-	-	3,091
Purchase rebates	7,363	-	-	7,363
Miscellaneous	779	-	-	779
<i>Total Revenues</i>	<u>2,103,725</u>	<u>3,439</u>	<u>5,598</u>	<u>2,112,762</u>
EXPENDITURES:				
General government	372,679	-	-	372,679
Public safety	622,239	2,460	-	624,699
Streets and transportation	136,075	-	684	136,759
Health and sanitation	211,162	-	-	211,162
Culture and recreation	55,092	-	-	55,092
<i>Total Expenditures</i>	<u>1,397,247</u>	<u>2,460</u>	<u>684</u>	<u>1,400,391</u>
<i>Net Change in Fund Balances</i>	706,478	979	4,914	712,371
<i>Fund Balances at Beginning of Year</i>	<u>4,270,152</u>	<u>11,157</u>	<u>46,635</u>	<u>4,327,944</u>
<i>Fund Balances at End of Year</i>	<u>\$ 4,976,630</u>	<u>\$ 12,136</u>	<u>\$ 51,549</u>	<u>\$ 5,040,315</u>

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances of Governmental Funds to the Statement of Activities
 For the Fiscal Year Ended June 30, 2021

Net Change in Fund Balances - Total Governmental Funds	\$	712,371
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlays			
Depreciation expense		-	
Total		<u>(226,274)</u>	(226,274)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. Deferred revenues decreased by this amount in the current period.			(3,941)
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Certain other post employment benefit expenses in the statement of activities is recognized on the accrual basis of accounting in accordance with GASB #75

Amount of other post employment benefit payments at fund level		21,248	
Amount of other post employment benefit expense recognized at government-wide level		<u>(31,493)</u>	

Amount that other post employment benefit payments exceeded other post employment benefit expense in the current period			52,741
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Expenses in the statement of activities that do not require the use of current financial resources are not reported as expenditures in governmental funds. Accrued compensated absences decreased by this amount in current period.			<u>-</u>
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Net Change in Net Position of Governmental Activities	\$	<u>534,897</u>
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The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA

Statement of Revenues, Expenditures and Changes

In Fund Balance - Budget and Actual (Budgetary Basis)

General Fund

For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Modified Accrual Basis	Variance with Final Budget
Revenues:				
General property tax	\$ 223,004	\$ 223,004	\$ 212,961	\$ (10,043)
Sales tax	300,000	300,000	415,582	115,582
Business and occupation tax	115,000	115,000	67,751	(47,249)
Alcoholic beverage tax	90,000	90,000	161,435	71,435
Utility services tax	71,000	71,000	72,186	1,186
Hotel occupancy tax	100,209	100,209	90,550	(9,659)
Other taxes	3,300	3,300	2,960	(340)
Total taxes	902,513	902,513	1,023,425	120,912
Licenses, permits and miscellaneous fees	13,100	13,100	23,269	10,169
Intergovernmental:				
Federal	-	-	240,410	240,410
State	-	-	20,119	20,119
Other grants and donations	500	500	8,522	8,022
Charges for services	328,300	328,300	257,280	(71,020)
Fines and forfeitures	124,500	124,500	73,417	(51,083)
Franchise fees	8,000	8,000	3,117	(4,883)
IRP fees	9,000	9,000	4,754	(4,246)
Interest	93,500	93,500	68,266	(25,234)
Rentals	43,702	43,702	43,201	(501)
Video lottery and table gaming	394,900	394,900	326,712	(68,188)
Reimbursements	3,500	3,500	3,091	(409)
Charges to other funds	20,000	20,000	7,363	(12,637)
Miscellaneous	2,500	2,500	779	(1,721)
Total revenues	1,944,015	1,944,015	2,103,725	159,710
Expenditures:				
Current:				
General Government	2,404,320	2,404,320	372,679	2,031,641
Public Safety	856,849	856,849	622,239	234,610
Streets and transportation	2,024,060	2,024,060	136,075	1,887,985
Health and sanitation	397,720	397,720	211,162	186,558
Culture and recreation	186,066	186,066	55,092	130,974
Total expenditures	5,869,015	5,869,015	1,397,247	4,471,768
Net Change in Fund Balance	(3,925,000)	(3,925,000)	706,478	4,631,478
Fund Balance at Beginning of Year	3,925,000	3,925,000	4,270,152	345,152
Fund Balance at End of Year	\$ -	\$ -	\$ 4,976,630	\$ 4,976,630

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
 Statement of Revenues, Expenditures and Changes
 In Fund Balance - Budget and Actual (Budgetary Basis)
 Coal Severance Tax Fund
 For the Fiscal Year Ended June 30, 2021

	Original Budget	Final Budget	Actual Modified Accrual Basis	Variance with Final Budget
Revenues:				
Intergovernmental:				
State	\$ 5,000	\$ 5,000	\$ 3,266	\$ (1,734)
Interest income	100	100	173	73
Total revenues	<u>5,100</u>	<u>5,100</u>	<u>3,439</u>	<u>(1,661)</u>
Expenditures:				
Public safety	6,900	6,900	2,460	4,440
Total expenditures	<u>6,900</u>	<u>6,900</u>	<u>2,460</u>	<u>4,440</u>
Net Change in Fund Balance	(1,800)	(1,800)	979	2,779
Fund Balance at Beginning of Year	<u>1,800</u>	<u>1,800</u>	<u>11,157</u>	<u>9,357</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,136</u>	<u>\$ 12,136</u>

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities Enterprise Funds		Totals
	Water	Sewer	
ASSETS:			
Current Assets:			
Cash	\$ 2,086,186	\$ 1,358,550	\$ 3,444,736
Receivables, net of allowances of \$5,000 and \$5,000, respectively	153,252	105,024	258,276
Total current assets	2,239,438	1,463,574	3,703,012
Restricted assets:			
Customer deposits	84,666	60,830	145,496
Engineering review fees	16,323	18,194	34,517
Revenue bond debt service	91,640	20,306	111,946
Revenue bond reserve	390,271	209,770	600,041
Revenue bond depreciation	488,427	414,907	903,334
Construction funds	335,688	-	335,688
Capital capacity improvement	1,942,754	611,462	2,554,216
Total restricted assets	3,349,769	1,335,469	4,685,238
Capital Assets:			
Utility plant in service	10,246,535	16,255,219	26,501,754
Less: accumulated depreciation and amortization	(4,286,198)	(6,080,635)	(10,366,833)
Construction in progress	3,400,101	71,487	3,471,588
Total capital assets	9,360,438	10,246,071	19,606,509
Total Assets	\$ 14,949,645	\$ 13,045,114	\$ 27,994,759
DEFERRED OUTFLOWS:			
Deferred outflows related to post employment benefit plan	32,332	19,043	51,375
Total Assets and Deferred Outflows	\$ 14,981,977	\$ 13,064,157	\$ 28,046,134

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2021

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Totals
LIABILITIES:			
Current Liabilities:			
Due to general fund	\$ 7,295	\$ 4,483	\$ 11,778
Accrued payroll and benefits	37,007	25,392	62,399
Bonds payable	250,627	207,140	457,767
Accrued interest	33,472	-	33,472
Customer deposits	84,616	60,786	145,402
Engineering review fees	16,323	18,194	34,517
Total current liabilities	429,340	315,995	745,335
Noncurrent Liabilities:			
Accrued compensated absences	23,401	42,582	65,983
Net OPEB liability	41,541	28,670	70,211
Bonds payable	6,041,919	4,142,789	10,184,708
Total long-term liabilities	6,106,861	4,214,041	10,320,902
Total liabilities	6,536,201	4,530,036	11,066,237
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to other post employment plan	127,702	88,137	215,839
Total liabilities and deferred inflows	6,663,903	4,618,173	11,282,076
NET POSITION:			
Net Investment in Capital Assets	3,067,892	5,896,142	8,964,034
Restricted	3,215,358	1,256,489	4,471,847
Unrestricted	2,034,824	1,293,353	3,328,177
Total net position	8,318,074	8,445,984	16,764,058
Total liabilities and net position	\$ 14,981,977	\$ 13,064,157	\$ 28,046,134

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION - PROPRIETARY FUNDS
for the Fiscal Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Totals
OPERATING REVENUES:			
Sales and services to customers	\$ 1,592,801	\$ 1,183,256	\$ 2,776,057
Miscellaneous	2,887	-	2,887
<i>Total Operating Revenues</i>	<u>1,595,688</u>	<u>1,183,256</u>	<u>2,778,944</u>
OPERATING EXPENSES:			
Operation and maintenance	996,630	1,034,965	2,031,595
Payroll taxes	34,534	23,538	58,072
Depreciation and amortization	184,540	376,038	560,578
<i>Total Operating Expenses</i>	<u>1,215,704</u>	<u>1,434,541</u>	<u>2,650,245</u>
OPERATING INCOME (LOSS)	379,984	(251,285)	128,699
NON-OPERATING REVENUES (EXPENSES)			
Storage unit rental income	-	960	960
Interest income	69,980	41,108	111,088
Interest expense	(141,047)	(14,813)	(155,860)
<i>Total Nonoperating Revenues (Expenses)</i>	<u>(71,067)</u>	<u>27,255</u>	<u>(43,812)</u>
<i>Income before contributed capital</i>	308,917	(224,030)	84,887
Contributed capital	88,652	96,416	185,068
Change in net position	397,569	(127,614)	269,955
Net position at the beginning of year	7,920,505	8,573,598	16,494,103
Net Position at end of year	<u>\$ 8,318,074</u>	<u>\$ 8,445,984</u>	<u>\$ 16,764,058</u>

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
for the Fiscal Year Ended June 30, 2021

	Business-Type Activities Enterprise Funds		
	Water	Sewer	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,600,927	\$ 1,200,945	\$ 2,801,872
Cash paid for operation and maintenance expenses	(1,020,129)	(1,038,041)	(2,058,170)
Cash paid for taxes other than income taxes	(34,534)	(23,538)	(58,072)
Net cash provided (used) by operating activities	<u>546,264</u>	<u>139,366</u>	<u>685,630</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(41,884)	(81,800)	(123,684)
Proceeds from bonds	-	-	-
Principal payments on bonds	(248,227)	(207,140)	(455,367)
Interest paid on bonds	(141,047)	(14,813)	(155,860)
Proceeds from capital capacity fees, customer deposits, and other non-operating income	91,652	99,433	191,085
Net cash provided (used) by capital and related financing activities	<u>(339,506)</u>	<u>(204,320)</u>	<u>(543,826)</u>
Cash flows from investing activities			
Interest received	69,980	41,108	111,088
Net increase (decrease) in cash and equivalents	276,738	(23,846)	252,892
Cash and equivalents, beginning of year	5,159,217	2,717,865	7,877,082
Cash and equivalents, end of year	<u>\$ 5,435,955</u>	<u>\$ 2,694,019</u>	<u>\$ 8,129,974</u>
Net Cash provided (used) by operating activities:			
Operating income (loss)	\$ 379,984	\$ (251,285)	\$ 128,699
Changes in assets and liabilities -			
Depreciation expense	184,540	376,038	560,578
Adjustments to reconcile operating income to net cash provided by operating activities:			
Increase in operating assets	(7,679)	16,911	9,232
Increase (decrease) in operating liabilities	(10,581)	(2,298)	(12,879)
Net cash provided (used) by operating activities	<u>\$ 546,264</u>	<u>\$ 139,366</u>	<u>\$ 685,630</u>
Reconciliation of Cash			
Cash per Statement of Net Position	\$ 2,086,186	\$ 1,358,550	\$ 3,444,736
Restricted cash per Statement of Net Position	3,349,769	1,335,469	4,685,238
Cash per Statement of Cash Flows	<u>\$ 5,435,955</u>	<u>\$ 2,694,019</u>	<u>\$ 8,129,974</u>

The notes to the basic financial statements are an integral part of this statement.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Corporation of Shepherdstown, West Virginia ("Corporation") is a municipal corporation in which citizens elect the mayor at large and five council members. The Corporation engages in a comprehensive range of services, including general government administration, public safety and administration of justice, public works, sanitation services, water and sewer services, recreation, and cultural and historic activities.

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

The Corporation follows the GASB Standards for financial reporting. Certain significant components of the Standards include the following:

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

These financial statements present all fund types of the Corporation.

Individual Component Unit Disclosure

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

The Corporation had no blended component units as of and for the year ended June 30, 2021.

The Corporation has no discretely presented component units as of and for the year ended June 30, 2021.

Related Organizations

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

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide and Fund Financial Statements

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

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

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

The emphasis in fund financial statements is on major funds in the governmental categories. Non-major funds by category are summarized into a single column, if applicable. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental categories combined) for the determination of major funds.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and Fund Financial Statements (continued)

Corporation management may electively add funds as major funds, when it is determined the funds have specific community or management focus. The Coal Severance Fund and Housing Authority Fund have been added by management as major governmental funds.

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

Governmental Funds

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

General Fund

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

Special Revenue Funds

Special revenue funds account for revenue derived from specific sources (other than major capital projects) that are restricted by legal and regulatory provisions to finance specific activities. Special revenue funds considered to be major funds consist of the Coal Severance, and Housing Authority Funds.

Proprietary Funds

Proprietary funds are used to account for operations that are financed in a manner similar to private business enterprises where the intent is that the cost of providing goods and services to the general public, on a continuing basis, be financed or recovered primarily through user charges. The Corporation's proprietary funds account for the operation of water and sewer activities.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

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

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus.

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

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

Budgets and Budgetary Accounting

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

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

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

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

Encumbrances

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

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Customer Receivables

The Corporation uses the reserve method of providing for possible losses in the collection of its accounts receivable. The general fund allowance for doubtful accounts of \$2,000 and water and sewer funds allowance for doubtful accounts of \$10,000 at June 30, 2021, are deemed adequate by management to provide for collection losses.

Inventories

The Corporation considers inventories of materials and supplies as expended at the time of purchase. Therefore, they do not appear in the Corporation's financial statements.

Restricted Assets

Restricted cash of General fund consists of customer deposits to guarantee collection for garbage services, and donor restricted contributions.

Restricted cash of the water and sewer funds consists of the following:

Customer deposits are held by the Corporation to guarantee payment for water and sewer services.

Engineering review fee funds are restricted for engineering review of plans and specifications of water and sewer developer extension projects.

Revenue bond debt service funds and debt service reserve funds represent funds required by debt covenants under the various debt ordinances. These funds are to be used to pay bond interest and principal.

Revenue bond depreciation funds are held by a bank under the water and sewer bond ordinances. Withdrawals may be made for replacement and emergency repairs.

Construction funds represent funds held by banks as trustees under the bond ordinances. These funds are to be used solely for payment of construction costs associated with the water and sewer Funds.

Capital capacity improvement funds are established by ordinance. Capital capacity improvement funds are kept apart from all other funds. Withdrawals and disbursements are made for improvements and upgrades to the system that maintain or increase capacity to service customers.

All carrying values are the same as market values.

Investments

The Corporation has not adopted a formal investment policy as of June 30, 2021.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital outlays are recorded as expenditures of the general and special revenue funds and as assets in the government-wide financial statements to the extent the Corporation's capitalization threshold of \$5,000 is met. Depreciation is recorded on general fixed assets on a government-wide basis using the straight-line method and the following estimated useful lives:

Infrastructure	50 Years
Buildings	40 Years
Land improvements	10-20 Years
Equipment/Software	3-15 Years
Vehicles	3-5 Years

To the extent that the Corporation's capitalization threshold of \$5,000 is met, capital outlays of the water and sewer funds are recorded as fixed assets and depreciated over their estimated useful lives on both the fund basis and the government-wide basis using the straight-line method and the following estimated useful lives:

Structures	10-40 Years
Improvements	10-40 Years
Utility Plant	7-40 Years
Equipment/Software	3-15 Years
Vehicles	3-5 Years

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

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred. No interest was capitalized during the year ended June 30, 2021.

Deferred Outflows/Inflows of Resources

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

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Corporation had no items that qualify for reporting in this category. The Corporation's deferred outflows relate to its OPEB plan and will be recognized based on GASB No.75 measurement standards and actuarial determinations.

In addition to liabilities, the statements of net position and or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Corporation's deferred inflows of resources relate to unavailable property taxes as reported in the governmental funds balance sheet and the Corporation's OPEB plan that will be recognized based on actuarial determinations.

Compensated Absences

The Corporation's policy is to permit employees to accumulate earned but unused vacation benefits up to 240 hours. The Corporation fully recognizes the liability related to compensated absences in the government-wide financial statements and proprietary fund financial statements.

Interfund Charges

The Corporation General Fund routinely pays for certain costs relating to the Water and Sewer Funds. These costs are reimbursed on a periodic (generally monthly) basis to the General Fund.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

Long-Term Obligations

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

Fund Balances

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

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is classified into the following categories:

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

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

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

Statement of Cash Flows

For purposes of the Statement of Cash Flows, all highly liquid investments (including restricted assets) with a maturity of 3 months or less when purchased are considered to be cash equivalents.

Nonexchange Transactions

The water and sewer funds follow GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33), which establishes accounting and reporting guidelines for government entities that gives (or receives) value without directly receiving (or giving) equal value in return. The water and sewer funds receive voluntary nonexchange transactions from developer and customer donations of cash, property, lines, and improvements. In addition, the water and sewer funds receive various capital grants from federal and state agencies. These donations are considered capital contributions on the Statement of Revenues, Expenses and Changes in Net Position.

Postemployment Benefits Other than Pensions (OPEB)

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

NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 87, *Leases*, the objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2: NEW ACCOUNTING PRONOUNCEMENTS (continued)

leases are financings of the right to use an underlying asset. No. 87 will be effective for the Corporation for fiscal year ending June 30, 2022.

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

GASB Statement No. 92, *Omnibus 2020*, enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB pronouncements. The effective date for Statement No. 92 ranges from fiscal year ending June 30, 2021 to fiscal year ending June 30, 2023, depending upon the effective date of the specific GASB pronouncement being addressed.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* aims to improve financial reporting by addressing issues related to public-private and financial reporting for availability payment arrangements. Statement 94 will be effective for fiscal year ending June 30, 2023.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, clarifies how to determine component units that are defined contributions pension/OPEB plans. In addition, this standard explains how the guidance in GASB Statement Nos. 67, 74, and 84 should be applied to Section 457 plans and supersedes guidance in GASB Statement No. 32 for investment valuation in Section 457 plans. Requirements that change the accounting and reporting for Section 457 plans are effective for the year ended June 30, 2022.

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

NOTE 3: PROPERTY TAXES

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

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

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 3: PROPERTY TAXES (continued)

The rates levied by the Corporation per \$100 of assessed valuation for each class of property for the year ended June 30, 2021, were as follows:

Class of Property	Assessed Valuations for Tax Purposes	Current Expense
Class I	\$ -	9.02¢
Class II	\$ 42,151,850	18.04¢
Class IV	\$ 42,130,285	36.08¢

NOTE 4: CASH AND TEMPORARY INVESTMENTS

Cash and temporary investments represent amounts being held at banks and the Municipal Bond Commission and consist of the following accounts and amounts at June 30, 2021:

	Governmental Funds	Water and Sewer Funds	Total
Unrestricted accounts			
Bank accounts	\$ 4,844,150	\$ 3,444,736	\$ 8,288,886
Petty cash	400	-	400
Total unrestricted accounts	4,844,550	3,444,736	8,289,286
Restricted accounts			
Donor restricted funds	2,731	-	2,731
Customer deposits	22,510	145,496	168,006
Bond debt service and reserve funds	-	711,987	711,987
Revenue bond depreciation funds	-	903,334	903,334
Capital capacity improvement funds	-	2,554,216	2,554,216
Construction funds	-	335,688	335,688
Engineering review funds	-	34,517	34,517
Total restricted accounts	\$ 25,241	\$ 4,685,238	\$ 4,710,479

Municipalities are authorized by statute to provide excess funds to the Municipal Bond Commission for investment purposes, or to invest such funds in the following classes of securities: obligations of the United States or any agency thereof, certificates of deposit and repurchase agreements.

The market value of the above cash and temporary investments approximates cost at June 30, 2021.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: COLLATERALIZATION OF DEPOSITS

The Corporation maintains its cash accounts at one financial institution. Corporation deposits held by financial institutions are insured up to \$250,000 at each financial institution by the Federal Deposit Insurance Corporation (FDIC). At June 30, 2021, the Corporation's deposits (excluding funds held at the Municipal Bond Commission) in excess of FDIC insurance limits were collateralized with securities held by the financial institution.

NOTE 6: BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

An agency endowment fund was established on June 4, 2018, on behalf of the Corporation with the Eastern West Virginia Foundation, which was valued at \$50,031 as of June 30, 2021. The purpose of the fund is to provide for Shepherdstown low income home improvements. Earnings of the Fund will be paid as requested based on the spending policy of the Foundation. To the extent that the fund is not distributed to the Corporation, if the purpose for which the fund was created ever becomes obsolete or incapable of fulfillment, the Foundation's trustees have the authority to use the funds for a purpose as similar as possible to that of the Corporation.

NOTE 7: CHANGES IN CAPITAL ASSETS

The following is a summary of the changes in governmental and business-type capital assets:

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 894,254	\$ -	\$ -	\$ 894,254
Total capital assets no being depreciated	894,254	-	-	894,254
Capital assets being depreciated:				
Structures and improvements	3,259,579	-	-	3,259,579
Equipment and vehicles	1,350,011	-	-	1,350,011
Infrastructure	3,462,485	-	-	3,462,485
Total	8,072,075	-	-	8,072,075
Less: Accumulated depreciation	(3,523,195)	(226,273)	-	(3,749,468)
Capital assets being depreciated, net	4,548,880	(226,273)	-	4,322,607
Total governmental activities capital assets	\$ 5,443,134	\$ (226,273)	\$ -	\$ 5,216,861

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: CHANGES IN CAPITAL ASSETS (continued)

Governmental activities:	
General government	\$ 95,089
Public safety	29,697
Highways and streets	70,927
Health and sanitation	26,766
Culture and recreation	<u>3,794</u>
Total governmental activities depreciation expense	<u>\$ 226,273</u>

Depreciation was charged to functions as follows:

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 82,362	\$ -	\$ -	\$ 82,362
Intangible plant	1,534	-	-	1,534
Construction in progress	<u>3,377,904</u>	<u>93,684</u>	<u>-</u>	<u>3,471,588</u>
Total capital assets no being depreciated	<u>3,461,800</u>	<u>93,684</u>	<u>-</u>	<u>3,555,484</u>
Capital assets being depreciated:				
Utility plant in service	<u>26,387,858</u>	<u>30,000</u>	<u>-</u>	<u>26,417,858</u>
Total	26,387,858	30,000	-	26,417,858
Less: Accumulated depreciation	<u>(9,806,255)</u>	<u>(560,578)</u>	<u>-</u>	<u>(10,366,833)</u>
Capital assets being depreciated, net	<u>16,581,603</u>	<u>(530,578)</u>	<u>-</u>	<u>16,051,025</u>
Total business-type activities capital assets	<u>\$ 20,043,403</u>	<u>\$ (436,894)</u>	<u>\$ -</u>	<u>\$ 19,606,509</u>

Depreciation was charged to functions as follows:

Business-type activities:	
Water	\$ 184,540
Sewer	<u>376,038</u>
Total business-type activities depreciation expense	<u>\$ 560,578</u>

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8: LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021
Governmental Activities				
Compensated absences	\$ 32,013	\$ -	\$ -	\$ 32,013
Net OPEB liability	189,083	15,490	152,317	52,256
Total	\$ 221,096	\$ 15,490	\$ 152,317	\$ 84,269
Business-type Activities				
Compensated absences	\$ 65,983	\$ -	\$ -	\$ 65,983
Net OPEB liability	258,918	21,211	209,918	70,211
Total	\$ 324,901	\$ 21,211	\$ 209,918	\$ 136,194

	Balance at June 30, 2020	Additions	Disposals	Balance at June 30, 2021	Amount Due Within One Year
<u>Bonds Payable</u>					
Business-type:					
2003A Water Revenue Bonds	\$ 314,747	\$ -	\$ 23,315	\$ 291,432	\$ 23,316
2003B Water Revenue Bonds	303,182	-	73,544	229,638	75,026
2012 Water Revenue Bonds	3,427,845	-	91,368	3,336,477	92,285
2017 Water Revenue Bonds	2,495,000	-	60,000	2,435,000	60,000
2010A Sewer Revenue Bonds	4,557,068	-	207,140	4,349,928	207,140
Total	\$ 11,097,842	\$ -	\$ 455,367	\$ 10,642,475	\$ 457,767

2003 Series A Water Revenue Bonds

The 2003 Series A Water Revenue Bonds in the amount of \$669,459 were issued pursuant to an ordinance enacted by the Corporation of Shepherdstown, West Virginia on May 20, 2003 and mature through December 1, 2033 bearing an interest rate of 0%.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8: LONG-TERM DEBT (continued)

Maturities of 2003 Series A Water Revenue Bonds are as follows:

Year	Principal	Interest	Total
2022	\$ 23,316	\$ -	\$ 23,316
2023	23,316	-	23,316
2024	23,316	-	23,316
2025	23,316	-	23,316
2026	23,316	-	23,316
2027-2031	116,580	-	116,580
2032-2034	58,272	-	58,272
Total	<u>\$ 291,432</u>	<u>\$ -</u>	<u>\$ 291,432</u>

The 2003 Series A bonds are secured with a lien on and pledge of the net revenues derived from the operation of the system. As required by the bond ordinance, a debt service fund has been established with the West Virginia Municipal Bond Commission. The debt service fund is to be used for the purpose of paying the principal on the bonds. The debt service reserve is fully funded. The bonds are on parity with the other water fund bonds.

2003 Series B Water Revenue Bonds

The 2003 Series B Water Revenue Bonds in the amount of \$1,300,541 were issued pursuant to an ordinance enacted by the Corporation of Shepherdstown, West Virginia on May 20, 2003 and mature through June 1, 2024 bearing an interest rate of 2.00%.

Maturities of 2003 Series B Water Revenue Bonds are as follows:

Year	Principal	Interest	Total
2022	75,026	4,032	79,058
2023	76,537	2,521	79,058
2024	78,075	983	79,058
Total	<u>\$ 229,638</u>	<u>\$ 7,536</u>	<u>\$ 237,174</u>

The 2003 Series B bonds are secured with a lien on and pledge of the net revenues derived from the operation of the system. As required by the bond ordinance, a debt service fund has been established with the West Virginia Municipal Bond Commission. The debt service fund is to be used for the purpose of paying the principal and interest on the bonds. The debt service reserve is fully funded. The bonds are on parity with the other water department fund bonds.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8: LONG-TERM DEBT (continued)

2012 Water Revenue Bonds

The 2012 Water Revenue Bonds in the amount of \$4,000,000 were issued pursuant to an ordinance enacted by the Corporation of Shepherdstown, West Virginia on July 29, 2012 and mature through June 1, 2052 bearing an interest rate of 1.00%.

Maturities of 2012 Series Water Revenue Bonds are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 92,285	\$ 33,019	\$ 125,304
2023	93,211	32,093	125,304
2024	94,147	31,157	125,304
2025	95,092	30,212	125,304
2026	96,046	29,258	125,304
2027-2031	494,886	131,634	626,520
2032-2036	520,227	106,293	626,520
2037-2041	546,865	79,655	626,520
2042-2046	574,868	51,652	626,520
2047-2051	604,304	22,216	626,520
2052	124,546	780	125,326
Total	<u>\$ 3,336,477</u>	<u>\$ 547,969</u>	<u>\$ 3,884,446</u>

The 2012 Series bonds are secured with a lien on and pledge of the net revenues derived from the operation of the system. As required by the bond ordinance, a debt service fund has been established with the West Virginia Municipal Bond Commission. The debt service fund is to be used for the purpose of paying the principal and interest on the bonds. Annual debt service reserve payments of \$12,530 are required until the reserve is fully funded. The bonds are on parity with the other water department fund bonds.

2017 Series Water Revenue Bonds

The 2017 Series Water Revenue Bonds in the amount of \$2,650,000 are being issued pursuant to an ordinance enacted by the Corporation of Shepherdstown, West Virginia on March 1, 2017 and mature on March 1, 2047 bearing an interest rate of 2.25% - 4.250%.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8: LONG-TERM DEBT (continued)

Maturities of 2017 Series Water Revenue bonds are as follows:

Year	Principal	Interest	Total
2022	\$ 60,000	\$ 91,678	\$ 151,678
2023	60,000	90,328	150,328
2024	65,000	88,528	153,528
2025	65,000	86,578	151,578
2026	65,000	84,627	149,627
2027-2031	370,000	390,632	760,632
2032-2036	435,000	323,515	758,515
2037-2041	525,000	233,800	758,800
2042-2046	645,000	115,237	760,237
2047	145,000	6,162	151,162
Total	<u>\$ 2,435,000</u>	<u>\$ 1,511,085</u>	<u>\$ 3,946,085</u>

The 2017 Series Revenue Bonds are secured with a lien on and pledge of the net revenues derived from the operation of the system. As required by the bond ordinance, a debt service fund has been established with the West Virginia Municipal Bond Commission. The debt service fund is to be used for the purpose of paying the principal and interest on the bonds. The debt service reserve is fully funded. The bonds are on parity with the other water fund bonds.

2010 Series A Sewer Revenue Bonds

The 2010 Series A Sewer Revenue Bonds in the amount of \$9,172,697 are being issued pursuant to an ordinance enacted by the Corporation of Shepherdstown, West Virginia on January 25, 2010 and mature through June 1, 2043 bearing an interest rate of 0%.

Maturities of 2010 Series A Sewer Revenue Bonds are as follows:

Year	Principal	Interest	Total
2022	\$ 207,140	\$ -	\$ 207,140
2023	207,140	-	207,140
2024	207,140	-	207,140
2025	207,140	-	207,140
2026	207,140	-	207,140
2027-2031	1,035,700	-	1,035,700
2032-2036	1,035,700	-	1,035,700
2037-2041	1,035,700	-	1,035,700
2042-2043	207,128	-	207,128
Total	<u>\$ 4,349,928</u>	<u>\$ -</u>	<u>\$ 4,349,928</u>

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8: LONG-TERM DEBT (continued)

The 2010 Series A Sewer bonds are secured with a lien on and pledge of the net revenues derived from the operation of the system. As required by the bond ordinance, a debt service fund has been established with the West Virginia Municipal Bond Commission. The debt service fund is to be used for the purpose of paying the principal on the bonds. Annual debt service reserve payments of \$20,714 are required until the reserve is fully funded.

Bond Covenant Requirements

The covenants contained in the water and sewer bond issues include a required debt service coverage ratio of 115%. The water and sewer funds met the required coverage for the year ended June 30, 2021.

The water and sewer bond issues require monthly deposits to the renewal and replacement fund equal to 2-1/2% of monthly gross revenues. The Corporation's deposits, including necessary expenditures for renewals and replacements, exceeded this requirement for the year ended June 30, 2021.

NOTE 9: EMPLOYEES' RETIREMENT PLAN

The Corporation has adopted an IRS Section 457 retirement plan for its employees. The Corporation has set up the 457 Plan with AIC VALIC. Employees may contribute up to 10% of their compensation. The Corporation matches the employee contribution of up to 200%.

The Corporation contributed the following amounts to the plan:

2021	\$76,252
2020	\$71,662
2019	\$75,628

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The Corporation contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan. The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. The four remaining members represent the public at large. The plan had approximately 43,000 policyholders and 64,000 covered lives at June 30, 2020. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE, Suite 2, Charleston WV 25304.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Benefits Provided

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

Contributions

Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately \$152 million for the fiscal year ended June 30, 2021. For the year ended June 30, 2020, contributions to the OPEB plan from the Corporation were \$21,248 and \$31,872 for the governmental activities and business-type activities, respectively.

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

At June 30, 2021, the Corporation reported a liability of \$52,256 and \$70,211 for the governmental activities and business-type activities, respectively, 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, 2019, rolled forward to June 30, 2020, which is the measurement date. The Corporation's proportion of the net OPEB liability was based on a projection of the Corporation's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2020, the corporation's proportionate share was 0.027726476%, which was a decrease of 0.000724348% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Corporation recognized OPEB expenses of \$(37,126) and \$(55,689) for the governmental activities and business-type activities, respectively.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	\$ 28,401	\$ 9,273
Net difference between projected and actual investment earnings on OPEB plan investments	13,441	4,145
Difference between expected and actual experience	-	79,405
Change in assumptions	-	276,429
Reallocation of opt-out employer change in proportionate share	-	7,226
Corporation contributions subsequent to the measurement date	53,120	-
	\$ 94,962	\$ 376,478

The amount reported as deferred outflows of resources related to OPEB resulting from Corporation contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in

Year Ended June 30	Governmental Activities	Business-type Activities	Total
2022	\$ (54,165)	\$ (78,227)	\$ (132,392)
2023	(47,379)	(67,926)	(115,305)
2024	(35,677)	(50,248)	(85,925)
2025	(1,079)	65	(1,014)
	\$ (138,300)	\$ (196,336)	\$ (334,636)

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation Rate	2.25%
Wage inflation	2.75%
Salary increases	Dependent upon pension system, ranging from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for per-Medicare per capita costs of 7.0% for plan year end 2022, 6.50% for plan year end 2023, ultimate trend rate of 4.25% is reached in plan year end 2023. Trend rate for Medicare per capita costs of 31.11% for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20 year closed period as of June 30, 2017
Mortality Rates	Active - 100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males - 110% of RP-2000 Healthy Annuitant Scale AA fully generational Retired healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	49.5%	6.80%
Core Plus Fixed Income	13.5%	4.10%
Core Real Estate	9.0%	6.10%
Hedge Fund	9.0%	4.40%
Private Equity	9.0%	8.80%
Cash and Cash Equivalents	10.0%	0.00%
	100.0%	

Discount Rate

The discount rate used to measure the OPEB liability was 6.65%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate for return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

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

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

	1% Decrease 6.15%	Discount Rate 7.15%	1% Increase 8.15%
Governmental activities	\$ 74,524	\$ 52,256	\$ 33,615
Business-type activities	100,130	70,211	45,165
Total	\$ 174,654	\$ 122,467	\$ 78,780

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 10: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

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

The following chart presents the Corporation'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	Healthcare Cost Trend Rates	1% Increase
Governmental activities	\$ 31,443	\$ 52,256	\$ 77,394
Business-type activities	42,247	70,211	103,986
Total	<u>\$ 73,690</u>	<u>\$ 122,467</u>	<u>\$ 181,380</u>

OPEB Plan Fiduciary Net Position

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

Summary of Deferred Outflow/Inflow Balances

	Total	Governmental Activities	Business-type Activities
Difference between expected and actual experience	\$ (79,405)	\$ (38,887)	\$ (40,518)
Change in assumptions	(276,429)	(112,583)	(163,846)
Net difference between projected and actual earnings on OPEB plan investments	9,296	1,445	7,851
Changes in proportion and differences between Corporation contributions and proportionate share of contributions	19,128	14,880	4,248
Reallocation of opt-out employer change in proportionate share	(7,226)	(3,155)	(4,071)
Corporation contributions subsequent to the measurement date	53,120	21,248	31,872
	<u>\$ (281,516)</u>	<u>\$ (117,052)</u>	<u>\$ (164,464)</u>

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 11: COMMITMENTS AND CONTINGENCIES

The water and sewer funds have various water and sewer construction projects in progress with estimated costs of approximately \$6.5 million. Costs incurred through June 30, 2021 amount to approximately \$3.5 million. The projects are being financed with the proceeds from bond issuances and internal funding.

Litigation

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

Federal and State Grants

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

NOTE 12: RISK MANAGEMENT

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

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

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

NOTE 13: FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned, and/or unassigned based primarily on the extent to which the Corporation is bound to observe constraints imposed upon the use of the resources in governmental funds.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 13: FUND BALANCE (Continued)

The constraints placed on fund balance for the major governmental funds are presented below:

	General	Coal Severance	Housing Authority Fund
Fund Balance			
Nonspendable:			
Prepaid expenses	\$ -	\$ -	\$ -
Restricted:			
Donor purpose restriction	2,731	-	-
Committed:			
Low income housing improvements	-	-	50,031
Assigned for:			
Carryover in fiscal year June 30, 2020 budget	4,973,899	-	-
Public Safety	-	12,136	-
General government	-	-	1,518
	-	-	1,518
Total fund balance	\$ 4,976,630	\$ 12,136	\$ 51,549

NOTE 14: UNCERTAINTIES RELATED TO THE GLOBAL PANDEMIC

During the year ended June 30, 2021, local, U.S. and world governments encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating temporary work stoppage in many sectors and imposing limitations on travel, size and duration of group meetings. Most organizations have, experience disruption to business operations and the impact of reduced consumer spending and increased operating costs, including the Corporation.

The Corporation received \$240,119 of Coronavirus Relief Funds through the West Virginia Governor's office during the year to provide for lost revenues and increased operating costs.

NOTE 15: SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through September 22, 2023, the date the financial statements were available to be issued. The Corporation has determined there are no additional subsequent events that require recognition or disclosure.

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
 Schedule of the Corporation's Proportionate Share of the Net OPEB Liability

	For the Fiscal Year Ended June 30, 2021				
	2021	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.027726476%	0.027002128%	0.027024302%	0.025139443%	0.027537252%
District's proportionate share of the net OPEB liability	\$ 122,467	\$ 448,001	\$ 579,788	\$ 618,176	\$ 683,840
District's covered-employee payroll	1,424,475	1,266,125	1,226,948	1,191,711	1,151,845
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	8.60%	35.38%	47.25%	51.87%	59.37%
Plan fiduciary net position as a percentage of the total OPEB liability.	73.49%	39.69%	30.98%	25.10%	21.64%

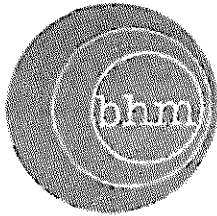
*Applicable information was available for two years for this schedule

CORPORATION OF SHEPHERDSTOWN, WEST VIRGINIA
Schedule of the Corporation's OPEB Plan Contributions

For the Fiscal Year Ended June 30, 2021

	2021	2020	2019	2018	2017
Contractually required contribution	\$ 53,120	\$ 53,592	\$ 50,874	\$ 52,491	\$ 51,636
Contributions in relation to the contractually required contribution	(53,120)	(53,592)	(50,874)	(52,491)	(51,636)
Contribution deficiency (excess)	-	-	-	-	-
District's covered-employee payroll	1,424,475	1,266,125	1,226,948	1,191,711	1,151,845
Contributions as a percentage of covered-employee payroll	3.73%	4.23%	4.15%	4.40%	4.48%

*Applicable information was available for two years for this schedule



bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by *Government Auditing Standards***

Corporation of Shepherdstown
Jefferson County, West Virginia
104 North King Street
Shepherdstown, West Virginia, 25443

To the Mayor and Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, and each major fund of the Corporation of Shepherdstown, Jefferson County, West Virginia (the Corporation) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements and have issued our report thereon dated September 22, 2023.

Internal Control Over Financial Reporting

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

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

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

Mayor and Members of Council
Corporation of Shepherdstown
Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Required by Government Auditing Standards
Page 2

Compliance and Other Matters

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

Purpose of this Report

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

BHM CPA Group

BHM CPA Group Inc.
Huntington, West Virginia
September 22, 2023